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NATIONAL POLICY AND ISSUES

BEIJING PROPAGANDA DEPARTMENT HOLDS FORUM ON ECONOMIC THEORY

HK241452 Beijing City Service in Mandarin 2300 GMT 17 Nov 80

[Text] According to a BEIJING RIBAO report, the propaganda department of the Beijing Municipal CCP Committee recently held a forum on economic theory. Some 80 people attended the forum, including theorists, responsible personnel of enterprises and cadres of the bureaus concerned. Focusing on the four proposals of the central secretariat for the work principles of Beijing Municipality, the forum discussed the municipality's problem of reforming the economic and political systems. During the forum, the participants emphatically discussed problems in implementing the central secretariat's four proposals for Beijing Municipality's work principles. All participants held: in order to implement the central secretariat's four proposals, we must correct our ideological line. Reviewing the past situation, they said: during the reign of the gang of four, Beijing Municipality suffered seriously. After the smashing of the gang of four, major leaders of the Beijing Municipal CCP Committee clamped down the lid for 2 years and did nothing. Even at the time of the smashing of the gang of four, many kinds of work remained unchanged. After the third plenary session, Beijing Municipality lagged behind where the criterion of truth was concerned. Since the central secretariat put forward the four proposals, Beijing Municipality has lacked specific and effective measures to promote political and ideological construction, beautification of the environment, scientific and cultural construction and economic construction which meets the demands of the capital. The housing problem has been acute and some people have suffered while others have been satisfied. The authorities have been unable to find solutions to food, clothing and transportation problems. In addition to this, some other problems have begun to grow. It will be difficult for us to solve these problems unless we correct our ideological lines now, face the masses and proceed from the actual conditions to formulate necessary measures and improve our work styles.

The forum also carried out serious discussions on reform and readjustment of the economic and political systems in Beijing Municipality. All participants unanimously held: It is absolutely necessary to readjust and reform the economic system of Beijing Municipality. If we do not carry out readjustments, Beijing Municipality will never meet the demands of the four modernizations nor will it advance. However, the participants held diverging points of view regarding how to carry out readjustment and reform. Some comrades advocated vigorus readjustments and reform and some advocated mild ones, fearing that vigorous readjustments would end up in a mess. Regarding the political system, many comrades held that reform was also necessary on the whole, and that the orientation was correct. However, some comrades thought that conditions were not yet ripe. Other comrades reflected that some leading cadres did not have a clear understanding regarding reform of the political system, saying: What are the flaws of the original system of CCP committees: capitalist countries demand money and socialist countries demand power. If there is no power, how can the party lead us?

The meeting held: It is normal for diverging opinions on readjustment and reform of the economic and political systems to exist. Our party already possesses the correct political and ideological lines, and we can obtain unanimous opinion through upholding the principle of seeking truth from facts, emancipating our minds, launching investigations, studies and equal discussions. The meeting also held: We must fully motivate the activism of all people in the municipality. Currently, a problem that needs immediate action is to adopt decisive measures to prevent some leading cadres from promoting privilege seeking by means of their position of power.

In conclusion, many participants at the forum proposed that major responsible comrades of the municipal CCP committee and the municipal government and comrades in charge of theory work attend this kind of important meeting from now on to listen to the opinions of experts and comrades engaging in practical work. This not only improves their own standard of theory, but also help them formulate policies and principles.

CSO: 4006

MORE ENTERPRISES TO GET DECISIONMAKING AUTONOMY

Hangzhou ZHEJIANG RIBAO in Chinese 29 Oct 80 p 1

[Article: "On Increasing Decisionmaking Power of Enterprises"]

[Text] In his report on the work session of the Provincial Party Committee, Comrade Tie Ying [6993 3841], first secretary of the Provincial Party Committee, said: "We will go all out next year, on the basis of the summations of our key experiments, to extend decisionmaking power to all state-operated enterprises in the province, so as to allow them even more autonomy in personnel administration, finance, material resources, supply, production and marketing. At the same time, more enterprises of different kinds will be selected to experiment with independent accounting, state taxation, and responsibility of enterprises for their own gains and losses."

He pointed out that the extension of the decisionmaking power of enterprises is a vital link in the reorganization of economic administration. An all-out extension of the decisionmaking power of enterprises directly involves those sectors in charge of finance, commerce, foreign trade, material resources, commodity prices, banking, labor, and personnel. This means that we must do a good job of our ideological and organizational work in order to reach a consensus and take concerted action to implement the reorganization of the system of economic administration. As a relatively independent economic unit engaged in commodity production, every enterprise, once given extended decisionmaking power, will feel motivated to develop its production. Party committees, governments, and economic departments at all levels will have to raise their understanding and strengthen their leadership. The responsible comrades of governments at and above the county level should take overall command to bring about a reorganization of the system of economic administration geared to the extended decisionmaking power of enterprises. The leading economic organs at all levels must work closely and assume responsibility to improve their own work and modify their workstyle in order to redirect their priority to "service, coordination, overall planning, and supervision." To insure unobstructed implementation of the program, they must study new developments, solve new problems, sum up new experiences, and modify any of their own rules and systems that are incompatible with the program to extend the decisionmaking power of enterprises.

As directed by the Party Central Committee and the State Council, Comrade Tie Ying said the enterprises should be given more decisionmaking power to plan production handle funds, procure material supplies, market products, adjust prices, hire qualified workers, and hire and fire employees. The question now is how to put this into practice. Due to contradictions between extended decisionmaking power and existing regulations, some units which had experimented with extended decisionmaking power are still denied the rights accorded them by the State Council and the provincial people's government. We have to work a practical solution to this problem. If these regulations in question were issued by the provincial, regional, municipal, or county government, they should be amended to accommodate the extension of the decisionmaking power of the enterprises.

He said the experiments with independent accounting, taxation by the state, and responsibility of enterprises for their own gains and losses should be actively pursued. The enterprises selected for the experiments should be representative of those paying more tax than the profit they earn, those earning more profit than the tax they pay, those paying very little tax and earning very little profit, and those earning a rapidly increasing amount of profit. This variety provides opportunities for comparison and new experiences to sustain the systematic execution of the program.

Comrade Tie Ying said the decisionmaking power of educational, scientific research, and commercial units should also be extended. Various localities have begun since last year to select some of these units to carry out this experiment. Now it is time to sum up experiences and expand the scope of the experiment.

The extended decisionmaking power of enterprises should be accompanied by democratic management, because socialist enterprises are run by their staff and workers. This means not only letting managerial and technical personnel have both authority and responsibility commensurate with their positions, but also letting the staff and workers have the authority to manage the enterprises. Every enterprise should form a strong congress of representatives of staff and workers or a congress of staff and workers as a vehicle to carry out political, economic, and production democracy and to extend the power of the staff and workers to manage the enterprise and supervise its cadres. Guided by rules laid down by the party and state, it deliberates and decides on production and business programs, production plans, commodity supply and marketing, and matters relating to labor, wages and welfare. It decides on the discharge of staff and workers and has the authority to elect and recommend the appointment and removal of the leading administrative personnel of the unit. A factory director is the administrative leader of an enterprise who is responsible for its production and business management. He reports periodically to the congress on his work and accepts its scrutiny and supervision. He has to have the consent and cooperation of the workers' union in day-to-day matters concerning the personal interests of the staff and workers. Once a congress of representatives of staff and workers or congress of staff and workers is organized, the establishment and composition of its permanent organs will be worked out by trial and error as the system functions in practice.

Comrade Tie Ying said the reorganization of the commercial system must follow closely the extension of the decisionmaking power of enterprises, because the existing commercial system is full of flaws. While adhering to the principle of combining planned market adjustments and adjustments by market forces, the latter must be brought into full play under the guidance of state plans, in order to build a diversified economy with less compartmented multichannel circulation of commodities. The following are the major areas awaiting immediate reform: First, rigid control of the procurement and marketing of merchandise must be restructured and broken down into four different vehicles of management, according to the availability of the means of production in relation to their supply and demand in the national economy. These vehicles should include centralized procurement and sale, planned placement of orders for goods, preferred orders for goods, and free procurement and sales. Second, the problem of too many checkpoints in merchandise circulation must be resolved. Under the existing commercial system, merchandise circulation and management are structured according to administrative divisions. That is to say, "Each level of government administration is matched by a corresponding level of wholesale service and each checkpoint entails an additional item of expenditure." The circulation of commodities must be organized according to economic regions, so as to allow interregional procurements and sales. Third, there must be more channels of circulation to encourage the production sectors to take up circulation operations and to help collectively owned enterprises and individual retailers do business, so as to activate the circulation of commodities through state-operated, collective, and individual channels.

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PRC STATE ECONOMIC COMMISSION TO STRESS RESULTS

OW121240 Beijing XINHUA Domestic Service in Chinese 1405 GMT 11 Dec 80

[Text] Beijing, 11 Dec (XINHUA)--In arranging for the production work of the industrial and communication front in the first quarter of 1981, the responsibile person of the state economic commission laid stress on enhancing economic results in industrial and communication production next year.

This responsible person made this remark at the production management meeting held by his commission on 9 December. He said that in economic work next year, the principle of laying stress on readjustment must be resolutely implemented. Therefore, in arranging for the production work for the first quarter next year, it is necessary to consolidate enterprises and do a real good job in readjustment; to selectively expand the production of products of good quality, great demand and lost cost and consumption; and to close, suspend, merge or transform those enterprises whose products can hardly find markets and are of poor quality, high cost and high consumption and which have been running at a loss for a long time.

Production should be so arranged as to meet the needs of the society. Products in good demand but short supply must be increased. Energy, building materials and communications and transport industries must be steadily developed and in particular, the light industry must be developed at a greater pace. Economic planning and guidance and administrative control over the macroeconomy must be strengthened so that repetitive production projects and blind expansion of production capability are put under strict control.

This responsible person dwelled emphatically on light industry. He urged that light industry must make great efforts to improve its product quality, increase variety, and produce more products of high and medium quality so as to still better meet the people's need, increase revenue and stabilize the market. Great efforts should be made to ensure light industry and of its needed fuel, power and raw materials.

To well arrange the production work of industry and communication in the first quarter of 1981, said this responsible person, it is necessary to strengthen the leadership and the political-ideological work. All departments and localities must send cadres to basic-level units to help solve problems arising in the course of production work. The state economic commission also has to send cadres of work on the spot to take effective measures to implement the industrial and communications production tasks for the first quarter of 1981.

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DEADLINE FOR ECONOMIC READJUSTMENT EXTENDED

HK050324 Hong Kong WEN WEI PO in Chinese 5 Dec 80 p 3

["Random Talk on the News" column by Lin Wei: "Further Extension of the Deadline for Economic Readjustment"]

[Text] The 2d session of the 5th NPC in May 1979 put forward a plan for readjusting the national economy, which prepared to complete this task in 3 years. At the beginning of this year, the then Vice Premier Deng Xiaoping said when receiving foreign guests that the readjustment might be extended 1 year, thus lasting 4 years.

However, it seems now that this plan has been changed yet again and that the deadline for completing the readjustment has again been extended. The RENMIN RIBAO editorial of 2 December, entitled "Resolutely Implement the Principle of Readjustment in an All-Round Way" pointed out: "It now appears that the task of readjustment cannot be completed in 3 years but will take longer than that. By doing the foundation work in a thoroughgoing way, standing firm, and being filled with vitality, we will be able to advance with strong steps in future. In this way, it may appear on the surface as though our speed has slowed down, but in fact the economic results will be much better."

It can be said that this RENMIN RIBAO editorial marks a major turning-point in China's future national economic development. People could judge that this was a weighty pronouncement simply from the way it was presented. In recent years most RENMIN RIBAO editorials have been carried partly on the front page and partly on an inside page, but the editorial in question not only took up about three-fifths of the entire front page, where it was carried in full, but its title also appeared in the large type that has been seldom used for editorial titles in recent years.

This editorial is obviously important. It has at least revealed that the readjustment is extended, and that itself is a major news item.

Why is the readjustment being extended?

One thing is that in the past 1 year and more of readjustment work a number of new problems have been encountered, such as the decline in grain production due to serious natural disasters; imbalance has developed between energy exploitation and reserves, output cannot be guaranteed, finances have gotten into the red, and so on and so forth.

Another thing is that cadres at all levels on the industrial front have not done well in implementing readjustment. Some of them are apprehensive and wavering, and some even openly or secretly resist readjustment. The result is that capital construction projects that should be halted are not and projects that should not be started are.

The writer has already pointed out in these columns that readjustment of capital construction cannot just be carried out by relying on people's awareness; it is simultaneously necessary to wield the axe in a big way and apply administrative measures. In the course of the State Council's handling of the Beijing Dongfang Chemical Plant, people have seen the central authorities' resolve to force a halt to projects that were forcibly started despite criticism. Today, in the RENMIN RIBAO editorial, people see still more clearly the attitude of the Beijing authorities: "Apart from adopting various effective economic measures in readjusting the national economy, it is also necessary to carry out the necessary administrative intervention."

The extension of the deadline for economic readjustment has been caused by objective circumstances. Although the extension of readjustment means that speed will slow down a bit, if the foundation is firmly laid, things may be done slower today but they will be done faster tomorrow.

CSO: 4006

PRC ECONOMIC JOURNAL ON RESPONSIBILITY FOR OUTPUT QUOTAS

HK290616 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 80 pp 38-42

[Article by Zhou Cheng (0719 6134), specialists on agricultural economy at the Chinese People's College: "Discussion on the System of Responsibility for Output Quotas by Production Teams in Rural People's Communes"]

[Text] During the 10 chaotic years, Lin Biao and the gang of four advocated the ultraleftist line and under the banner of the so-called "putting politics in command" they negated socialist business management. All the management systems and methods that have been proven effective by rural people's communes for a long period were branded as "capitalism" and "revisionism" which caused unfathomable damage. Following the downfall of the gang of four, some of the systems and methods such as recording workpoints based on fixed norms, "To know 1 year in advance" and the system "of responsibility for output quotas" have been reintroduced and have been developing again in the people's communes. Over the past 2 years, the people's communes in various places throughout the country have accumulated rich experiences in practicing the "system of reponsibility for output quotas" (the system of responsibility for agricultural output quotas with labor pay calculated on the basis of the ouput; it is also called the "system of responsibility related to output"). Yet there are still some problems and this article is intended to study some of them theoretically.

I. The System of Responsibility for Output Quotas Has Long Beer Practiced With Apparent Benefit to our Agricultural Collective Economy [subhead in boldface]

Before we study this question, it is imperative to review the history of the system of responsibility for output quotas in our agricultural collective economy.

The system of responsibility for output quotas that is being gradually introduced in many people's communes and production brigades and teams is not new. In fact, it first emerged in the period of elementary agricultural producers cooperatives. It gained the attention of the party and the government and was widely used during the whole period of agricultural cooperatives.

As early as 16 December 1953, the party Central Committee pointed out in its "Resolution on Developing Agricultural Producers Cooperatives": "Some cooperatives that are experimenting with the system of yearly responsibility for plowing and output quotas may be helped, if such help is welcomed by the masses, to constantly sum up their experiences so that such labor organizations can be gradually perfected." On 31 July 1955, the party Central Committee suggested in its "Resolution on the Questions of Agricultural Cooperatives": "On the basis of the system of seasonal and yearly responsibility for jobs, the system of award for those who overfulfill output quotas must be introduced. Those who overfulfill their output quotas must be awarded while those who fail to do so must have their labor pay deducted." On 9 November 1955, the Standing Committee of the National People's Congress passed the "Draft of Exemplary Regulations for Agricultural Producers Cooperatives" and pointed out that "Agricultural producers cooperatives must strive to introduce a system of plowing by stages and seasonal responsibility for jobs (small scale responsibility) so as to gradually introduce yearly responsibility for jobs (big scale responsibility) When the system of yearly responsibility is implemented, the system of award for overfulfillment of output quotas must be introduced." On 30 June 1956, it was defined by the National People's Congress when it passed the "Draft of Exemplary Regulations for Higher Stage Agricultural Producers Cooperatives" that "agricultural producers cooperatives may introduce the system of award for overfulfillment of the responsibility for output quotas." In its "Directives for Doing a Good Job of the Production Management of Agricultural Cooperatives," (14 September 1957) the party Central Committee further pointed out that "the systems of responsibility for work, output quotas and finance must be popularized." It has been proven that during the whole period of agricultural producers cooperatives, the party and government both paid attention to and advocated the system of responsibility for output quotas. The wise use of the system for responsibility for work, output quotas and finance and the practice of awards during the period of agricultural cooperatives helped us to gain rich experiences. In his book "The Socialist Upsurge in China's Rural Areas" Comrade Mao Zedong included two articles on experience in implementing the "system of responsibility for work and output quotas" and other articles on experience in implementing the "system of responsibility for finance." A number of other articles and pamphlets about the system of responsibility for output quotas were also published. Even now when we read these articles, they remain fresh to us because in carrying out such a system today we encounter the same problems that appeared when the system was first introduced.

The "System of Responsibility for Output Quotas" was abolished in 1958, the early period of the establishment of the people's communes that was characterized by the tendency to affect the transition of communism prematurely and the tendency of pursuing things large in size and collective in nature. The system of "three-level ownership by the people's commune, the production brigade and the production team with the production team as the basic accounting unit" was introduced in 1962. At that time, the system of responsibility for work, output quotas and finance and the system of award should have been introduced and popularized. Unfortunately they were only restored in animal husbandry and sidelines production. It was true that such systems were also restored in farm production, but the extent of the reintroduction of the system of responsibility for output quotas was even far below that of during the early period of agricultural cooperatives. During the chaos that lasted for 10 years, Lin Biao and the gang of four carried out the ultraleftist line and the system of responsibility for output quotas was once again abolished. But even when the "four pests" were rampant, a few units covertly restored the system of responsibility for work, output quotas and finance and the system of award in large-scale farm production.

The 3d Plenary Session of the 11th Party Central Committee pointed out: "Under the premise of distribution and unified accounting by production teams, work teams may be assigned the responsibility for work, with labor pay based on output quotas and award given for overfulfillment of the quotas." Following this instruction, the system of responsibility for output quotas has been used by more and more units in large-scale farm production and it has been welcomed by the broad masses of commune members. The implementation of the system of responsibility for output quotas in our agricultural collective economy proves that a scientific, practical and efficient management system has strong vitality. It will stubbornly open up its own road and it cannot be abolished at will.

The system of responsibility for output quotas has not only been practiced in our country for a long period, it has only recently been used in other socialist countries. For example, the cooperative farms in Korea have operation teams (equal to production teams in our country) that manage operation groups and basic labor units. The operation teams place responsibility on operation groups for "fixed work and output quotas with award given for overfulfillment of quotas." The agricultural producers' cooperatives in Romania give "additional award" to the production teams that meet yearly production plans.

As a management system, the system of responsibility for output quotas is beneficial to improving production and reducing production costs. Reference materials about the use of this system in the period of agricultural cooperatives and over the recent years proved that the implementation of the system helped increase farm products by 10, 30 or even 50 percent. On the other hand, production costs generally dropped by 10, 30 and 40 percent.

II. Implementing the System of Responsibility for Output Quotas Is in Line With Implementing the Principle of "Distribution According to Work" in Agricultural Production [subhead in boldface]

The reason that the system of responsibility for output quotas has vitality is that it aids in better implementing the principle of "distribution according to work" in agricultural production.

In carrying out the principle of "distribution according to work," the rural people's communes and production teams have demanded that all labor pay for commune members accord with their work. Therefore, they first demanded that peasants' labor pay (workpoints) in daily production accords with the amount and the quality of their daily work. It is thus necessary to use a certain form of labor pay and the form that has gradually come into use is that of workpoints based on piecework. But in agricultural production, daily work is hard to evaluate in regard to time needed to produce the final results of labor--agricultural products. In addition, the quality and quantity of agricultural production are not as specific and explicit as those in industry. It is also more difficult to check the quality of agricultural operation, therefore if the labor pay for commune members is merely decided by the fulfillment of their daily work, it is often difficult to make labor pay accord with the work done. Whether the work done by commune members is completed in time with the quality and quantity meeting the demand can only be measured by crop output. That is to say, it is more accurate to measure their daily work (including the quality and quantity) by the fruit of their labor--output of agricultural products.

Therefore in carrying out agricultural production it is necessary to "link output with labor pay" so as to enable labor pay to accord with the work done. That is to say, labor pay for commune members' daily work may be readjusted (added or deducted) according to the output situation; or that "labor pay may be directly based on output" ("To pay according to output"). Such is the essence of the system of "responsibility for work and output quotas." It is also the main point and core of the system of responsibility for output quotas. The nature of the system of "linking output with labor pay" is similar to the piecework wage system in industry. The practice of the system of "linking output with labor pay" will enable commune members, operation units, individuals and small collective units to be concerned, from the point of their material interests, with the quantity and quality of their work as well as the output of crops. In such a situation, the problem of checking the quantity and quality of work can thus be solved. It also will help solve the problem of "pursuing higher workpoints with disregard for high output" and encourage operation units to take measures to deal with changes within natural conditions and crops' growth so as to attain higher output. It will be more complete if the "responsibility for finance" is added to the system of "responsiblity for work and output quotas." Because with this complete system both commune members and the units that are responsible for output quotas will strive to increase output and reduce costs in order to increase both output and their income. Therefore, the system of "responsibility for finance" must be regarded as an important part of the system of "responsibility for output quotas."

In carrying out the system of responsibility for output quotas, the output of crops is the criterion to measure labor consumption. Therefore, it is very important to fix output quotas properly because by doing so the actual output can readily and correctly reflect labor consumption. If the quotas are fixed too high or too low, they would be easily or hardly reached. Under such a situation, the output cannot correctly reflect labor consumption and it can not be used as a means for awarding or punishing. This situation does not accord with the principle of "distribution according to work." In fact we gained such experience during the period of agricultural cooperatives. "The directive of the party Central Committee on doing a good job in production management of the agricultural cooperatives" (14 September 1957) pointed out: "Under the conditions that production teams have actively overfulfilled their production plan, the target for the responsibility for output quotas must be fixed below the planned quotas so that the production teams will be able to overfulfill their quotas and to get deductions so as to encourage the initiative and creativeness of commune members." This directive also stipulated the principle of "more award, less punishment." It has also stipulated how, when natural disasters occur, to readjust the fixed output quotas and how to carry out awarding and punishing rationally. All this is of practical significance even today. In carrying out the system of responsibility for output quotas, some places calculate crops' output according to their value or calculate net income by deducting production costs from output value. Experience has proved that so long as output quotas and the quotas for net income are fixed rationally, the above calculating methods still can reflect labor consumption rather correctly. In fact to replace output quotas or output value quotas with net income quotas is to include the system of responsibility for finance ("responsibility for costs" or "responsibility for production expenses") in the system of responsibility for work and output quotas. Thus with quotas concentratedly reflected, it is easier to see the advantages of these systems.

Some comrades have doubts about the system of responsibility for output quotas and one of the main reasons for them is that they still cling to equalitarianism. They hold that in carrying out this system, some people will be awarded while some others will be punished, thus the income gap among commune members in a basic accounting unit will be broadened and cause polarization. In fact, so long as we correctly formulate and carry out the system of responsibility for output quotas and the standard for awarding and punishing, the difference of labor pay among commune members will meet the demand of "labor pay in accord with the work done," therefore the difference is correct. Such difference is in fact the difference of richness in carrying out the principle of "distribution according to work," and it has nothing to do with "polarization." On the contrary, it is only when the system of the responsibility for output quotas is carried out can we effectively overcome equalitarianism that exists in distribution in rural people's communes and production brigades. Only by so doing will we be able to make labor pay more correctly accord with the work done and carry out still better the socialist principle of "distribution according to work." Therefore, in addition to those that are engaged in planting agricultural crops, all other departments of forestry, animal husbandry, sideline production and fisheries, agricultural production units under collective ownership and state farms and enterprises must also carry out such a system. In fact, the state farms are carrying out various systems of responsibility for output quotas and award that are similar to those carried out by rural people's communes.

III. The System of Responsibility for Output Quotas Meets the Need of the People's Communes and Production Brigades and Teams in Organizing Labor [subhead in boldface]

The reason that the system of responsibility for output quotas has vitality is that it meets the need of strengthening the work of organizing labor within the production teams.

An specialized mass production needs a complete method for organizing labor. The rural people's communes and production teams are agricultural enterprises with a certain scale of production. They have certain amounts of laborers, land, animals and tools. In order to carry out production smoothly, agricultural units must be set up according to the features of various departments and various types of work so that division of labor and coordination can be carried out in an orderly manner within the spheres of different spaces and times. Such measure is very important in coordinating the mutual relations of people in the process of production and in coordinating the work of organizing labor.

In addition, the people's communes and production teams themselves have to form the system of responsibility for production. Lenin said that people must understand their "responsibility for carrying out certain tasks and actual work." ("Collected Works of Lenin," "Draft Regulations on the Management Work of the Soviet Organs," vol 28, p 329) The system of responsibility is closer to what Lenin said about carrying out the responsibility for output quotas than that for actual work and meets the demand that "a certain people are totally responsible for the work they are to manage." ("Collected Works of Lenin," "Note to (A.I. Yelijalova) [1344 9122 0673 0448 2089 5012 1216]" vol 36, p 554) Because by so doing, the responsibility for actual work can be implemented through the system of responsibility for output quotas while the economic activities for the material interests of the operation units can be strengthened so that these units can actively display their role as "combat groups" within the production teams. For people's communes, production brigades and production teams, to establish labor organizations is complementary to establishing a rigid system of responsibility for production quotas because such organizations are in the interest of carrying out the system of responsibility for production quotas. A rigid system of responsibility for production quotas is beneficial to promoting and consolidating labor organizations. Thus to carry out the system for responsibility for output quota is an important measure for people's communes and production brigades and teams in promoting and developing labor organizations by dialectically combining the system and the organizations.

Generally speaking, the size of an operation unit is determined by whether or not it can independently carry out most of the operations on a large area of land from preparing the land right to harvesting. In this way, the unit will be concerned with the output of the crops and will be responsible for the fulfillment of output quotas. But concretely speaking, the size is determined by the conditions of producton and productivity of the production teams themselves, the size of their fields that are linked together, the number of production departments, the acreage for crops and the level of mechanized production. Marx said that "the composition and division of labor is decided by the number of farm tools owned." ("Selected Works of Marx and Engles," "Poverty of Philosophy," vol 1, p 127) In general, the production teams without farm machinery or with a low level mechanized farming are characterized by inefficient farm tools, small-scale labor division and coordination, highly dispersed production, a small amount of land and small-scale operation teams. On the other hand, the production teams with a quite high level of mechanized farming are characterized by tractor stations (teams) that are responsible for most field work, while the main job of production teams is to do complementary job or field management odd jobs. In this situation, the output of the crops is not closely related with the field work of the operation teams. Some state farms with high mechanization have placed the system of responsibility for output quotas on their production teams that have tractors. But generally speaking, it is more proper for the people's communes to place the responsibility for production quotas on operation teams (or specialized teams).

Some comrades uphold that since operation teams are small in size, production teams will lose their superiority of collective labor, division of labor and coordination if they make operation teams as the units responsible for output quotas. Therefore, they have regarded the measure as a "step backward" in production relations in the rural people's communes.

In discussing this problem, we must proceed from the actual conditions of the productivity of our agricultural collective economy. From a long-term point of view, there exists a tendency in our agricultural economy of blindly pursuing what are "large in size and collective in nature." The role of the production teams is often reiterated with regard to organizing labor within the production teams, as if the superiority of their collective labor, the division of labor and coordination can only be displayed only when everything is unifiedly readjusted by the production teams themselves that act as operation units. Such a measure is no doubt wrong. The size of the current production teams is decided by the productivity in rural areas and there exist the relations of the division of labor and coordination among them. Within the production teams, the operation teams constitute an entity of labor organization that is divided into operation teams that divide the labor but on a coordinated basis. Therefore such operation teams will help production teams fully display their superiority of mass production. Due to the division of specialization and groups, these teams will also help develop the superiority of mass production.

IV. Correctly Handle the Economic Relations Between Production Teams and Operation Teams To Display Fully Their Functions and Roles [subhead in boldface]

If the production teams place the responsibility for output quotas on operation teams, the economic relations between them must be correctly handled so as to meet the demand in carrying out the principle of "distribution according to work" and in rationally organizing labor. But these relations are in fact the concrete production relations within the production teams themselves. To correctly handle these relations means to do a good job of the economic management system within the production teams, fully bring into play the function and role of both the production teams and operation teams and promote the whole collective economy of the production teams without changing the basic system of the rural socialist collective economy.

But before the relations between the production and operation teams are correctly handled, we must first clearly designate the nature and features of both production teams and operation teams. As basic accounting units, the production teams are in fact agricultural enterprises with independent accounting that assume sole responsibility for both their own profits and losses. The operation teams are units within the production teams with a relatively independent nature. They are an organic part of the production teams. Thus according to their nature and features, the economic relations of the operation teams with the production teams are in fact the relations between the principal and the subordinate. Therefore the principle for correctly handling relations between them is: "Big unity and small dispersion" and "unity but flexible and dispersion in an orderly manner" so as to meet the demand of "unified leadership and management by various levels." "Big unity" and "unity but flexible" meant that as an enterprise, a production team must carry out unified leadership and management over the economic activity through the production team; but this measure must in no way obstruct the production and economic activities of the operation teams. "Small dispersion" and "dispersion in an orderly manner" mean that under the unified leadership and management of the production teams, the operation teams display their initiative to fulfill various tasks but must in no way become "teams among teams" by doing things in their own way or even actually becoming basic accounting units.

The basis for the economic relations between the production teams and the operation teams are economic rights, economic obligations, economic responsibilities and economic interests. As basic accounting units, the production teams mainly manifest their functions and roles by carrying out the necessary unified leadership and management over the whole production teams and over the operation teams. For example, the production teams unifiedly formulate and implement production plans, unifiedly use big and medium size means of production and, if necessary, unifiedly adjust the assignment of laborers in coordination, unifiedly calculate profits and losses and distribute income. These are the so-called "unifications." Generally speaking, such unifications are indispensable for production teams to maintain their position as basic accounting units. Under such a premise, it is necessary to define the economic rights, obligations, responsibilities and interests of the operation teams so as to enable them to carry out the system of responsibility for output quotas. For example, these rights, obligations, responsibilities and interests must include "fixing duty"--define the acreage to be plowed by the operation teams and crops' output quotas (the so-called defining output quotas that should be fulfilled); "fixing staff" (labor power)--define the number of laborers to be basically used by the operation units for 1 year's production tasks; "fixing the number of animals and tools"--define the number of the animals and medium and small farm tools that are to be used by the operation teams (whether the animals and tools are to be fixedly used by the operation teams depend on the scale of the work and the number of the animals owned by the production teams); "Fixing expenses" (defining costs or "responsibility for finance")--"Placing financial responsibility" on operation teams for production expenses for a whole year; "fixing the number of [illegible] laborers used" ("responsibility for work")--define total workpoints that are to be arranged by the operation teams. In general, the operation teams are not in a position to "retain surplus laborers or to ask for additional laborers when there is a shortage of laborers,""fixing awards and punishment"--according to the overfulfillment or underfulfillment of the responsibility for production quotas, the original total workpoints of the operation teams will be proportionately added (awarded) or deducted (punished) to finally determine their total labor workpoints that are to be unifiedly distributed by the production teams.

All the "unifications" and "fixings" mentioned above will closely link the economic relations between the production teams and the operation teams. These systems will ensure the position, function and role of the production teams as basic accounting units to the benefit of their operation teams in carrying out the system of the responsibility for output quotas. These systems will also combine organizational management by the production teams with the flexibility of the operation teams in carrying out production independently so that both the production teams and the operation teams can fully bring into play their functions and roles to develop agricultural production.

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ECONOMIC PLANNING

RELATIONSHIP BETWEEN PRODUCTION, CONSUMPTION ANALYZED

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[Article by Zhou Wanjun [0719 8001 6874] Anhui Institute of Finance: "Several Questions on the Relationship Between Production and Consumption"]

[Text] The question of the consumption by laborers has not been discussed thoroughly for a long time. Both from the standpoint of theory and from that of summing up our understanding of the lessons of practical experience, there are marked weak links which are quite out of accord with the requirements of socialist modernization.

This article covers some academic views on the question of the consumption by laborers, analyzing and probing them simply for the instruction of comrades in academic circles.

The first question: Did Marx pose the problem as follows: "Production is manifested as the starting point, consumption as the end point, and distribution and exchange as intermediate links?". In journals and documents, this quotation is often cited as evidence of Marx' positive view. An example of this is the article "Consumption and Production" by Comrade Kuang Haolin [0400 3185 2651] appearing in the "Economics" section of GUANGMING RIBAO on 28 April 1979.[1]

Comrade Kuang Haolin correctly cites Marx' viewpoint in the introduction to "A Critique of Political Economy" that production, distribution, exchange and consumption are various links in an overall whole, that they are distinctions within a unified corpus. But Comrade Kuang follows this by citing "production is manifested as the starting point, consumption as the end point, and distribution and exchange as intermediate links" as Marx' viewpoint, and on this basis expounds upon the determining action of production and the reaction of consumption and other links to production.

The spirit of the original work precludes us from considering this quotation as a proposition by Marx. In fact, it is a narrative criticism by

Marx of the viewpoints of bourgeois economists on this question. This superficial viewpoint of the bourgeois economists was based on a superficial idea of economic activity. It is this that Marx took as an object of criticism when he scientifically expounded his own thinking on the mutual relationships between production, exchange, distribution and consumption and exposed and criticized the philistine component of the others. Simply put, the argument is as follows:

First, at the beginning of the same paragraph as the cited quotation, Marx correctly points out, "Their superficial idea is. . . that production is manifested as the starting point, consumption as the end point, and distribution and exchange as intermediate links. . ."[2]

Second, in the paragraph preceding this quotation, the opening paragraph in the chapter, Marx points out, "Before further analyzing production, we must investigate the following several items which economists juxtapose with production."[3] Of course, the economists referred to here are neither Marx himself nor Marxist economists, but bourgeois economists. This is followed by Marx further narrating and criticizing the superficial relationships indicated by the bourgeois economists in juxtaposing items such as distribution, exchange and consumption with production. As brought out in the narrative criticism or critical narrative, speaking of starting points and end points is a way of generalizing the superficial ideas held by the bourgeois economists.

Third, in his analysis of this superficial idea, Marx further revealed how the bourgeois economists took this to form "a standard three-stage exposition, with production being general, distribution and exchange being particular and consumption being individual, with the whole thing being joined together. Of course this is a kind of relationship, but it is a kind of superficial relationship."[4]

We should say that the foreword of the second chapter of the introduction to the "Critique on Political Economy," that is, the portion we have quoted above, consists entirely of a criticism of the idealist, metaphysical viewpoint of bourgeois economists in separating, juxtaposing or treating as equal production, distribution, exchange and consumption. It serves as a contrast to the positive exposition by Marx. Reading between the lines clearly shows Marx' critical attitude.

To be concrete about the relationship between production and consumption, the main point stressed by Marx is that production and consumption must be understood as an active process. When they are treated as an active process, Marx stressed that consumption is an internal factor in productive activity. First, consumption not only enables products to become the ultimate act of products, but it also lets producers become the ultimate act of producers. Products become an active principal target. If no one consumes them, their existence has no meaning. Second, the actual consumption of products creates new needs and conceptually raises the targets of production. This not only leads anew to production, but it also becomes an internal driving force for the development of production. Third, through the reproduction of labor power realized by the laborers through individual consumption, that which is for the sake of a product creates the main body for that which is for production. This is a basic condition for social reproduction to be carried out continuously.

Marx' analysis fundamentally destroyed the superficial view of the bourgeois economists that "the products in consumption depart from social activity" and that they are the "end point." In addition, at the same time that Marx profoundly revealed the direct identity between production and consumption, he also lucidly analyzed the opposition of the two, pointing out, "The direct unity of combining production with consumption and consumption with production does not exclude their direct opposition."[5] Thus we can see that Marx analyzed the relationship between production and consumption as a unified corpus with active contradictions.

When we compare Marx' analysis with the beginning point-end point arguments and three-stage exposition methods of the bourgeois economists, we can see radiating here the illumination of materialist dialectics. Marx' theories treasure most highly the most outstanding cultural legacies of mankind while being good at throwing away the fake and retaining the genuine harbored therein and thereby absorbing the useful intellectual results. When another school, of bourgeois economists, treated distribution as an independent realm to be juxtaposed to production and raised their arguments about beginning and end points, Marx again, using his unique insight, affirmed views such as the one that production is the beginning point and how many saw their relationships on the surface and perceived the importance of production and paid serious attention to the scientific component of production. He pointed out sharply that this is was "nothing but the most philistine reproach" and that this kind of reproach "stands on the same base as, or even below that of" those reproached.[6] He thereby dealt head-on blows to the most philistine of them. But as analyzed above, we definitely cannot take these analytical affirmations and treat the above quotation as a proposition of Marx. I am afraid that the error in understanding of Comrade Kuang Haolin also is of this nature. The danger is that in denying that consumption is an internal factor and condition in the production process which influences many aspects of the development of production from within the process itself, the problem of consumption will be excluded from economics.

The second question: "No direct connection can be established between capitalist production and consumption. . . [but] since socialist production has eradicated the antagonism between social production and social consumption inherent in capitalism, production and consumption are linked together." Does this viewpoint correspond to the reality of economic motion?

This idea was raised by three comrades, including Tian Jianghai [3944 3068 3189]. (In the article "To Not Heed the People's Livelihood Is to Betray Socialism," appearing in the "Political Economy" section No 30 of GUANGMING RIBAO, 19 Dec 1977.) I think this idea is open to question. It is directly related to how to evaluate correctly the problem of the position and role of consumption in the economic motion of society.

First, there is a concrete epistemic problem in the form of the above viewpoint of Comrade Tian Jianghai et al. They aver that the goal of capitalist production is not the consumption of the masses of the people but the profits of the capitalists. How then can the masses' consumption be linked directly with capitalist production carried out for profit? Let us take a look at the actual conditions of the movement of a capitalist economy and at Marx' analysis of this problem!

Indeed, the sole purpose and absolute motive that capitalists have for engaging in production is to obtain profits. The consumption of workers is essential to the capitalists only within the limits of guaranteeing that they obtain profits. Only if they can create surplus value for the capitalists will workers be permitted to do labor or consume and thereby exist. Except for this, the consumption of workers disappears from the field of vision of the capitalists. Can we draw the conclusion from this that no direct link is established between the consumption of hired workers and capitalist production? Seen superficially, the consumption of a worker is a private, individual matter and has no relationship to capitalist production. In reality, the reproduction of labor power realized by a worker's consumption is an important condition for the maintaining of the capitalists' continuing exploitation of the workers. This belongs to the reproduction of the capitalist relations of production, that is, it is an important element in the capitalist relations of production. Without it, the capitalist relations of production and thereby capitalist reproduction would lose its base of wage labor. It is better to say that the holding of workers' consumption to the level of the reproduction of labor power is precisely one of the basic conditions for capitalist production, an internal direct determinant of capitalist production. At the same time, workers' consumption also enables products to achieve a final completion. But these products are not general products but those which include surplus value. So workers' consumption enables surplus value to be realized. From this we can see that the consumption by workers is directly linked to capitalist production in two regards; it allows surplus value production to continue and it enables surplus value to be realized. Therefore, workers' consumption is subordinate to capital. Without the consumption of wage labor and other people, there would be no production of capitalist surplus value. Therefore the viewpoint that no direct link can be established between capitalist production and consumption does not accord with reality. Nor does it accord with the basic principles of Marxist political economy.

Second, Comrade Tian Jianghai et al. said that due to the antagonistic nature of capitalist production and consumption, the two cannot be linked directly with each other; and that since socialism has eradicated this antagonism, a direct link between production and consumption has been established. This viewpoint is also unacceptable. The antagonism between production and consumption under capitalism does not nor can it negate the direct link between production and consumption. All it does is vest this linkage with a specific class nature and explain the opposition of the fundamental interests of the two. This kind of antagonism is a condition which occurs in a direct linkage. If the two aspects of an antagonistic contradiction had no direct link, what kind of contradiction could form? What opposition would there be to speak of? If the two were not directly linked, the contradiction between the unlimited expansion of production and the relative restriction in the demands of those with the capability to make payments could not become a direct cause of capitalist economic crises. There would be no way to comprehend the conclusion that "the most fundamental cause of all genuine crises is always the poverty of the masses and their limited consumption."

The establishment of a socialist ownership system has eradicated the antagonism between production and consumption, but contradictions still exist. Links without contradictions are static and cannot change or impel each other. The viewpoint that under socialism there are only direct links without contradictions between production and consumption does not correspond to reality and is a one-sidedness produced under the new conditions.

Third, the error produced by the authors also lies in treating the role of capitalist consumption in obstructing the development of production as a cause and manifestation of being without direct links, and in treating the role of socialist consumption in promoting the development of production as a cause and manifestation of direct links. The article clearly claims that under socialism "the direct link between production and consumption impels the rapid development of the forces of production. Indeed, this is one prominent manifestation of the superiority of the socialist system over the capitalist system." Actually, the mutual relationship between production and consumption, by which I mean their mutual interaction, serves to promote as well as obstruct. Both aspects are generated in the direct linkage. The superiority of the socialist system over the capitalist system does not lie in establishing a direct link between production and consumption but rather in the nonantagonistic nature of this link. The economic crises which appear under capitalism damaging production are not caused by the lack of establishing a direct link between production and consumption but by the class antagonism in this direct link. The basic source of the role of consumption in promoting production is the direct link between the two. Basically speaking, to exclude the role of consumption in obstructing production from consideration of a direct link remains a kind of thinking which denies that the relationship between production and consumption is a contradiction.

At the same time, we cannot say that the contradiction between production and consumption only plays a destructive role in capitalist production. As noted above, it is a condition necessary to the existence and development of the capitalist mode of production. Although this kind of development is realized in cyclical destruction, it is a precondition for the exploitation of the laborers and the enormous waste of socialist labor. The programs proposed by the capitalists and their representatives to resolve the contradiction between production and consumption, fundamentally speaking, sharpen it and intensify it. But for a certain period, we cannot say that these things do not serve any role in developing production. A precondition for the genesis of this role is precisely the internal relationships of the contradiction itself. Under socialism, the relationships between production and consumption, by which I mean their objective economic conditions and economic benefits, cannot of course produce the same kind of destructive consequences as in capitalist society. But because the contradiction still exists, if people cannot correctly understand it and control it in appropriate ways, then these contradictory relationships can intensify. This is especially so when mistakes in line are produced, as when Lin Biao and the "gang of four" ran amok, sabotaging production and repressing consumption. We cannot deny that this is an important factor which has repeatedly brought the national economy to the brink of collapse. The superiority of socialism lies not in there being a direct link without contradictions between production and consumption, but in the change in the nature of this contradiction. We are relatively more able to analyze correctly this contradiction and handle it according to changes in objective conditions and the demands of economic laws.

The third question: "The problem of consumption is essentially a market problem." Does this correctly summarize China's historical experience or clarify the nature and position of consumption under socialist conditions?

This viewpoint was raised by Comrade Kuang Haolin in the same article in his analysis of China's First Five Year Plan period. I think this formulation is also open to question.

First, the consumption which the author speaks of in summarizing the historical experience of China's First Five Year Plan is clearly a matter of consumption under socialist conditions. More concretely, it is a question of the consumption of the masses under socialism. We know that when we speak of the modes of daily consumption of the masses, we can separate them analytically into individual consumption with the household as the basic unit and collective welfare. Both kinds of consumption satisfy the constantly increasing needs by the masses for material and cultural livelihood. They both are demands in the interest of the masses. Because of this the nature of the problem of consumption under a socialist system is a problem of the goals of production determined by the nature of public ownership of the means of production, and it is a problem of actualizing the interests of the masses of the people. If we do not recognize this soberly, we cannot fundamentally pay serious attention to consumption. We will produce for the sake of production, either consciously or unconsciously, and have fast growth for the sake of fast growth, and even set up public ownership for the sake of public ownership.

Second, the market is a sum total of exchange relationships between commodity producers. When the commodity economy occupies a dominant position, the materials replacement and value compensation demanded by commodity production are all carried out through exchange on the market for these purposes. The market is conditioned by the relationship between demand and supply and further conditioned by the relationship between production and consumption. To sum up the consumption of the socialist masses in a nutshell as essentially a market problem not only fails to deepen our understanding of the problem but, on the contrary, makes it into a superficial phenomenon of economic life.

Of course, a socialist market is necessary and important for the daily consumption of the masses. The vast majority of individual consumption goods are obtained through a market. The products, composition and even the mode of consumption can be reflected in market relationships. Moreover, we can affect the consumption levels of laborers with fixed incomes through changes in market prices and in modes of buying and selling. The market is an important link in promoting and limiting consumption and production. But it is not the essence of consumption. Rather than saying that a socialist market satisfies the needs of the urban and rural people, we should say that it is mainly a means of satisfying the needs of the peasants.

At the same time, a portion of the means of consumption of socialist laborers is supplied the laborers' consumption in the form of collective welfare. Examples include culture and education, hygiene and health, labor insurance, services and social relief. It is a supplemental mode for distributing socialist consumption goods. Charges are levied on some of them, while others are gratis. Some go through a market, while some basically have no connection with a market. To sum up this portion of consumption which has no relationship with a market as also being a market problem is very hard to comprehend. Rather we should say that it does not involve a direct relationship with the market, and that this is a characteristic of socialist collective welfare and collective consumption.

China's First Five Year Plan was carried to success relatively smoothly and the people were relatively satisfied. Of course, as far as the relationship between production and consumption is concerned, one cause for this was that market relationships were relatively lively and there were relatively many kinds of modes of buying and selling; but this was not the main, basic experience. The key here is to heed relatively seriously the demands of objective laws and to pay attention to the actual interests of the laborers. When arranging our plans, we must first guarantee that the livelihood of the people can gradually be raised in keeping with the development of production. That is to say, in normal years, the portion of national income used in consumption must be guaranteed within the plan period. Taking into account the growth in population, the per capita consumption level is to grow year-by-year, with the remaining forces then arranged for accumulation. In this way we carry out capital construction investment which is beneficial to the growth in consumption. The realization of the consumption interests of socialist laborers has turned into an enormous motive force for the development of production. This is the secret of the success of the First Five Year Plan.

The fourth question: "The rate of growth of production falls behind that of the purchasing power of the people." Is this a regular phenomenon of the motion of a socialist economy? This viewpoint, that with the increase in the people's standard of living under a socialist system, the insufficiency in commodity supply shows the superiority of the socialist system over the capitalist system, because there is no overproduction crisis in the economy, is still expressed even after the smashing of the "gang of four," and appears in the recently published book, "The Socialist Transformation of Capitalist Industry and Commerce in China." This book asserts that "the growth in social purchasing power again exceeded the rate of growth in these consumption goods. This is a relatively long-term phenomenon in the course of the building of socialism." (People's Press, 1978, p 170) If we are fettered by this kind of theoretical viewpoint, we become used to the insufficiency of commodity supply and do not expend any effort to resolve the problem.

Fundamentally speaking, insufficiency of commodity supply is a question of the goals of socialist production and of the comprehensive balance in the national economy. For example, during the First Five Year Plan, accumulation constituted 24.2 percent of the national income and consumption, 75.8 percent. In the distribution of accumulation funds, construction of a productive nature constituted 71.7 percent and that for livelihood, 28.3 percent, of which housing construction occupied 9.1 percent. Funds within industry were distributed in a ratio of 1:8 between light and heavy industry. The gross value of industrial output increased by 18 percent per year, with that of light industry increasing 12.8 percent per annum. The gross value of agricultural output increased by 4.5 percent per annum. The average annual wage of staff and workers throughout China increased by 42.8 percent between 1952 and 1957, while peasant income increased by 27.9 percent. The retail turnover of social commodities grew by 14.6 percent per annum. Although some commodities were insufficient, basically the commodities during that period matched the social purchasing power. In addition, prices were stable. The masses were relatively satisfied. That is to say, provided there is a long political situation of stability and unity where the main efforts are concentrated on carrying out production and construction and the goals of production are defined according to the requirements of economic laws and, on the basis of increases in the national income, overall consideration is given to the people's livelihood and comprehensive balancing is carried out conscientiously, then we can basically put an end to the insufficiency in commodity supply.

For the past ten or more years, the supply of industrial goods for daily use has become increasingly tight. This was mainly caused by the ultra-left line of Lin Biao and the gang of four which sabotaged production, repressed consumption and pursued excessively high rates of accumulation. Because of the dislocations which arose and the consequent irrationality in economic structure, it will take a period of time before all this can be fundamentally reversed. But, if everyone in China from top to bottom works together to cultivate doing things according to the fundamental economic laws of socialism, proceeds from the requirements for satisfying and improving the people's livelihood, concentrates his main efforts to carry out agriculture, adopts exceptional measures, firmly resolves to promote light industry, firmly resolves to shorten the line of capital construction and strives to raise the effectiveness of investment, all in order to carry out the readjustment of the economy and travel the path of promoting light industry with agriculture, supporting heavy industry with light industry and supporting the slow with the fast, then we can bring the national economy onto the track of long-term, balanced and high-speed development. The experience of history tells us that whenever the economy has encountered difficulties, when we use the method of lowering the rate of accumulation and increasing consumption, we overcame our difficulties smoothly and tided over the crisis. But we did not draw from this that it was a lesson of experience which necessarily bore with it the nature of a law. We always looked upon it as a temporary measure. In fact, it reflects a law of development of the socialist economy. It is an inherent stipulation of public ownership of the means of production that it thoroughly guarantee the welfare of the people. If we proceed from this to carry out readjustment and direct production, we can cause the national economy to develop rapidly.

Some people feel that the consumption needs of the people are changeable and limitless, and that it is impossible to satisfy these needs continuously. This is mixed up. The consumption needs that we are talking about are not baseless subjective needs but those which match the actual purchasing power. Only this kind of consumption needs can actually affect market supply and demand. Relatively accurate data on the actual purchasing power can be obtained through investigation and research in various channels. If we were to carry out this sort of investigative analysis of purchasing power conscientiously, we could discover that although consumption needs are changeable, over certain periods they are also relatively stable. Under China's conditions, the growth in purchasing power is always linked together with the development of production. The growth in the purchasing power of the peasants is conditioned mainly on increases in the production of agricultural and sideline products. The growth in the purchasing power of workers has as its only source the increase in income distributed according to one's work, and this is conditioned on the increase in products created by the labor of the workers and on increases in the quality of these products. Therefore it is basically possible to supply commodities to match this purchasing power. It is normal for the supply to be tight for a while for new products created out of new materials or using new industrial processes which have good consumption properties and whose price level is in keeping with the purchasing power of the people. It is precisely this kind of need backed by purchasing power which causes new products to appear and develop and compels old products to hasten to be upgraded or replaced. Thus, on the basis of promoting the development of production we also cause consumption needs to be satisfied correspondingly.

History and the positive and negative aspects of real life tell us that an insufficiency of commodity supply under socialism is a penalty for not doing things according to economic laws. The fallacy in the above "theoretical viewpoint" lies in its taking the dislocation caused by violating the requirements of objective economic laws as a fixed starting point and then use this as a basis for generalizing it into a theoretical definition used for directing production. To act repeatedly in accordance with this forms a vicious circle which causes supply to become tighter day by day, the varieties of ration coupons to increase daily and the shopping lines to become longer each day. Then the problem of commodity supply becomes ever more difficult to solve. Obviously, a view which takes penalty and destruction as superiority and which treats subjective concoction as objective law must be exposed and criticized or we cannot bring into play the superiority of the socialist system, fundamentally resolve the contradiction between production and marketing, achieve a balance between the supply of goods and materials and market purchasing power and guarantee the maximum possible satisfaction of the material and cultural livelihood needs of the people.

There is a tremendous danger in an insufficiency in commodity supply which limits the development of production by suppressing people's demands and thereby negates the nature and goals of socialist production. The acceptance of socialism by the working classes cannot be done simply through theoretical education. It must also be done through realizing their own personal interests and from this joining theory and practice. Only then will they struggle for the cause of socialism with firm resolve. If economic work departs from working for the well-being of the people, it will lose its socialist nature. Thus, basically speaking, the harm created by insufficiency in commodity supply is that it causes ownership by the people to become divorced from all its interests and to become a hollow and ungraspable thing, impeding good circulation in the national economy and blocking the road to socialist development.

(Manuscript received: 28 Jan 1980)

FOOTNOTES

1. This viewpoint was also expressed in Chen Jiaqin [7115 1367 0530] and Liu Weiben [2692 4850 2609], "On the Position and Role of Consumption

in the General Process of Social Production," in CAIJING WENTI YANJIU [STUDIES IN FINANCE], No 1, 1979.

2., 3., 4. See "Selected Works of Marx and Engels," Vol 2, pp 91, 92.

5. "Selected Works of Marx and Engels," Vol 2, p 93.

6. Ibid., p 2.

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PREREQUISITES FOR INCREASED INDUSTRIAL DEVELOPMENT

HAngzhou ZHEJIANG RIBAO in Chinese 31 Oct 80 p 1

[Article: "Zhejiang's 1981 Industrial Production Development"]

[Text] What are the guiding principles for the development of industrial production in our province in 1981? This is the question your reporter put to the Provincial Economic Council. A responsible comrade of the council said: Due to our effort over the past couple of years to carry out in industry and communications the state policy to readjust, reform, reorganize, and improve the national economy, production has developed both in speed and in volume as we have liberated our thinking and liberalized our policy to help reactivate adjustments by market forces. To enhance the healthy development of industrial production and insure its sustained growth, we must focus our attention on more efficient business management, better quality and greater variety of merchandise, reduction of waste, higher economic efficiency, and prevention of indiscriminate pursuit of output value per se. Special emphasis must be placed on production safety, labor protection, and balanced production. We must work for speedy readjustment and reform of the economic system, speedy exploitation of potentials and renovation, speedy conservation of energy and raw materials, and speedy improvement of the level of management so as to achieve the maximum economic efficiency with the minimum consumption of materials. Thus, we have to do well in the following four areas.:

1. We must handle well the relationship between production and safety. The leadership at all levels of provincial industrial and communications systems must adhere to the proposition that production must be safe and insure safety in production. All industrial and communications enterprises should give priority to production safety and see that it takes root as a principle, a system, and an organization. There must be universal, sound, safety systems and regulations that are strictly observed by staff and workers. Production safety should be an important measure for rating the work of every enterprise, every workshop, every team, and every individual worker.

2. We must handle well the relationship between the development of production and energy conservation. The most baffling problem confronting our province's industrial production is the shortage of energy. Since the state is unlikely to achieve a sizable increase in energy production, we must be prepared to conserve energy on a long-term basis in our development of production and strengthen the management of energy resources and the work of energy conservation. As the saying goes: "A meal

saved by the rich is a poor man's food for a year"; energy conservation must begin with the big consumers. Every enterprise should control its energy resources like it controls its food ration. Even so, what even the most successful energy-conserving unit can do is but "to scratch the surface." There is still much more to be done in energy conservation.

3. We must handle well the relationship between the full utilization of existing facilities and the acquisition of new productive capabilities. Now, many plants are blindly copied. If this is not satisfactorily corrected, both old and new plants will be unable to function well. Before we can readjust the old plants, new ones will need readjustment. Therefore, in order to achieve a sustained increase in industrial production, we must organize various joint economic entities based on specialization, cooperation, and sound economic principles so as to enhance the competitiveness of industrial products.

4. We must handle well the relationship between work so as to reinforce the foundation and development of production. We should extend to enterprises the decision-making power in management so as to sustain the enthusiasm of the staff and the worker masses. Instead of fanfare and obsessions with quotas and high yields, we must get to the basics to evolve a system of strict responsibilities, strengthen our ideological political work, and raise the level of technology and business management so as to provide industrial production with a firm foundation.

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GUANGDONG ECONOMIC PLAN SHOWS GOOD INITIAL RESULTS

Nine -Month Figures

Guangzhou NANFANG RIBAO in Chinese 19 Oct 80 p 1

[Article by Li Sensheng [2621 2773 4141]: "Aggressively Increasing Income and Saving Expenditures In Order To Speed up Accumulation of Capital; Guangdong's Economic Plan Fulfillment for First 9 Months Is Good"

[Text] This year has been the first since implementation of the new financial system was approved by the Party Central Committee, and fulfillment of financial income and expenditures for the first 9 months of this year went very well. Financial income reached 80.23 percent of the plan for the year--an increase of 8.08 percent compared with the same period last year. Financial expenditures reached 66.68 percent of the plan for this year--a decrease of 5.31 percent compared with the same period last year. Income has increased while expenditures have dropped. Income was greater than expenditures, so there was a slight gain. This result was accomplished by the combined efforts of the vast majority of cadres and workers who participated in the movement to increase production while cutting expenditures, conscientiously executing the policy concerning readjustment, reform, reorganization, and improvement.

During the first 9 months of this year, the provincewide gross industrial product increased 10.6 percent compared with the same period last year. Of this, light industrial products increased 16.85 percent, contributing significantly to the increase in financial income. Such a rapid progress in financial income provincewide has not been paralleled in recent years. Among the 23 areas and cities, there were 9 which completed more than 80 percent of the plan for this year; Shenquan and Zhuhai had completed the plan for the whole year one quarter ahead of time, with a surplus. There were 15 prefectures and municipalities whose financial income surpassed that of the same period last year. Those which achieved more than a 10-percent increase included Guangzhou, Shenquan, Zhuhai, Shaoguan, Foshan, Jiangmen, Zhanjiang, and Meizhou--eight cities, plus Shaoguan Prefecture.

Since the beginning of this year, various industrial and commercial enterprises all over the province have continuously reformed their economic administrative system. They have gone one step further to develop the experimental work for expanding the right of enterprises to autonomy, and thus have expanded their experiences and achieved a rather good economic effect. As a result, the profits delivered to the government by the various industrial and commercial enterprises have increased significantly. During the first 9 months of this year, the profits delivered to the government by the local state-operated industrial enterprises and commercial enterprises, together with the consumer cooperative systems, have increased more than 20 percent compared with the same period last year.

This year the government has generally implemented a financial administrative system whereby "each administrative unit and each business unit will manage its own budgeting, keep the surplus, and keep the benefits of increased production as an incentive." This policy has successfully mobilized every level of administrative and business unit to organize income, save expenditures, and increase the effectiveness of its capital utilization. As a result, significant savings in public and conference expenditures has been achieved in many areas.

The concerned department considers that, generally speaking, the financial income and expenditure [record] during the first 9 months of this year have been good. However, we must recognize that there are still many more factors that can affect income, such as expenditures incurred from raising the wages of a portion of the cadres and workers, which will be reflected in the figures for the fourth quarter. The provincewide plan for industrial enterprises to reduce their production costs has not been achieved; the plan to turn losses into gains has not reached its goal; and a small number of units are still violating financial economic regulations. Therefore, in order to be able to fulfill, and to fulfill with surpluses, the plan for financial income and expenditures this year, every unit must continue to work cooperatively, digging up the latent potential by all means and all methods, and forcefully carry out measures for organizing income and saving expenditures.

Report From Hong Kong

Hong Kong WEN WEI PO in Chinese 22 Oct 80 p 1

[Article: "Maintaining a Steady and Uniform Development, Guangdong's Industrial Output Increased More Than 10 Percent; Growth Rate of Light Industrial Collective Enterprises Surpassed That of People-Owned Enterprises"]

[Text] Industrial production in Guangdong has maintained a large-scale, steady, and uniform trend of growth this year. Cumulatively over the first 9 months of this year, the gross industrial product increased 10.6 percent over the same period last year.

So far this year, in carrying out the policy of "readjustment, reform, reorganization, and improvement," Guangdong has emphasized the development of superior [quality], the protection of competition, the opening wide of opportunities for production and consumption, the development of production, and increased income. As a result, a greater scale of increase has been achieved by light industry and collectively owned industry, which are more sensitive to market adjustments. The gross product of light industry increased 12.8 percent compared with the same period last year, while the gross product of collectively owned industry increased a whopping 22.3 percent--far exceeding the level achieved by heavy industry and industry owned by the whole people, which are more heavily adjusted by the plan.

In the key districts and cities where industries are concentrated, such as the Guangzhou and Foshan areas, the growth rate surpassed the average level provincewide. The major products were found to have fulfilled the plan better. Some products have already achieved planned goals for the whole year.

According to statistics compiled over the first 9 months of this year, 80 percent of the 80 major products have already fulfilled the plan goals for the whole year. There are 26 products, including steel materials, various colored metals, tungsten steel, tung oil, oil shale, iron ore, caustic soda, soda soap [5142 8565], light bulbs, everyday glassware, leather products, washing machines (household), electric fans, refrigerating equipment, elevators, and wattmeters, which have fulfilled planned goals for the whole year 3 months ahead of time. Popular industrial products which are in short supply scored significant increases not only in the number of brands but also in the quantity of the products.

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ECONOMIC PLANNING

DEVELOPMENT OF SPECIAL ECONOMIC ZONES IN GUANGDONG SUPPORTED

Guangzhou NANFANG RIBAO in Chinese 18 Oct 80 p 3

[Article by Li Yanshi [2621 6056 1395]: "To Successfully Build Special Economic Zones, Emphasis Must Be Placed on the Word 'Special'; Another Discussion on the Building of Guangdong Special Economic Zones"]

[Text] The "Regulations on Guangdong Special Economic Zones" have summarized the policies and measures related to the establishment of the special zones. In order to build special economic zones successfully, we must, according to the spirit of the "regulations," implement a series of special policies and ingenious measures which are different from those applied to other areas. That is to say, that, in directing the construction of these special economic zones, we must start out with the characteristics of the special zones. In other words, we must place emphasis on the word "special."

So-called special economic zones, as is obvious from the name, are economic zones where special policies and special administrative measures are implemented during the course of our economic construction. They are built mainly by attracting foreign firms and their capital. The foreign businesses and enterprises are completely administered and operated independently by the foreign firms. Foreign firms which are willing to come and invest in the special zones are given the necessary conditions, a certain favored treatment and various conveniences. This kind of special economic zone is not only closely related to the socialist economy but also to the world's capitalist economy. Its development is ruled by its own special laws. In order to operate special economic zones well, we must respect the special laws regulating the construction of the special zones. We must never go against these laws. What is important at this juncture is the fact that we must liberate our thinking, daring to face reality, and acting accordingly. What we need to do in order to be able to liberate our thinking is to break our old habits and frame of mind which hinder the establishment of the special economic zones. In carrying out our task or pondering over problems, we must not act according to our own subjective desires or the profit of our own department or unit alone, but we must also take into consideration the profit of the investor. In other words, we must destroy our old economic administrative system and establish a new economic administrative system which will meet the needs of the special economic zones. Only by doing so can we create the necessary conditions for the establishment of the special economic zones and promote their development.

We must point out, however, that the economic administrative system which was founded over the past 30 years of socialist economic construction possesses numerous shortcomings and fraudulences which are detrimental to the development of the construction work related to socialist modernization, so it must be reformed. This country is experimenting on this matter right now. This economic system is even more unsuitable from the viewpoint of establishing special economic zones. We must firmly insist on the destruction of this system. At present, some comrades still lack an understanding of the characteristics of special economic zones. As a result, they don't respect the laws governing the establishment of the special economic zones. Instead of creating conditions favorable to the implementation of the special policy and administrative measures for the special economic zones, they carry on as usual according to the old rule, ignoring the characteristics of the special economic zones completely; or worse, they apply various restrictions, citing this "instruction" or that "regulation" of the past. No wonder a situation described by one comrade as "foot chains on the ankles, handcuffs on the wrists, and a noose around the neck" can take place in matters related to the construction of special economic zones. Unless this kind of situation is changed immediately, the "regulations" cannot be implemented effectively and the progress of establishing special economic zones will be adversely affected.

Some comrades have suggested that implementing a special policy and ingenious measures for the construction of special economic zones constitutes "special treatment" and so is "improper." This statement is only partially correct. If no special laws related to special economic zones are respected, if no special policy and no ingenious measures are implemented, and if no special road and methods for the construction of the special economic zones are recognized, can special zones remain special? If one says that this constitutes "special treatment," he is right. But this is not "improper," because it has to be done this way. There is no other way by which a special economic zone can be built.

Implementing a special policy during the construction of special zones is based fundamentally on the principle of "equality and mutual benefit." This principle is the principle applied in general in international economic activities. Practicing this principle in economic activities means taking care to benefit both sides at the same time. Only by doing so can economic cooperation develop smoothly. Otherwise, economic cooperation, no matter what the format may be, cannot materialize, nor can it endure. We, the socialist nations, must also practice this same principle when we conduct our international economic activities. Construction of special economic zones is no exception. The fact that the "regulations" state clearly that foreign firms which invest and bring in businesses and enterprises shall enjoy certain specific favored conditions is nothing but a concrete manifestation of the principle of "equality and mutual benefit." We must steadfastly carry out this principle. We must realize that those who cooperate with us economically come from different places. The willingness of foreign firms to come and invest in the special zones is, first of all, an expression of friendship toward our country which is beneficial to our socialist economic construction. To be sure, the benefits of both sides must be taken care of at the same time. In a capitalist society, everything is for profit, and profit is the law which governs every activity of capital. Therefore, we cannot ignore this principle when we carry out economic cooperation with foreign firms.

Some are worried that we might get the worst of it when we give so many favored conditions to foreign firms. This worry is quite unfounded. The "regulations" state clearly that foreign firms shall be given a broad field in which to operate, good conditions in which to operate, and safe and stable places in which to conduct their businesses. They shall receive favored treatment on matters related to the use of land, foreign exchange, management, and taxes. They shall be assisted in every way possible in matters related to the importation of materials and the entry and departure of their personnel. These are some of the necessary conditions for foreign firms to come and invest and build plants in the special zones. It also constitutes the embodiment of the principle of "mutual benefit." If these conditions and the necessary favors and conveniences are not bestowed, it will be impossible to attract foreign firms to come forward and invest. Then there will be no special zones to talk about, and where will we get our benefit? Some of the favorable conditions appear to be quite ingenious; however, they are necessary in order to speed up the building of the special economic zones. For example, the "regulations" state clearly that the income tax rate is to be 15 percent for special zone enterprises. It also states that those enterprises which are organized within 2 years after the announcement of this rule, or those enterprises whose investment exceeds 5 million, or those high-technology enterprises whose capital circulation cycle is longer, or those enterprises which reinvest their profits in the special zones for more than 5 years, shall be given special consideration and their income tax will be reduced or even exempted, according to the circumstances. These special favors bestowed upon those enterprises which invested early, which are large in scale, or which are advanced in technology so that their capital circulation cycle is longer, and on those which reinvest in the special zones, will no doubt help those enterprises make more profit. On the other hand, these [favors] will also benefit us by attracting more foreign capital and higher technology more rapidly, thus promoting development of the special zones. This, in reality, also takes care of the benefits of both sides at the same time. During the early stages of the economic construction of Russia, Lenin pointed out that as long as we are able to get foreign production materials such as machinery and electric equipment as soon as possible, as long as we are able to get the help of powerful and advanced capitalists, "we do not mind giving several tens of millions of our materials and wealth to them as 'tributary gifts'." He also said: "As long as we are able to improve our workers' lives, we do not care if they make a profit of 150 percent." ("Complete Works of Lenin," Vol 32, pp 213, 299) If one calls this a concession, then it is an "equal value concession." (Ibid., Vol 33, p 295) Therefore, bestowing favorable conditions on foreign firms does not necessarily mean that we are disadvantaged. It is just the embodiment of the principle of "mutual benefit."

Marxism measures the correctness of an economic policy or measures implemented by a proletariat party not by how many revolutionary phrases are used in the sentences but by whether it reflects the trend and direction of social economic development, or whether it starts out from reality and thus is beneficial to socialist economic construction; in other words, whether it is in agreement with objective economic laws. If not, it is not correct. In building special economic zones, why do we bestow certain specific favorable conditions on foreign firms? This is based on a consideration of the custom of international cooperation and various economic factors, domestic as well as foreign. It is in agreement with the laws governing the building of special economic zones. During the 10-year period of upheaval, Lin Biao and the "gang of four" implemented a closed-door policy concerning international economic activities and unnecessarily accused too many people of practicing a "foreign slavery" philosophy. As a result, our hands and feet were bound and a serious adverse effect was wrought upon socialist economic construction. This lesson should be sufficiently penetrating for each one of us. We must liquidate the evils left over from the leftist-roaders.

The special zone economy is a supplementary form of the socialist economy. It is closely related with a vast majority of the areas. In order to be able to do a good job of building special economic zones, we must depend on the cooperation of party members, cadres, and the masses in the areas where the special zones are to be located. At the same time, we also need the complete cooperation of the people of the entire province and the entire nation, and their enthusiastic support. Various areas and departments and every walk of life must care for and support the building of special economic zones by creating conditions favorable for them and providing them with various conveniences. We believe that with the cooperation of the people of the areas where the special zones are to be located and the entire population of the province, struggling together with united forces, we shall be able to carry out the task of building the special economic zones.

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ECONOMIC PLANNING

BRIEFS

GUANGXI EXCHANGE MEETING--A regional scientific research exchange meeting conducted by factories, mines and enterprises was held in Nanning from 23 to 27 October. Zhou Guangchun and Luo Libing, the regional CCP committee and people's government, attended the meeting and spoke. The meeting held: the launching of scientific research in factories, mines and enterprises is the key to industrial modernization and is an essential condition for them to increase production. Scientific research in factories, mines and enterprises must be established in accordance with actual conditions and must be closely linked with technological renovation to guide and assist the progress of new technology. The meeting stressed: CCP committees and people's governments at all levels must strengthen leadership over the establishment of scientific research organs in factories, mines and enterprises, and bring the roles of technicians into full play. [HK129010 Nanning Guangxi Regional Service in Mandarin 1130 GMT 28 Oct 80]

TIANJIN CITY CONSTRUCTION--The Standing Committee of the Tianjin Municipal People's Congress held its sixth session 12-15 November, discussing the 2,000 outline of the overall planning for Tianjin city construction and the 1981-1983 program for repairing buildings destroyed by earthquakes and for building subsidiary projects. Attending the session were Yan Dakai, chairman of the Standing Committee of the municipal people's congress; Yu Fujing, deputy mayor of Tianjin Municipality; and (Zhou Ganji), deputy chief of the Tianjin Municipal Planning Bureau. [Tianjin City Service in Mandarin 0030 GMT 16 Nov 80 SK]

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BRIEFS

BANK LOANS FOR GUANGDONG--Since the beginning of the year, the general banking department of the People's Bank of China has issued short-term foreign exchange loans of some U.S.$100 million to Guangdong Province to support the four modernizations efforts in the province. All enterprises which produce export commodities and all units which can directly or indirectly earn foreign exchange income and have the ability to repay the loans are eligible to apply at the various branches of the people's banks for foreign exchange loans. The period of the loans is generally 1 year and the longest period of the loans is 3 years. The preferential annual interest is less than 9 percent. The bank has so far approved loans of some U.S.$38 million. According to incomplete statistics, with the help of these loans, local enterprises' output value has increased by some 37 million yuan and foreign trade departments have increased procurement by some 20 million yuan. [HK270816 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 24 Nov 80]

HEILONGJIANG PRICE HIKES--The Heilongjiang Provincial Commodity Price Bureau recently held a report meeting of price bureau directors to discuss ways to halt price hikes. The meeting urged the departments concerned to raise the people's understanding of the significance of stabilizing market prices, implement the eight measures set forth by the provincial people's government to curb malpractices liable to be perpetrated by staff and workers of commercial departments, strictly abide by price policies and ensure that no one who violates price discipline will go unpunished. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 26 Nov 80 SK]

HEILONGJIANG CAPITAL CONSTRUCTION SPENDING--Responsible person of the Heilongjiang Provincial Construction Bank said: the usual year-end spending-spree by units undertaking capital construction projects will be substantially reduced this year because a recent circular stipulates that 1980 capital construction funds may be used in 1981 if they are not all spent in 1980. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 26 Nov 80 SK]

ZHEJIANG BANK LOANS--Since the beginning of this year, local construction banks in Zhejiang Province have extended capital construction loans to small enterprises to support their rebuilding, expansion and renewal of equipment. By the end of October, some 142 loans totaling 23.2 million yuan had been granted. [OW161846 Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 15 Nov 80]

SHENYANG REVENUE INCREASE--By the end of October, revenue in Shenyang Municipality increased by 27.2 million yuan over the corresponding 1979 period. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 26 Nov 80 SK]

HUNAN CONSTRUCTION PROJECTS INVESTMENTS--Instead of being appropriated out of revenue, the investments in capital construction projects in Hunan Province have been borrowed from banks on a trial basis. As a result, funds have been saved and the period of construction has been shortened. At present, construction banks have issued loans of some 106 million yuan to 180 factories, including the Xiangtan Textile, Printing and Dyeing Mill, the (Liyijiang) Electricity Plant, the Hunan Rubber Plant and the Hanshou County Paper Mill, for the purpose of capital construction. As loans must be repaid with interest at the stipulated time and more interest must be paid after the due date, the units which borrow the loans from the banks will naturally see that the loans are used carefully and properly. [Changsha Nunan Provincial Service in Mandarin 1100 GMT 24 Nov 80 HK]

JIANGSU GOVERNMENT CIRCULAR--The Jiangsu Provincial People's Government on 24 November issued a circular urging all localities to strictly enforce financial and economic discipline and prevent the yearend spending spree in order to guarantee the fulfillment of this year's financial revenue plan. The circular called on all localities and departments to collect all taxes due and strive to cut down expenditure. In order to curb the yearend spending spree, the circular stresses that the scale of capital construction should be reduced, that institutional purchasing power should be lowered, that no expenditures should be authorized from now on other than relief funds and that the bank's credit and loans management should be strengthened. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 26 Nov 80 OW]

JILIN ENTERPRISES DEFER, EVADE TAXES--Our reporter learned from the department concerned that at present tax evasion is quite serious at some enterprises in our province, directly interfering with the fulfillment of the tax plan and the plan on financial incomes and expenditures. As of the end of October provincial enterprises have deferred paying some 10 million yuan in taxes owed the state. Some of the enterprises outright evade state taxes. The Changchun Municipal Steel Tube Plant deliberately evaded some 400,000 yuan of state tax from 1978 to June 1980. The municipal people's procuratorate is instituting proceedings against it according to the law. The Changchun Municipal Metal Processing Plant, formerly known as the Changchun No 2 Metal Materials Plant, evaded some 41,000 yuan of state tax from December 1979 to April 1980 by fraudulently reporting less income from marketed products. The department concerned is investigating the case. [Text] [SK281008 Changchun Jilin Provincial Service in Mandarin 1100 GMT 27 Nov 80]

NEI MONGGOL GOLD PURCHASING--Persons of various nationalities in Nei Monggol are vigorously selling gold, silver and gold and silver products to the state. According to incomplete statistics compiled by departments concerned, over 21,000 grams of gold, over 4,747,500 grams of silver and over 75,200 silver coins were sold to the state in the third quarter of 1980. [SK220124 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 16 Nov 80]

JILIN FULFILLS TAX PLAN--According to our correspondent (Zhang Xinhu), since the beginning of this year, tax departments at all levels throughout the province have made great efforts to increase production and income and practice economy in coordination with the departments concerned. As of 20 November, the Yanbian Korean Autonomous Prefecture and Panshi, Jingyu, Changbai, Changling, Dehui and six other municipalities and counties overfulfilled the annual tax plans. The province has now fulfilled the annual tax plan by 91.5 percent. At present, tax departments at all levels and the masses of tax cadres throughout the province are conscientiously implementing the guideline contained in the State Council's notice on grasping well the November and December plans on financial incomes and expenditures and on controlling financial deficits and the circulation of money. They also go down to grassroots levels to launch tax audits so as to promote production, increase incomes and enable tha province to collect more taxes. [Text] [SK281028 Changchun Jilin Provincial Service in Mandarin 1100 GMT 27 Nov 80]

JINAN CIRCULAR ON FINANCIAL EXPENDITURE--The Shandong Provincial People's Government issued an emergency circular on 19 November, urging various departments to cut down expenses, control the funds in circulation, fulfill the 1980 financial task and inspect the state of financial and economic disciplines throughout the province. The ciruclar contended that all departments, enterprises and establishments must adopt effective measures to increase production and profits and to stop new expenses during the last month of 1980. The people's banks in various localities must supervise departments concerned in giving bonuses, support them to expand purchase and sales, transport commodities to countrysides and to be sold on market, speed up the withdrawal of funds from circulation and of agricultural loans. Such act as randomly giving bonuses, and increasing subsidies and expenses must be strictly handled. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Nov 80 SK]

ZHEJIANG PROFIT ADJUSTMENT--The Zhejiang Provincial Commodity Prices Committee, in cooperation with industrial finance and trade department, made a rational adjustment in profit distribution among light and textile industrial departments. This has stabilized prices of light and textile industrial products and promoted the circulation of commodities. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 14 Nov 80 OW]

CURRENCY POLICY CHANGE STUDIED--Shanghai, 6 Dec KYODO--China is studying unifying the yuan and foreign currency convertible notes now in circulation into a single currency, Japanese Finance Minister Michio Watanabe said Saturday. Watanabe told KYODO NEWS SERVICE that China made the disclosure at the Japan-China ministerial conference held in Beijing this week. He said China officially denied rumors that it would devalue the yuan, suspend the issuance of the convertible notes and fix double exchange rates for the currency. Watanabe is here on his way home from Beijing. [Text] [OW060646 Tokyo KYODO in English 0631 GMT 6 Dec 80]

CSO: 4120

'XINHUA' ON COAL INDUSTRY, KAILUAN COAL MINE PROBLEMS

OW132042 Beijing XINHUA Domestic Service in Chinese 0307 GMT 11 Dec 80

[Letter from XINHUA reporters Guo Jie and Li Zhengjie: "Coal Industry Readjustment as Seen From Kailuan"]

[Excerpts] Shijiazhuang, 11 Dec (XINHUA)--As conditions at the Kailuan coal mine show, it is impossible for the coal industry to make readjustments so long as output plans, made according to needs, remain unchanged.

We found that Kailuan's readjustment is quite slow. Why? The leading cadres and technical and engineering personnel we have interviewed all say that readjustment is indeed imperative but they just have no time for it.

The reason that they can spare no time for readjustment is, we understand, that on the one hand mountains of problems await immediate solutions because the mine underwent serious sabotage during the 10-year catastrophe resulting in disproportionate excavations and a lack of maintenance for equipment and coal pits and, on the other hand, the state demands greater coal output as this industrial foodstuff is short of meeting the needs of the national economy. In other words, readjustment is necessary, although output quotas cannot be lowered.

Kailuan is one of our reputable coal bases. With a large number of veteran workers and a better than average level of management and equipment, the production situation in Kailuan has always been good. Even during the 10-year disturbance, Kailuan's output kept rising. During the fourth 5-year plan from 1971 to 1975, its output shot up from 16.64 million dun to 25.63 dun, doubling its original production capacity of 12.6 million dun and averaging a 2-million dun increase each year. However, these high increases brought along a series of problems. Before the mine could take a breath, it was hit by the strong earthquake of 1976 and sustained extremely serious damage. Nearly all of its surface buildings were wiped out and its principal production shafts inundated. Yet, because there was an acute shortage of coal at that time, the state demanded that the mine resume production as soon as possible and strive to reach the pre-earthquake output level. Thus the mine drained the shafts and excavated coal at the same time. The tunneling task was, therefore, delayed by 1 to 1.5 years while 13 million dun of readily available coal was excavated, resulting in critically disproportionate excavations that further aggravated the originally weak link of its coal production.

The first year after the earthquake, 1977, the state demanded that Lailuan reach the pre-earthquake capacity of 12.6 million dun. The staff and workers of Kailuan worked desperately and produced 12.68 million dun of coal that year. In 1978, the state demanded Kailuan double its output to reach the pre-earthquake peak of 25.2 million dun. At the output quota was set purely according to needs and beyond its actual ability, it produced only 21.5 million dun after a whole year's hard work. In early 1979, the state set Kailuan's output quota at 23.5 million dun but later reduced it to 21.5 dun. In early 1980, the output quota was set at 20 million dun. The situation each month was invariably short of targets at the beginning, catching up in the middle and working desperately toward the end. Output quotas had to be lowered once again.

Under the pressure of output quotas, Kailuan has never wholly regained its sappe vitality. If it has to go on working desperately with ills uncured, it is possible that someday it will fall seriously ill and never can be cured. Some Kailuan comrades have put it well: "Day in and day out, you cannot even take a breath under the pressure of the output quota, how can you have time and energy to take care of readjustment?"

From the problems experienced by Kailuan, we can see that production plans should not be made on the basis of needs only but also according to objective capabilities.

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BRIEFS

LIAONING EXPERIENCE EXCHANGE MEETING--The leading group of the northeast power grid recently held an experience exchange meeting on conserving power, using power in a planned way and relying on the masses to run power stations in Anshan Municipality. Attending the meeting were some 350 technicians and specialists from petrochemical and metallurgical industrial enterprises. Five experts were invited to give speeches. They discussed ways to conserve electricity and suggested many constructive views and measures in this regard. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 21 Nov 80 SK]

SHAANXI ENERGY CONSERVATION--The industry and communications front in Shaanxi Province has done a good job in energy conservation this year. According to incomplete statistics, from January to September the province saved a total of 350,000 tons of coal, over 200 million kwh of electricity, 5,000 tons of heavy oil and nearly 20,000 tons of oil finished products. The total value of these savings was 35 million yuan. [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 10 Nov 80 HK]

NORTHWEST MEETING ON POWER STATIONS--The five northwest provinces and autonomous regions recently held a seminar in Baoji, Shaanxi, on the remote control of power stations and transformer stations, a measure which would fundamentally solve the current problems of insufficient safety, speed and accuracy in power generation and transmission in the region. The unmanned, automatic operation of these stations by remote control has never been attempted in the region. The meeting, sponsored by the Baoji power supply bureau, gave the participants an idea of the technical problems and demands, and trained a number of technicians for advancing the work. [Xian Shaanxi Provincial Service in Mandarin 1100 GMT 7 Nov 80 HK]

HEILONGJIANG MARSH GAS--Jointly developed by the Shuangcheng County Marsh Gas Office and the Dongfanghong Brigade, the biggest marsh-gas power station in Heilongjiang Province was put into operation on 17 November in Shuangcheng County. The station has a 14-kilowatt generator and a fermentation tank which is 20.07 meters in length, 4.5 meters in width and 2.1 meters in depth and which can produce 40 cubic meters of march gas a month in normal temperatures. [Harbin Heilingjiang Provincial Service in Mandarin 1100 GMT 21 Nov 80 SK]

LIAONING OIL PRODUCT SERVICE CENTER--The Liaoning provincial oil product consultation service center was recently established under the support of the Provincial Petrochemical Industry Bureau, the Provincial Commercial Scientific Research Institute, the Shenyang Oil Purchase and Supply Station, the provincial oil company and refineries concerned. Its purpose is to provide the latest information on oil products, their utilization, application of petroleum-related technologies, energy conservation and technical cooperations at home and abroad by making full use of scientific and technical personnel in the province's petroleum industrial departments. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 24 Nov 80 SK]

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ERRATUM: This article is republished from JPRS 76946, 5 December 1980, No. 102 of this series, pp 34-35 to correct the translation of first paragraph.

HUGE URANIUM DEPOSIT FOUND IN HUAGANG CRAG

Beijing RENMIN RIBAO in Chinese 30 Aug 80 p 1

[Article by Li Weiyao [2621 1218 1031] and Zhang Yousheng [1728 0645 3932]: "Tan Mutao Opens Up a New Realm by Finding Uranium in Stratum of Huagang Crag"]

[Text] China has discovered an exceptionally large uranium deposit in a fractured stratum of mesozoic granite. Engineer Tan Mutao [6007 0645 3932], director of the Guangdong Provincial Geological Bureau, contributed to the discovery and verification of the deposit.

In the past, some foreign experts had categorically asserted: "There are no large mineral deposits in the Mesozoic Era stratum of Huagang Crag" and "One cannot drill more than 200 meters into Huagang Crag." A regional geological survey team, however, discovered many unusually radioactive points (belts) in Huagang Crag of the Nanling Mountains. Geological Team 705, whose mission is to find uranium, immediately began prospecting. Tan Mutao, as the technical responsible person on this team, personally directed the prospecting and drilling, and, in less than 4 years, handed over to the state a big uranium mine.

To solve the mystery of whether there was a mineral deposit in the Mesozoic Era stratum of Huagang Crag, Tan Mutao began by summing up his experiences in searching for mineral deposits, and then led the geological personnel in scaling sheer precipices and overhanging rocks in order to investigate outcroppings and drill tunnels, gathering and putting in order several hundred thousand words of firsthand material. After analysis and study, he confirmed that about 1 million years ago there were many violent movements of the earth's crust here (the so-called Yan Mountain Range activity). Huagang Crag, a product of the later period of this activity, contains thermoliquified uranium [youreye 6914 3583 3210], which from deep in the earth's crust runs along a fault line up to the earth's surface, forming a mineral deposit. By mastering a great amount of data, he was able to draw a circle around a 76-square kilometer mineral field and to draw up a 7-year plan for it. From the end of 1965 to 1966, the Ministry of Geology mustered its forces to explore, on two occasions, the No 9 hole picked out by Tan Mutao on the mineral vein. After more than a year, the ministry, overcoming all sorts of difficulties, verified that there was an especially large uranium vein centered on the No 9 hole. From 1967 to 1979, Geological Team 705 handed over to the state large industrial reserves of uranium.

In 1979, Comrade Tan Mutao was a member of our country's uranium geological delegation that went to America, and he attended the annual symposium on uranium of the American Petroleum Geologists Society, at which he read his scientific paper on "Geological Features and Formation of Thermoliquified Uranium in Huagang Crag of the Nanling Mountains." The scientists at the symposium thought highly of and commended his paper. In April of this year, he was elected to be a model worker in the national geological system.

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BRIEFS

JILIN GOLD ENTERPRISES--As of 15 November, about 75 percent of the provincial gold mines overfulfilled their annual gold production plans. Key gold producing areas such as Jilin, Yanbian and Tonghua overfulfilled the state production plan. By the end of October gold enterprises throughout the province gained profits of some 2.55 million yuan, overfulfilling the annual plan by 18.7 percent, an increase of 9.1 times over the 1979 figure. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 26 Nov 80 SK]

TIANJIN GOLD--The Tianjin Electrolytic Copper Plant extracted 10,272 liang of gold from the anode slime in the process of copper electrolysis during the first 10 months of 1980. This figure was 78 percent higher than the figure for the corresponding 1979 period. [Tianjin City Service in Mandarin 0030 GMT 12 Nov 80 SK]

CSO: 4006

INDUSTRY

PRC LIGHT INDUST[illegible] MINISTRY CIRCULAR ON PRICES

OW141750 Beijing XINHUA Domestic Service in Chinese 1252 GMT 13 Dec 80

[Excerpts] Beijing, 13 Dec (XINHUA)--The Ministry of Light Industry on 12 December issued a circular urging light industry departments and enterprises in all localities to firmly implement the provisions contained in the State Council's circular on strictly controlling commodity prices and reorganizing negotiated prices. It also urged these departments and enterprises to conscientiously readjust the prices for products to be sold by manufacturers themselves at exhibitions or on a trial or commission basis.

The light industry ministry's circular says: Retail outlets, sales exhibitions, promotional sale centers, marketing agencies and all other self-marketing channels of light industry departments and enterprises at all levels, whether state or collectively-owned, should act according to the provisions in the State Council's circular. Manufactured goods whose prices are fixed by the state should be sold at the state-fixed prices. Price increases are not permitted. Retail prices of commodities reached through negotiations should stick to the price levels prevailing on 7 December 1980. These commodities may be sold at lower prices, but price increase are not permitted.

The circular stipulates that light industry departments and enterprises at all levels should not increase their profits or give bonuses by fixing a higher price or increasing the prices in a disguised manner or other illegal methods. Severe punishments should be meted out to those who violate laws and discipline.

The circular says: Factory prices and self-marketing prices of light industrial products should be readjusted in earnest. According to the regulations, downward readjustments of prices may be allowed. In future, all applications for price readjustments should be filed according to the authority in price administration stipulated in state regulations for final approval.

CSO: 4006

PRC TEXTILE INDUSTRY STRESSES RESEARCH, INNOVATION

OW141223 Beijing XINHUA Domestic Service in Chinese 0755 GMT 13 Dec 80

[Excerpts] Beijing, 13 Dec (XINHUA)--This correspondent has learned from the national report meeting of the textile industry on scientific and technological achievements now being held in Beijing that in the past few years China's textile industry has actively developed scientific research and technical innovations in the light of production requirements and has achieved rather good economic results. Without much expansion in equipment and capacity, the country's textile industry has increased output and output value rapidly year after year.

In the field of cotton textile industry, after solving the technical problems in the spinning, weaving, dyeing and finishing of medium and long fibers and chemical fibers in the 1970's, the scientific research departments have been actively developing medium- and high-grade chemical fiber products, such as imitation wool and silk fabrics and knitted coats. The cotton textile industry in Shanghai has added little, if any, equipment in the past 10 odd years, yet its output value has increased from 4.8 billion yuan to 8.9 billion yuan, or 85 percent, thanks to the adoption of new technology. The output value and profit of the cotton textile industry of the country as a whole has increased by an annual average of about 10 percent in the past 3 years.

In the past few years, the textile industry has made vigorous efforts to popularize and apply the result of scientific research to translate these results into productive forces as quickly as possible. It is learned that the number of scientific research items of the textile industry appraised and approved for popularization throughout the country in 1979 and 1980 is 56 percent more than the total number in the 1971-78 period.

In the past few years, the country's textile scientific research departments have also made vigorous efforts to restore and consolidate the scientific research organizations, and a textile scientific research system has begun to take shape, insuring and spurring the development of scientific and technological work. At present, there are already 83 textile scientific research institutions at the national and provincial and municipal level, and a number of large and medium-sized enterprises have also set up research institutes or laboratories.

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BRIEFS

ANHUI HEFEI LIGHT INDUSTRY--The Hefei Municipal CCP Committee and the municipal People's Government in Hefei called on the industrial departments to increase the output of highly demanded products in the 4th quarter, including 10,000 cartons of cigarettes, 10,000 wrist watches, 10,000 bicycles, 100 dun of wine, 1,000 dun of cotton yarn, 5,000 dun of rolled steel, 100,000 pieces of garments and 500 dun of plastic products. Their output value can reach a total of 47.1 million yuan, and the state can receive an additional 10 million yuan in tax and profits. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 14 Nov 80 OW]

GUANGDONG BOOSTS INDUSTRIAL PRODUCTION--Guangdong has initially readjusted its industrial structure this year and stepped up the development of the light and textile industries. Total value of industrial output from January to the end of November was 9.2 percent higher than in the same period of last year. This included a 15.7 percent increase in light industry, a development speed far exceeding that of heavy industry. According to statistics of departments concerned, the speed of development of the province's light and textile industries this year, including the No 2 light industry system, has consistently exceeded that of all heavy industry sectors. The proportion of light industry in the total industry of the province has increased from 57.5 percent in the same period of last year to 61 percent. In prefectures and municipalities where the proporition of light and textile industries is relatively high, such as Guangzhou Municipality, Foshan and Shantou prefectures, and Foshan, Shantou, Jiangmen, Zhanjiang and Chaozhou municipalities, total value of industrial output from January to November not only exceeded the progress demanded by the year's plan but also greatly increased over the same period of last year. [Text] [HK140652 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 13 Dec 80]

GUANGDONG COLLECTIVE ENTERPRISES--Collective-ownership industrial enterprises in Guangdong have worked hard to enliven their production. Total value of their output from January to October was 5.39 billion yuan, 21 percent more than in the same period of last year, and accounting for more than half the total value of industrial output in the province. The proportion of collective industry in the province's industry has risen from 26.4 percent last year to 29.2. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 14 Nov 80 HK]

GUANGDONG CHEMICAL FERTILIZER OUTPUT--Small chemical fertilizer plants in Guangdong Province produced 310,000 dun of chemical fertilizer during the first 10 months this year. This output was achieved by their efforts to increase production, improve quality and cut down energy and material consumption. [OW251525 Beijing Domestic Service in Mandarin 0400 GMT 22 Nov 80]

GUANGDONG SALT DEPOSIT--Beijing, 16 Nov (XINHUA)--Guangdong Province has discovered a deposit of glauber salt and rock salt on the northern outskirts of its capital Guangzhou, according to the Ministry of Geology. Reserves of 13 million tons of glauber salt and 64 million tons of rock salt have been verified in the deposit, the first discovered in Guangdong Province. The salt is of good quality. The deposit is near the surface and transport facilities are convenient. Glauber salt and rock salt are important raw materials for the chemical industry, and Guangdong Province has long been badly in need of them.[Text] [OW161823 Beijing XINHUA in English 0241 GMT 16 Nov 80]

GUANGZHOU INCREASES OUTPUT, PROFIT--Guangzhou Municipal Industry increased output and income throughout the January-November period. According to statistics, total value of output during the period was 11.6 percent greater than in the same period of last year. Industrial profit from January to October was 29.75 percent greater than in the same period of last year. Profits turned over to the state by state-owned industrial enterprises rose by 28.2 percent. At the beginning of the year the municipality designated 61 products as key products for development, including bicycles, sewing machines, wristwatches, perfume, flashlights and knitted goods. The municipal authorities raised 120 million yuan in investment to tap potentials and carry out innovations and reforms in the factories making these products. [Summary] [HK140654 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 13 Dec 80]

HEBEI PHOSPHATIC FERTILIZER PRODUCTION--After Hebei Province fulfilled its quota for the production of 570,000 metric tons of phosphatic fertilizer 110 days ahead of schedule, it overfulfilled its quota for production for 1980 by the end of October. Its actual output was 41.7 percent more than in the corresponding period of last year. The output of standard phosphatic fertilizer in Shijiazhuang Prefecture was 53.2 percent more than in the corresponding period of last year. The province had 120 phosphatic fertilizer plants at and above county level in the first half of last year but, because the positions of these plant premises were irrationally arranged and these plants were poorly managed, the quality of their products was poor and they incurred serious losses. They lost some 16.14 million yuan last year. After readjustment, the province now has only 90 phosphatic fertilizer plants. Although the number of phosphatic fertilizer plants is smaller, enterprise management has been strengthened, output has greatly increased and the quality of products has been impvoed accordingly. [Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 17 Nov 80 HK]

HEILONGJIANG CHEMICAL FERTILIZER PLANTS--During the period from January to September 24 of the 44 small chemical fertilizer enterprises in Heilongjiang Province were closed or merged, and the remaining 20 produced some 7,600 tons more chemical fertilizer than the original 44 did during the whole year of 1979. After the readjustment of the enterprises, the costs of production and fuel, and power consumption have also been reduced. The cost of producing 1 ton of nitrogeneous fertilizer has been reduced by 42 percent and phosphate fertilizer by 8 percent. The per-ton coal consumption of synthetic ammonia has been reduced by 33 percent and its electricity consumption by 42 percent. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 11 Nov 80 SK]

HUBEI INDUSTRY BOOSTS PRODUCTION--According to HUBEI RIBAO, Hubei has done well in fulfilling industrial plans this year. Total value of output from January to November amounted to 97 percent of the year's plan and was 18.9 percent more than in the same period last year. Output of 40 out of 80 major products has fulfilled or overfulfilled the year's plan, and output of 54 products increased compared with the same period last year. January-October profits of state-owned enterprises in the province were 24.7 percent greater than in the same period last year. "The development speed of the province's light industry has continued to exceed that of heavy industry. Total value of light industry output from January to November was 21.7 percent greater than in the same period last year and 5.3 percent higher than the heavy industry growth rate. The percentage of value of light industrial output in total industrial output value increased from 46.2 in the same period of last year to 47.4. Due to the change of proportions in light and heavy industry, value of industrial output without any increase in raw material consumption rose by 150 million yuan." The province has continued to improve quality and increase variety of products. Hubei industry has also made efforts to economize energy. Industrial output from the first to the third quarters rose by 23.1 percent, while energy consumption only increased by 15.1 percent. The province saved a total of 570,000 tons of coal, 54,000 tons of oil, 22,000 tons of coke, and 190 million kwh of power. [Summary [KH110427 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Dec 80]

NATIONAL NITROGEN FERTILIZER EQUIPMENT--From 5 to 9 November, the Ministry of Chemical Industry sponsored a meeting on the national technical cooperation network of large nitrogen fertilizer equipment in Lanzhou Municipality, Gansu Province. The meeting noted that the 13 sets of imported 300,000-ton synthetic ammonia production equipment and 480,000-ton urea production equipment and other home-made similar equipment, which went into operation between 1976 and 1979, are fairly advanced in the world. However, the meeting said, years of production experience has shown that there are still shortcomings in the equipment. It was for the purpose of improving the management of the large chemical fertilizer production equipment that the Ministry of Chemical Industry established the cooperation network. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 14 Nov 80 SK]

NEI MONGGOL LIME KILN--The first mechanized lime kiln in Nei Monggol region was put into operation on 19 November at the Nei Monggol construction company. With designed capacity of 100 tons per day, the lime kiln can produce an extra of 20,000 tons of commodity quick lime in addition to meeting the needs of the Nei Monggol construction company every year. [SK231235 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 21 Nov 80 SK]

SYNTHETIC FIBER CONFERENCE IN SHANGHAI--Shanghai, 16 Dec (XINHUA)--The national conference on exchanging experience in production in synthetic fiber industry closed in Shanghai on 14 December. The conference held that to effectively solve the clothing problem for China's 1 billion people, it is necessary to further promote the production of synthetic fiber while developing the production of natural fiber. In developing the production of synthetic fiber next year, it is necessary to put the stress on improving the quality of products, increasing the designs and varieties and lowering the consumption of raw materials. The conference was called by the Ministry of Textile Industry. According to the report made at the conference, China has made fairly good progress in the development of synthetic fiber production in the past few years. The total output of synthetic fiber in China in 1978 was 287,000 dun. It is estimated that the output will reach 420,000 dun by the end of this year, increasing by more than 46 percent over that of the year before last. Attending the conference were some 120 representatives from 24 provinces, municipalities and autonomous regions including Beijing, Liaoning, Shanghai and Sichuan. [Excerpts] [OW161131 Beijing XINHUA Domestic Service in Chinese 0703 GMT 16 Dec 80]

TIANJIN INDUSTRIALISTS MEETING--The Tianjin Municipal Branch of the China Democratic National Construction Association and the Tianjin Municipal Federation of Industrialists and Businessmen met 19 November to exchange members' experiences in working for the four modernizations. Former industrialists and businessmen spoke at the meeting. Yang Tianshou, vice chairman of the Tianjin Municipal Branch of China Democratic National Construction Association, urged participants to make new contributions to the four modernizations. [SK220132 Tianjin City Service in Mandarin 0030 GMT 20 Nov 80 SK]

TIANJIN AUTO INDUSTRY--Tianjin Auto Industrial Company readjusted enterprises to resume the production of 130-model motor vehicles in 1980. As of early November, this company made a profit twice as much as in the corresponding 1979 period, increased its industrial output value by 44 percent, spare parts by 30 percent and output of 130-model motor vehicles by 5 times. In addition, it also raised its labor productivity by 42 percent. [Tianjin City Service in Mandarin 0030 GMT 23 Nov 80 SK]

CSO: 4006

'GONGREN RIBAO' DISCUSSES REDUCED SCALE OF CONSTRUCTION

HK060628 Beijing GONGREN RIBAO in Chinese 15 Nov 80 p 1

[Commentator's article: "A Reduction of the Scale of Construction Must Start With Large Projects"]

[Text] This is the second year of the readjustment of the national economy. In the past year and more, all areas and departments of the country have thoroughly upheld the party Central Committee's guidelines for the readjustment of the national economy. In the area of capital construction, they have successively suspended or postponed several hundred large and medium-sized construction projects and several thousand small projects, so that there has been a reduction in the original scale of construction. Nevertheless, in the past 2 years, there have again appeared a great number of large and extra-large construction projects. Overextension in the area of capital construction continues to be a serious matter.

This has become a major problem now confronting us in the readjustment of the national economy. Given the existing scale of construction for large and medium-sized projects, and based on the state's allocation of funds for these projects for the current year, it will take at least 5 or 6 years from next year to complete all of them, even if no more new projects are added. Such a large scale of construction obviously far exceeds the financial and material resources that can be provided by the state. Capital construction investments generally account for around 40 percent of our national expenditure. This is quite a large percentage. We must redress the imbalance in our national economy. We must reduce the rate of accumulation to around 25 percent, dilute and remove the red ink in the balance of payments as quickly as possible and inject life into the national economy. The immediate problem is to show still greater determination in further reducing the scale of capital construction. Otherwise, fighting a continuing war of attrition will put us in an increasingly passive state. Not only will the economy be unstable but it will be difficult to make reforms. The people will also suffer in their standard of living. In a word, the key to the current readjustment of the national economy lies in a reduced scale of construction.

As things now stand, after 2 years of readjustment in the preceding and the current year, a great number of ordinary construction projects have been basically suspended or postponed as they should be. Those that remain are mostly projects urgently needed by localities or by the state, or projects that are near completion. Not much can be done as far as these projects are concerned. Besides, not much money is to be invested in these remaining projects. Even if a large number of them are further given up, the scale of construction cannot be greatly reduced. Thus, where can "something" be done to reduce the scale of construction? Of the existing projects, there are a great number of large and extra-large ones they involve large amounts of capital and advanced techniques. Some of them were introduced from abroad. Though these projects have been checked and evaluated in the past 2 years, nothing much has been done about them because they concern matters of consequence and call for great caution. According to statistics, by the end of last year, the unfinished large and extra-large projects in the range above 300 million yuan accounted for only around 10 percent of the total number of large and medium-sized projects under construction in the whole country. But in terms of the volume of work being done, they represented over 76 percent of all the large and medium-sized projects under construction. These large and extra-large projects have a great impact. The addition of another such project means the discontinuance of many medium-sized and small projects, while the discontinuance of one of them means the maintenance of a large number of urgently needed projects. Therefore, we must show greater determination in reducing the scale of construction. We must continuously look into ordinary medium-sized and small projects and suspend or postpone those which are not urgently needed. Apart from taking these measures, we must shift the focus of attention to those large and extra-large projects. A reduction of the scale of construction must start with these projects!

Of these large and extra-large projects, many are really urgently needed at present and have been provided with the necessary conditions for their completion. We should continuously pay close attention to working on them. But there are also many projects that are a drain on energy resources. They are "tigers" with a voracious appetite for oil, coal and electricity. As things now stand, they are very likely to be futile exercises, since they are mostly not assured of such necessities as resources, raw materials, fuel, power, communications facilities, transportation, and so forth. Even if brought to completion, these projects will only lie unused. They will be left exposed to the elements and will be good only as showpieces. They contribute nothing to the economy. Their completion will only cause a greater waste of money. This will mean a repetition of the same mistake of the Wuhan Iron and Steel Company with its 1.7-meter rolling mill project. At the recent third plenary session of the Fifth NPC, many deputies raised questions and aired views about the construction work on certain extra-large projects. This fully reflected the voice of the masses of people. Therefore, now is the time for us to show greater determination in making a serious reappraisal beginning with these large and extra-large projects.

These large and extra-large projects call for a great amount of capital, advanced technology and precision equipment and involve a wide scope and complicated conditions. Work has been started on some of them over a fairly long period of time. Greater caution must be exercised in treating them. First, we must bear in mind the adjustment of the national economy as a whole and do what is within our capacity. Those projects that should be discontinued in light of the whole situation must be resolutely stopped. We cannot think only of the benefits of an individual project or stress only the interests of a certain area or department and refuse to part with it. In fact, these supposed benefits of an individual project and interests of a certain area or department always prove to be [word indistinct], because they depend on the fulfillment of all the requirements linked with a given project. These requirements, as things now stand, can hardly be met. Second, every project must be referred to experts and actual workers in various fields, so that they can make an adequate economic and technical evaluation of whether or not it should be continued or discontinued, of whether it is progressing rapidly or slowly, of its progress based on original plans or reduced scale, and of the various losses liable to be incurred if the project is discontinued. Various programs can also thus be formulated for comparison and selection, so that we can make the best of a bad situation and avoid doing things haphazardly. Third, the discontinuance of a construction project will inevitably cause losses. Especially where technically advanced projects involving a wide scope, a [word indistinct] quantity of equipment, precision instruments and complicated machines are concerned, we must, after their discontinuance, pay proper attention to the maintenance and safekeeping of the equipment, make proper arrangements for the workers and take other necessary measures. The cadres and workers of the units related to these projects should have a high sense of responsibility. They must hold themselves responsible to the state and the people, cut losses to a minimum, and do a proper job of reducing the scale of construction.

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BRIEFS

HUNAN CAPITAL CONSTRUCTION PROJECTS--Since the readjustment of the national economy about 1 year ago, Hunan Province has checked up twice on projects under construction and reduced the amount of investments in capital construction projects by some 860 million yuan. As a result, the number of projects under construction throughout the province has been reduced from 3,292 in 1979 to 2,156 at present. The number of large and medium projects has been reduced from 32 to 15. The investments in electricity, coal and construction materials in capital construction projects account for 90, 77 and 98 percent of the annual quotas respectively. The investments in culture and public health capital construction projects are 3 percent more than the annual quotas. The province has completed construction of residential houses on 1.27 million square meters, some 264,000 square meters more than in the corresponding period of last year For many years, under the influence of the leftist ideology, the province had not done what it was capable of in capital construction. It had embarked on too many and too large-scale capital construction projects at the same time. This year, the construction of 78 projects, the investments in each of which were more than 100,000 yuan has been suspended or delayed. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 24 Nov 80 HK]

JILIN HOUSING CONSTRUCTION--Since the beginning of 1980, Jilin Province has invested some 16 million yuan to build private housing with a total floorspace of some 100,000 square meters. These houses are ready for sale in nine municipalities and eight counties and townships. By the end of October houses with a total 82,000 square meters in floorspace had been sold, thus solving the housing problems of some 2,000 staff households. Buyers who pay cash will enjoy 20 to 30 percent discount. The Changchun Municipal Housing Bureau recently received some 400 buyers of whom 60 had decided to pay cash immediately. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 26 Nov 80 SK]

SHANDONG CONSTRUCTION PROJECTS--Construction departments throughout Shandong Province have scored achievements after launching a construction emulation drive. By the end of September, 170 construction projects were evaluated as model ones. The total construction area of these projects reached 339,700 square meters. From January to October, construction departments throughout the province constructed and installed projects worth 590 million yuan, an increase by 10.8 percent over that of the corresponding 1979 period. They raised labor productivity to 3,395 yuan, an increase of 10.4 percent over that of the corresponding 1979 period. The provincial construction commission, the provincial trade union council and the provincial construction project bureau held a meeting recently in Jinan to commend advanced construction departments, exchange their experiences on construction and discuss specific measures in this regard. [Jinan Shandong Provincial Service in Mandarin 2330 GMT 24 Nov 80 SK]

ZHEJIANG ECONOMIC READJUSTMENT--Since the beginning of this year, Zhejiang Province has again stopped or suspended the construction of 33 capital construction projects, thus reducing total investment by 180 million yuan. Emphasis on local capital construction has also been readjusted. Agricultural investment has increased to 41.7 percent. Investments in culture, education, public health, and scientific research have increased to 11.1 percent. Investments in urban construction, housing and environmental protection have increased to 10 percent. [Hangzhou Zhejiang Provincial Service in Mandarin 1130 GMT 14 Nov 80 OW]

ZHEJIANG CAPITAL CONSTRUCTION--Thirty-three capital construction projects have been suspended or deferred in Zhejiang Province since early 1980, reducing investment by 180 million yuan. The proportion of capital construction investment among all trades has been readjusted. The portion allocated for agriculture has been increased from 28.9 percent in 1979 to 41.7 percent, that for culture, education and scientific research has been increased from 6.9 percent to 11.1 percent, and that for urban construction, workers' housing projects and environmental protection has been increased from 9.3 percent in 1979 to 10 percent. Housing projects covering 1.17 million square meters of floor space were completed in Zhejiang. [Beijing Domestic Service in Mandarin 1200 GMT 17 Nov 80 OW]

ZHAOQING CEMENT OUTPUT--As of the end of October, cement plants in the Zhaoqing Prefecture, Guangdong, produced 270,500 metric tons of cement, fulfilling 2 months ahead of schedule their annual cement output quota of 270,000 metric tons and registering a 31 percent increase over the comparable period of 1979. The leadership of Zhaoqing Prefecture has given priority to developing five of 15 cement plants in the area, which have the necessary conditions for expansion. The other 10 plants will also undergo technical reforms by stages. [Guangzhou NANFANG RIBAO in Chinese 27 Nov 80 p 2]

NEI MONGGOL URBAN CONSTRUCTION--The Hohhot Municipal People's Government recently held a meeting and set forth five measures for urban construction in Hohhot Municipality. 1) Strictly control population. With 440,000 residents in 1979, Hohhot is allowed to have only 56,000 more during the next 20 years. 2) Strictly control the expansion in the urban area. Hohhot occupied an area of about 52 square kilometers in 1979, close to the future set for 1985. All large and medium-sized industrial construction projects should be built 65 square kilometers away from the urban area. 3) Strictly control the disposal of gas, liquid and solid wastes. Deadlines should be set for plants to modify their chimneys and the like to prevent pollution. 4) Accelerate housing construction. The living area for each resident in Hohhot now is 3.6 square meters. This falls short of meeting the target of 5 square meters per person by 1985. 5) Actively promote comprehensive utilization of urban areas. Preparations should be made to initiate a company to this effect and begin charging for the utilization of urban lands. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 2 Dec 80 SK]

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BRIEFS

GANSU MARKETS--Gansu Province has progressively developed rural trade fairs and urban farm produce markets following the third plenary session of the party Central Committee. Now the province has 577 rural trade fairs and 31 urban farm produce markets. Both the variety and quantity of products have shown remarkable increase. The prices of many farm produce have declined, especially the price of grain, edible oils and meat which have declined by 2 percent on an average. Wheat is sold at 22 fen per jin in some parts of Hexi area. During the first 9 months of this year, the total sales in the province's rural trade fairs and urban markets reached 160 million yuan, accounting for 8.1 percent of the province's total retail sales of commodities and up 59 million yuan over the corresponding months of 1979. According to incomplete statistics, the province has 18,000 individual businessmen and artisans. [SK271250 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 24 Nov 80 SK]

BEIJING RETAIL SALES--The total retail sales of commodities in Beijing reached some 540 million yuan as of October, an increase of 5 percent over the corresponding 1979 period. Departments concerned said that in 1980 the total retail sales of commodities in Beijing as a whole is expected to be a record 6 billion yuan. [SK220046 Beijing City Service in Mandarin 1030 GMT 18 Nov 80 SK]

HENAN TRADE MARKETS--Urban and rural trade markets in Henan have done lively business this year. Total business at the markets from January to October amounted to 1.5 billion yuan, equivalent to the total for the whole of last year and accounting for about 15 percent of commodity retail sales in society this year. Total business at agricultural and sideline product markets in 16 municipalities rose by 63 percent over last year. [HK220823 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 18 Nov 80]

SHANGHAI MANUFACTURED GOODS--According to the Shanghai Branch of the XINHUA NEWS AGENCY, by 15 November Shanghai had fulfilled the annual plan for the delivery of commodities out of the city. The total volume of manufactured goods delivered to Beijing, Liaoning, Heilongjiang, Shaanxi, Nei Monggol and other provinces, municipalities and autonomous regions this year topped the same period last year by 5.5 percent. Shanghai's commercial departments have helped factories overcome the shortage of raw materials in the production of manufactured goods for daily use and have coordinated efforts with transportation departments to expedite delivery. [Shanghai City Service in Mandarin 1130 GMT 24 Nov 80 SK]

CSO: 4006

FOREIGN TRADE

PRC ORGANS HELP IMPORT TECHNOLOGY, PROMOTE TRADE

OW131641 Beijing XINHUA Domestic Service in Chinese 1302 GMT 11 Dec 80

[Text] Beijing, 11 Dec (XINHUA)--The Standing Committee of the Central Committee of the China Democratic National Construction Association and organizations of All-China Federation of Industry and Commerce in all localities have started to do liaison work and played an active role in importing technology and promoting foreign trade.

Since the organizations of the China Democratic National Construction Association and All-China Federation of Industry and Commerce in all localities held their respective national congresses in October last year, they have fully used their favorable conditions to actively make contacts with compatriots in Hong Kong and Macao, Taiwan compatriots, overseas Chinese and foreign industrialists and businessmen and, according to the needs of the state and the request of the other parties, establish contact with departments concerned to import advanced technology, promote foreign trade and joint venture, carry out technical exchange and introduce information and data. They have played the role of "go-between."

Initial statistics show that the Standing Committee of the China Democratic National Construction Association and All-China Federation of Industry and Commerce have maintained ties with 56 companies in Hong Kong and foreign countries, covering 102 trade items, 6 academic and technical exchange items and 13 joint venture and technological import items. The organizations of the association and federation in Shanghai Municipality got in touch with over 200 Hong Kong and overseas Chinese businessmen and foreign businessmen from February last year to October this year. Over 60 of them were introduced to departments concerned to hold trade talks. The 22 items on which agreements were reached included garments, textile, electronic products, hardware and machinery, livestock product processing, handicrafts and transaction on credit.

To promote China's scientific and technological development, organizations of the association and the federation in some places have come in contact with overseas Chinese and foreign scholars and experts introduced by members of the association and the federation and invited them to give lectures and make technical exchange in our country. The two organizations in Guangzhou Municipality have introduced 65 technical experts, invited them to come to China to conduct technical exchange and helped foreign firms sponsor large scientific and technological exhibitions and technical exchange meetings in China. They are all welcomed by scientific and technical personnel in China.

To further do liaison work well, the China Democratic National Construction Association and the All-China Federation of Industry and Commerce held a liaison work discussion meeting attended by members of the two organizations in some provinces and municipalities from 4 to 10 December. The meeting exchanged the experience in doing liaison work in all places and aired ideas about the work in future.

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BRIEFS

BEIJING, JAPANESE COMMERCE-INDUSTRY CLUB--Beijing, 11 Dec (KYODO)--A Beijing-Japanese commerce and industry club was established here Wednesday at a meeting attended by some 100 representatives of Japanese enterprises and organizations. The club is aimed at promoting contacts among representatives of Japanese firms and business organizations stationed in Beijing, commercial activities and Sino-Japanese economic exchanges. Such functions as lecture meetings and meetings with Chinese economic officials will be held by the club. As of December 1, there were 170 representatives of 101 Japanese firms stationed in Beijing on long-term visas. There are an estimated 400 representatives of 150 firms and organizations if those staying on short-term visas are included. [OW110035 Tokyo KYODO in English 0020 GMT 11 Dec 80]

PRC DRY CELL PLANT--Osaka, 6 Dec (KYODO)--Matsushita Electric Industrial Co said Saturday it will export to China a plant for producing dry cells. The plant, to be installed in Shanghai, will start production in the spring of 1983 with an annual capacity of 70 million dry cells. The company has already concluded contracts on exports of three plants to China, including a color television set assemlby plant, to help the country develop its electronic parts industry. Matsushita is also planning to set up a joint venture with China, it said. [Text] [OW081501 Tokyo KYODO in English 0109 GMT 6 Dec 80]

PHOTOCOPY MACHINE SERVICING--Tokyo, 15 Dec (KYODO)--A medium-sized Japanese trading firm has established a service center for Konishirodu Photo Industry Co's copying machine called "U-Bix" in Shanghai, the first of its kind in China. Tokyo Boeki Ltd said Monday it has taken the step in hopes of increasing exports of such machines now more than 1,000 units since the trading firm started exporting U-Bix in 1976. Konishiroku has the largest share in the Chinese market for copying machines. Tokyo Boeki invested yen 17 million in the establishment of the center which will be manned by 20 Chinese engineers trained in Japan. Tokyo Boeki plans to establish similar centers in Beijing, Guangdong and Dalian in the next fiscal year. The center will be operated by Shanghai Foreign Trade Corp and Shanghai Cinema and Photo Material Industry Corp. [Text] [Tokyo KYODO in English 0331 GMT 15 Dec 80 OW]

BANK CARD SERVICE--Nagoya, 13 Dec KYODO--Million Card Service Co said Saturday it has started a cash advance service which permits each cardholder to borrow up to 1,500 Chinese yuans (some yen 230,000) at the Guangzhou branch of the Bank of China. The credit card firm, a subsidiary of Tokai Bank Ltd, signed the business-affiliation agreement providing for the service on 1 December. Each loan is to be repayed within 55 days from the cardholder's account. Guangzhou is a provincial capital in southern China where trade fairs are held every year. [Text] [Tokyo KYODO in English 0232 GMT 13 Dec 80 OW]

FORKLIFT AGREEMENT--Tokyo, 15 Dec KYODO--Mitsubishi Heavy Industries Ltd said Monday it has concluded an all-inclusive technical cooperation agreement with China's Beijing forklift works for production of small-size forklift trucks. Under the 5-year agreement, Mitsubishi will provide production know-how on forklifts in the 1 to 5-ton class to the works, company officials said. Mitsubishi will also help the Beijing works improve its production facilities and train Chinese technicians at its Sagamihara plant in Kanagawa Prefecture, they added. [Text] [Tokyo KYODO in English 0251 GMT 15 Dec 80 OW]

GUANGDONG SHENZHEN SPECIAL ZONE--Many foreign companies and corporations have submitted applications for opening businesses in Shenzhen special zone in Guangdong. As of 19 October, the departments concerned in Shenzhen received 270 corporations and 350 individual businessmen over the space of 1 month, and signed 19 agreements. Many other agreements will be signed later. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 26 Oct 80 HK]

SHANGHAI IMPORTED GOODS--The Shanghai Commodity Inspection Bureau has strengthened the examination of imported goods into the Shanghai area. According to recent preliminary statistics, in 1979 foreign companies paid compensation of more than 8.3 million U.S. dollars for quality, weight and other violations of foreign trade contracts. [Shanghai City Service in Mandarin 2300 GMT 24 Nov 80 OW]

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GUANGDONG UNEMPLOYMENT FUNDS--The Guangdong provincial finance department has allocated 10 million yuan of capital to speed up the work of finding jobs for the urban unemployed. This has been done in accordance with a provincial people's government decision. This comes on top of the 5 million yuan previously allocated this year for the purpose. The money will be used to support the urban areas in setting up collective-ownership enterprises to provide jobs for unemployed youths, and also to set up enterprises organized by the unemployed themselves. Where these units lack sufficient capital, they can apply for loans to the local labor departments. The loans will in general be for terms of 1 or 2 years and will be interest-free. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 13 Nov 80 HK]

JILIN JOBLESS YOUTHS--In 1979 Jilin Province created jobs for more than 400,000 youths awaiting job assignments. During the first 10 months of 1980, the province employed 160,000 youths. Over the past 2 years, the province has set up 3,290 collective enterprises which provide jobs for 320,000 youths. A total of 17,000 youths have provided jobs for themselves by developing indiviudal economic entities. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 23 Nov 80 SK]

CSO: 4006

TRANSPORTATION

VOLUME OF SHIPPING IN CHANGJIANG TO DOUBLE IN 10 YEARS

Hong Kong CHING-CHI TAO-PAO in Chinese 29 Oct 80 pp 4-5

[Article: "Chiangjiang Shipping To Be Fully Developed; Interview With First Vice-Minister of Communications Peng Deqing"]

[Text] In a recent interview, Peng Deqing, first vice minister of communications, predicted that shipping along the Changjiang will be fully developed in the coming decade to serve socialist construction. It is estimated that the current volume of shipping along the Changjiang waterways will double by 1990, reaching a total of 500 million tons and surpassing that of the Mississippi River. The volume of freight shipment will increase from 45 million tons to more than 100 million tons. The tonnage of vessels navigating the Changjiang will increase within a decade from 2.5 million to 4 million tons.

According to Peng Deqing, the Changjiang, known as the "golden waterway," is an extraordinary river system with natural navigation potential. Vice Minister Peng believes the Changjiang has at least four advantages:

1. It is our country's largest river, and the main artery of inland waterway shipping. Rising in the Tangula mountain range of the Qinghai-Xizang plateau, it flows through nine provinces--Qinghai, Xizang, Sichuan, Yunnan, Hubei, Hunan, Jiangxi, Anhui, and Jiangsu--before it empties into the East China Sea near Shanghai. It drains an area of more than 1.8 million square km populated by more than 300 million people with some 400 million mu of arable land. Over 6,300 km long, it is the world's third longest river, surpassed only by the Amazon in South America and the Nile in Africa. Over 3,000 km of its course is accessible to ships and lighters. It has 700 tributaries, never dries up or freezes, and is navigable all year round.

2. Its main navigable course covers Sichuan, Hubei, Hunan, Jiangxi, Anhui, Jiangsu, and Shanghai, which are all densely populated and rich in mineral deposits and agricultural produce. There are many big cities along the river dominated by industry, even though agriculture also flourishes. It has access to several major railroads, such as the Beijing-Shanghai, Beijing-Guangzhou, Chengdu-Kunming, and Jiaozou-Liuzhou lines. With abundant commodities for transshipment, extensive utilization of Changjiang shipping is vital to the development of agricultural production in the provinces drained by the river.

3. The Changjiang waterway, which can handle a tremendous volume of shipping at low cost requires very little capital investment and saves energy. A tugboat flotilla on the Changjiang can ship the same quantity as three or four trains. With shipping

costs about one-third of the figure right after liberation, shipping commodities by the Changjiang waterway helps cut down the cost of agricultural production.

4. Staffed with more than 6,000 technical personnel of all kinds and good shipping facilities, the Changjiang shipping service has increased its shipping capacity 12-fold since liberation. All 10,000-ton ships now can sail under the Changjiang bridge at Nanjing all year round. All 5,000-ton ships can sail up to Wuhu and farther up to Jiujiang and Wuhan during the flood season. All 3,000-ton ships can reach Wuhan and Zhenglingji. Years of construction have made all ports along the middle and lower reaches of the Changjiang well equipped for shipping. Zhangjiagang and Nantonggang in Jiangsu have berths for 10,000-ton ships, while the port of Nanjing is equipped to load and unload 10,000-ton ships.

According to this responsible official, the Changjiang Navigation Administration has already established branch offices at Chongqing, Wuhan, Nanjing, and Shanghai, along with 25 port authorities to serve the main waterways. If the Changjiang were utilized to the fullest extent of its superior facilities, it would serve as effectively as 20-30 railroads of equal length. However, due to disruptions by Lin Biao and the "gang of four," the importance of Changjiang shipping had been so downgraded all those years that vehicular transport rather than shipping has been the focal point of interest in communications and transportation construction, while water conservancy instead of shipping has dominated the use of water resources. Moreover, the Changjiang Navigation Administration was far from being sound and efficient. "Feudalist separatism" which segregated various sectors along the waterway has hindered through-shipping between the main waterway and its tributaries on the one hand and between the river and the sea on the other. Weak in business management, the Changjiang Navigation Administration was also short of ships. All these factors have retarded the most effective exploitation of the potential of Changjiang shipping.

Peng Deqing said the State Council will correct the tendency to rate vehicles above ships, roads above waterways, and water conservancy above navigation as it reorganizes the communications system of our country. This will lead to better use of the potential of the Changjiang. Guided by a program "to exploit potential, safeguard competition, and promote concerted action," local initiative and concerted action between central and local agencies will be encouraged in managing shipping along the Changjiang. While enforcing uniform regulations of shipping on the Changjiang, ships of the various provinces and municipalities are allowed to navigate the waterway. This is the only way to utilize the Changjiang river system fully.

It is known that since the State Council opened the ports along Changjiang to foreign trade last February, the S.S. "Yuhua," a seagoing liner of Jiangsu Province, has plied between Nanjing and Hong Kong five times. This helps free imports and exports of Jiangsu from the trouble of having to be transshipped at Shanghai. The China Seagoing Shipping Company's Jiangsu branch, which has ships plying between Nanjing and Hong Kong, is a joint central-local enterprise organized in the early part of this year by the Ministry of Communications and the Jiangsu Provincial People's Government.

On the question of "safeguarding competition and promoting concerted action," he said that to safeguard competition is to promote concerted action and exploit potential in order to develop productivity. Unlike cutthroat competition in capitalist society, this kind of competition under the guidance of state plans is beneficial to our national economic construction. Although we take into consideration local initiative in the development of production, sound economic development requires the kind of competition that bars monopoly by any sector or trade. Apart from ships owned by the Changjiang Navigation Administration, assistance should be extended to shipping on waterways developed by the localities. He said the Changjiang Navigation Administration will organize a foreign trade shipping company, with such provinces as Sichuan, Hubei, Huan, Anhui and Jiangxi as shareholders. The company will be run by the Changjiang Navigation Administration, though any province may subscribe for shares. Dividends, if any, will be paid in foreign exchange to the shareholders. In a word, competition should contribute to the development of the national economy. It must be conducive to concerted action and assistance to local and collective enterprises.

With regard to the expansion of foreign trade by the provinces, municipalities, and autonomous regions, this responsible official of the Ministry of Communications said that the opening of Zhangjiagang, Nantong, and Nanjing in Jiangsu, Wuhu in Anhui, Jiujiang in Jiangxi, Wuhan in Hubei, Zhenglingji in Hunan, and Chongqing in Sichuan to foreign trade last March has made it possible for the exports of all provinces along the Changjiang to go by through shipment to foreign countries or Hong Kong. This has accelerated the movement of both exports and imports. Before these major ports along the Changjiang were opened to foreign trade, exports of all provinces along the river had to be transshipped at Shanghai or by train to Hong Kong. Shipments by train or by boat through coastal ports are always jammed. As a result, there is an annual backlog of commodities waiting to move out. According to him in 1979, the six provinces along the Changjiang exported a total of 3.34 million tons of commodities, and the volume will increase by 50 percent in 1980. The volume of shipments will increase several times between now and 1985.

To foster navigation and shipping on the Changjiang, he said, port construction and administration will be strengthened in the coming decade. Apart from the eight existing deepwater berths along the lower reaches of the Changjiang east of Nanjing, 30 more berths will be built at Nanjing, Zhangjiagang, and Zhenjiang. Major port construction along the middle reaches of the Changjiang will be undertaken at Wuhan, even though ports at Chongqing, Wuhu, and Jiujiang will be built, too. The construction jobs will cover dredging the waterway at its upper reaches, removing shoals which obstruct navigation at its lower reaches, and dredging the estuary where the Changjiang empties into the sea. All mechanized loading and unloading facilities will undergo technological innovations to provide streamlined shipping services. To improve passenger service in order to meet the needs of expanding passenger traffic and tourism, passenger piers and facilities will be built at Wanxian, Yichang, Shashi, Wuhan, Jiujiang, Wuhu, Maanshan, and Nanjing.

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CSO: 4006

NAVIGATIONAL TECHNICIANS MEET IN BEIJING 1-6 DECEMBER

OW070417 Beijing XINHUA Domestic Service in Chinese 1417 GMT 6 Dec 80

[Excerpts] Beijing, 6 Dec (XINHUA)--The conference of representatives of navigational technicians, which ended in Beijing today, pointed out that under present circumstances, it is necessary to further eliminate the influence of left-devisionist thinking and line and promote the development of navigational undertakings by observing China's actual conditions and economic laws so as to make China's navigational undertakings meet the needs of socialist modernization.

The conference was convened on 1 December by the Ministry of Communications. The representatives recalled the development of China's navigational tasks. At present, the number of China's coastal ships is 7.9 times that in 1952; the volume of freight and the number of passengers transported between January and October this year are 11.3 and 30 times respectively over those in 1952.

By now China has more than 400 ocean freighters whose deadweight tonnage exceeds 7 million metric tons. Over 70 percent of China's foreign trade cargo is handled by Chinese freighters. This has changed the situation of China's foreign trade transportation having to rely mainly on rented foreign ships and has drastically cut down on spending the country's foreign exchange. Since China's fleet of ocean freighters was founded, it has delivered dozens of billions of yuan in profits and taxes to the state.

The participants to the conference pointed out that China's navigational undertakings should continue to develop appropriately in the course of readjustment in line with state policy on giving priority to the development of energy, communications and transportation. Therefore, it is necessary to display the spirit of developing undertakings through hard work, actively carry out technical innovations and technical reforms, improve management and administration work and pay attention to safety in production and to energy conservation. Last year, China's shipping departments saved 210,000 metric tons of fuel oil. They saved 200,000 metric tons in the first 10 months of this year.

The conference called on staff members and workers of shipping departments throughout the country to display their wisdom and talent, to study hard, dare to make new inventions and make greater contributions to speeding up the modernization of China's navigational undertaking.

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BRIEFS

SHANDONG RAILWAY CONSTRUCTION--Five sets of railroad tracks were laid and opened to traffic recently between Zihedian and Putong stations on the Jiaoji railway in Shandong Province. Multiple tracks between Gaomi and Kangjiazhuang stations are also under construction. [SK271257 Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Nov 80]

YUNNAN-XIZANG RAILWAY PLANNING--The railway engineering committee of the Chinese Railway Association and the Sichuan Provincial Railway Association held an academic meeting in Chengdu from 12 to 17 November on surveying and selecting the routing of the Yunnan-Xizang railway. Professors, researchers, experts and engineers from 30 units all over the country attended the meeting. The participants discussed how to overcome difficulties posed by blizzards, glaciers, landslides and terrestrial heat along the route, and explored routing schemes and major technological criteria. They also exchanged experiences in progressive survey technology such as the use of lasers. They put forward a number of valuable opinions on future construction and design of the railway. [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 19 Nov 80 HK]

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'GONGREN RIBAO' ON RISE OF WORKERS' LIVING STANDARDS

OW121217 Beijing XINHUA Domestic Service in Chinese 1130 GMT 11 Dec 80

[Excerpts] Beijing, 11 Dec (XINHUA)--GONGREN RIBAO today published on its second page two investigation reports on workers' life in Tianjin Municipality and Heilongjiang Province under the headline "Workers' Life as Seen From Two Investigation Reports." The paper also published an editor's note.

The report "Investigation on Tianjin Municipal Workers' Life" says: The general trend in the life of Tianjin Municipal workers in recent years shows an increase in income, an improvement in living standards and a decrease in the number of families with material difficulties.

The report "Investigation on Workers' Life in Heilongjiang Province" says: Last April, Heilongjiang provincial units concerned conducted a sample survey on the first quarter income and expenses of 12,130 workers' household in Harbin, Qiqihar, Daqing, Hegang, Yichun, Mudanjiang, Jiamusi, Suihua, Acheng and Nehe. The survey shows various changes in family income as compared with 1977. These changes include an increase in people employed, a rise in living standards, an increase in the ratio of bonus and various subsidies causing structural changes in workers' income, an increase in per capita income, a decrease in the number of workers' families in the low income bracket and a slight improvement in housing conditions.

The editor's note says: Since the smashing of the gang of four, and especially since the 3d plenary session of the 11th CCP Central Committee, the party and government have made vigorous efforts to improve the people's life and to seriously fulfill their promises made years ago. With the rehabilitation and development of the national economy, the workers' life has improved. In addition to the improvement of life in general as a result of the government's efforts to build houses, improve transportation and undertake other collective welfare projects, the workers' personal income has also shown increases. The surveys conducted on selected workers in Tianjin Municipality and Heilongjiang Province provide a convincing proof on this.

However, generally speaking, the living standards of the workers in our country are still very low. In recent years the imbalance beween accumulation and consumption has caused increases in commodity prices, especially in the increase of daily necessities, either overt or covered. These increases have caused the decline of the workers' wages in real terms. There are still a considerable number of worker families with material difficulties, and housing shortages are still a serious problem affecting the workers' life. This state of affairs is caused by our country's weak economic foundation, its large population and its backward economy, coupled with the sabotage by the counterrevolutionary cliques of Lin Biao and Jiang Qing, which brought our national economy to the brink of collapse. As a result, many of our promises to improve the people's life have not been fulfilled. Although our economy has taken a turn for the better in recent years, this change is in the nature of recovery. The problems affecting the people's living accumulated over the years cannot be resolved at one stroke, and the steps to improve living standards cannot be too drastic.

The editor's note says: The standard of living is decided by the level of production. An improvement in the standard of living cannot be achieved in separation from the development of production. Improvement in the standard of living and the development of production are mutually complementary and promotive. In the current economic readjustment, our country is resolutely scaling down the capital construction front, reducing the ratio of accumulation and changing past longstanding and lopsided emphasis on the "bone"--accumulation--to the negligence of "flesh"--consumption. The purpose of so doing is to ensure a gradual improvement of the people's living standards on the basis of production growth by correctly treating the relationship between production and living.

The editor's note says: There are many aspects in the workers' life that need improvement. This requires the efforts of all quarters and overall consideration and all-round arrangement. The actual living standards of the people are decided to a great extent by the price of consumer goods. An important condition to ensure against the decline of the workers' living standards in real terms is the stabilization of commodity prices by effective measures. It is necessary to resolutely stop the erroneous practice of seeking to increase profits through price rises instead of through improvement of enterprise management. It is necessary to increase production and lower prices by every means in order to ensure an actual increase in the workers' living standards.

CSO: 4006

GENERAL

ZHEJIANG HOLDS FIRST ECONOMIC INVESTIGATION WORK MEETING

OW262130 Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 26 Nov 80

[Text] According to a report by this station, the people's procuratorates at all levels in the province have conscientiously carried out economic investigation work. From Janaury to September this year, a total of 738 cases of various economic crimes were received for handling, 107 economic criminals were arrested according to law and 270,000 yuan of loot money was receovered. To sum up and exchange the experiences of the various localities in carrying out economic investigation work and in studying the question of how to further carry out in an all-round way the economic investigation work in the new situation, the provincial people's procuratorate recently held the province's first forum on economic investigation work.

The forum pointed out: With the daily development of the socialist economic construction, to safeguard the four modernizations and carry out struggle against criminal activities in the economic sphere have become very pressing and important tasks for the procuratorate organizations. Currently law breaking and criminal activities in the province's economic sphere are still considerably serious, and corruption, bribery, accidents involving important responsibilities, and illegal and unscrupulous felling of trees are relatively prominent. The economic investigation organizations in all localities should persist in seeking truth from facts, be more thorough in investigations and study, strengthen the study of policies and law, study the new situation and solve the new problems. They should use the law correctly, distinguish clearly between the criminal and the innocent and place emphasis on attacking those economic criminals whose criminal responsibilities should be thoroughly investigated.

The forum also called on economic investigation organizations at all levels to actively help all enterprises, establishments and units set up and perfect various systems of economic management to eliminate flaws in rules and regulations. With regard to cadres and masses, it is necessary to educate them to adhere to discipline and observe the law, to resolutely expose and report all criminal activities and to persistently carry out struggle against all kinds of criminal activities in the economic sphere so as to guarantee the smooth progress of the four modernizations.

CSO: 4006

GENERAL

BRIEFS

ANHUI EX-CONVICT TECHNICIANS--The Jianghuai motor vehicle manufacturing plan in Hefei, Anhui Province, not long ago employed 44 ex-prisoners who had served their prison terms and awaited employment. They are serving as engineers, skilled technicians, assistant engineers and mechanics and are paid as such. The plant was formerly a labor-reform enterprise under the public security department. About a quarter of its 3,200 employees are ex-prisoners and happen to be backbone production workers. Politically and economically, they are given equal treatment with all other employees. The recently employed ex-prisoners support the party's leadership and socialism and are college graduates or are as capable as college graduates. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 20 Nov 80 OW]

QINGHAI MALPRACTICES--QINGHQI RIBAO carried letters from readers on 20 November revealing the (Mafang) flour mill has engaged in malpractices and refuse to correct its ways since 1978. The letters stated that this mill sells low quality flour to markets, sells its best quality flour to its own staff members and workers and covertly sells second quality flour to certain privileged persons. Letters urged departments concerned to deal with this problem and called on the masses to fight against such malpractices as seeking privileges. [Xining Qinghai Provincial Service in Mandarin 2330 GMT 19 Nov 80 SK]

SHAANXI QUALITY RALLY--The Shaanxi Provincial People's Government held a rally in Xian on 18 November to present awards for successes in the 1980 "Quality Month." Hui Shigong, He Chenghua and other responsible comrades of the provincial CCP committee and people's government attended the rally and presented awards and citations. Vice Governor He Chenghua delivered a summation speech. He said that 187 enterprises in the province have now instituted all-round quality control, and many successes have been achieved in improving quality. However, the province still lags far behind advanced provinces and municipalities, and still greater effort is needed to improve product quality. [Xian Shaanxi Provincial Service in Mandarin 1100 GMT 19 Nov 80 HK]

SHAANXI RELIEF FUNDS--The Shaanxi Provincial People's Government has allocated 2.4 million yuan in relief funds and 2 million meters of cotton cloth and 350,000 jin of cotton to help disaster areas and people living in poverty solve their winter clothing and bedding problem. [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 22 Nov 80 HK]

TIANJIN SMUGGLING RING--The Tanggu Branch Office of the Tianjin Customs recently cracked down on a smuggling ring and confiscated smuggled goods, including over 500 wristwatches, 100 silver coins and 4 liang in gold and 100,000 yuan in cash. The 20 smugglers in the ring included cadres, workers, peasants, soldiers, and jobless youths. The ring had been active since 1979 in seven big cities--Guangzhou, Shanghai, Beijing, Tianjin, Wuhan, Shenyang and Mudanjiang. According to a station commentary, in the first 9 months of 1980, smuggling cases in Tianjin increased by 37.5 times over that of the corresponding 1979 period. [Tianjin City Service in Mandarin 0030 GMT 16 Nov 80 SK]

YUNNAN RURAL HOUSING CONFERENCE--The Yunnan Provincial People's Government recently held a work conference on rural housing. The meeting called for efforts to improve rural housing conditions. The meeting summed up past experiences in rural housing construction and arranged for future tasks. The meeting held: rural housing conditions have improved in our province since the liberation, however, peasants still face housing and sanitary problems. Conditions are even poorer in the hilly areas and minority nationalities areas. Thus, we must: 1) Seriously understand the importance of rural housing; 2) motivate activities on the part of the collectives and individuals; 3) seriously promote design of houses; 4) economize on the use of land; and 5) economize on construction materials. The meeting finally demanded that all leaders must strengthen leadership over rural housing construction to change the backward situation. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 22 Nov 80 HK]

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END

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9 January 1981

China Report

ECONOMIC AFFAIRS

No. 107

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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CHINA REPORT

ECONOMIC AFFAIRS

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PRC JOURNAL ON REFORM OF COMMERCIAL SYSTEM

HK100252 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 80 pp 31-37

[Article by Fu Shuliao [0265 5771 4229] and Liao Shugui [1675 5771 2981]: "How To Set Out the Reform of Commercial System?"]

[Text] Toward the end of last year, we went to Sichuan Province where, along with the comrades of the Provincial Commercial Bureau, we conducted a fact-finding study on the reform program involving the commercial system. The following is an account of the initial understanding obtained on the problems existing in the current commercial system as well as on the steps of the reform.

Problems Existing in the Current Commercial System

The problems existing in the current commercial system are mainly as follows:

1. Too Many Plan-Controlled Commodities for Exclusive Sale

In 1957, 98 types of plan-controlled commodities were administered by state-operated businesses (excluding medicine) above the provincial level. The number has now increased to 131; besides, each level has expanded the quota to include more plan-controlled commodities at its own initiation so that at the basic level almost all commodities have been put under control. Moreover, almost all commodities covered by the scheme have been taken over by commercial departments for exclusive sale, irrespective of their nature. As a result, industrial concerns only sell their goods to one customer and so the marketing of products does not have any direct bearing on them. As for commercial departments, there is no competition in view of the monopoly they enjoy, goods are distributed to every level from top to bottom, and it is impossible to respond flexibly to demands of the market when making purchases. Therefore, by the time changes occur in the conditions of production and marketing, contradictions between industrial and commercial concerns have become intensified.

Industrial departments also reflect very strong views on the exclusive sale arrangement practiced by commercial departments. For a commodity in short supply, commercial concerns go beyond their purchase quota to take any such commodity in excess of the production target. For a commodity unsuitable for sale, they make their choice and then tell the industrial departments to sell the rest by themselves. Industrial departments feel that this is unfair.

Besides, under the exclusive sale arrangement, industrial concerns can only produce the type of goods which they are advised to produce by the commercial departments, and production of these goods does not always correctly reflect changes in the market. One moment they will say the supply is too much, while the next they will say the supply is too little, thus putting production into a passive state. Commercial departments note, on the other hand, that industrial concerns expand their own sale of commodities in short supply but request commercial departments to take up the sale of commodities unsuitable for the market. As a result, the profit goes to the industrial concerns while commercial departments have to overstock and suffer a loss.

2. Insufficient Channels But Too Many Links for the Circulation of Commodities

In 1957, state-operated businesses and supply and marketing cooperatives were responsible for 60 percent of the volume of sale, while the group of cooperative shops was responsible for 26.8 percent; in 1978, the ratios became 80 percent and 16 percent respectively. As for local industrial products, in 1957, 76 percent of these were purchased by commercial departments and 24 percent were taken up by industrial concerns for their own sale. In 1975, over 92 percent of the same were purchased by commercial departments and it was basically a business monopoly.

As far as circulation links are concerned, there are grade-two centers as well as municipal companies in Chongqing and Chengdu. Chengdu Municipal Company, which is a grade-three wholesale concern, also sells wholesale to the county companies belonging to the municipality, while the county companies even assume the role of an agent and sell wholesale to the rural cooperative shops through the supply and marketing cooperatives at the basic level. As a result, there are several wholesale agents of different grades in a single locality. Some of the commodities produced in Chengdu have to go into the depot of grade-two centers first. They are then transferred to the depot of municipal companies and subsequently arrive at retail units. Having gone through such a process of "three ins and three outs," these commodities finally reach the consumers.

Industrial departments are strongly against the numerous commercial links. They consider that the method of fixing the purchase price of certain commodities by working backwards from the retail price, from which the profit and overheads are taken, imposes upon them the additional illogical expenses brought about by the numerous commercial links. In addition, this method conceals the problems existing in commercial management.

Commercial retail units also complain that there are too many links, but that wholesale units are not very keen on the idea of reducing the number of links. Chongqing Department Store purchases 60 percent of its stock directly from other parts of the country; however, all such purchases have to be settled through the grade-two centers. The Chengdu Municipal Bazaar of the People has tried to establish links with 28 factories, but this method has affected the profits of the wholesale units. The municipal company, therefore, firmly objects to such a method, saying that making purchases from multiple sources is a crooked practice unfavorable to the unified arrangement of the market.

3. Control of Prices Excessively Rigid

In 1957, there were 150 kinds of commodities with their prices controlled by various grades of price control departments above the provincial level; now the number has increased to 477. The prices of commodities at the stages of leaving the factory, allocation, transfer and selling, are for the most part subject to general control so that, basically, departments and enterprises concerned have no rights over the price level. The prices of certain commodities, although not controlled by higher authorities, are fixed in accordance with a schedule or formula laid down many years ago so that in actual fact, the control is even more inflexible than that over the commodities which have their prices assessed for the moment.

The control of commodity prices is extensive and rigid. On the one hand, some commodities are strongly demanded by the market. However, since producing such commodities is unprofitable and it is impossible to readjust their prices, industrial concerns are unwilling to produce these in large quantities. Commercial departments, for the sake of making arrangements for the market, have no alternative but to give up the profits. In Sichuan Province, there are 42 types of commodities whose producer prices are higher than retail prices. In addition, there are 69 types of commodities whose purchase prices and selling prices are so close that the differences are too small to cover the trading costs, thus directly dampening the enthusiasm of the commercial sector. On the other hand, some commodities have their retail prices fixed, from which their producer prices are worked out in the reverse direction by deducting the difference between wholesale and retail prices as well as by taking away the wholesale discount. Since this is out of line with the production costs, it affects the enthusiasm for production and, very often, also affects the supply to the market.

Another manifestation of the inflexible control is that commodities of superior quality cannot fetch an excellent price while prices of commodities having different specifications are the same. Industrial departments note that 18 x 18 cotton cloth, a product which has been awarded the silver medal, is selling at the same price as those products of inferior quality, without fetching one fen more. Leather shoes are fetching the same price for five different sizes; factories are, therefore, only willing to produce small-sized shoes, thus leaving no room for designs and varieties.

4. Lack of Overall Administration for Business Finance and No Decisionmaking Power Allowed for Commercial Enterprises

The existing commercial enterprises are put into different groups according to administration zones for accounting purposes. Although plans for commodity circulation are assigned by commercial bureaus at various levels and plans of commodity distribution are assigned by groups of companies, profit planning is arranged by finance departments at various levels; the three do not link up with each other, which adversely affects the management of enterprises. Besides, the dissected financial system also directly disrupts the organization of commodity circulation according to economic zones. A considerable number of wholesale centers have been set up irrationally. However, owing to limitations of the financial system, it is difficult to have these centers closed or merged.

Commercial enterprises do not have any power to make decisions. Plans involving the purchase, sale, transfer and allocation of goods go from top to bottom through various levels; supply of goods are distributed by higher authorities in a unified manner; prices are fixed by higher authorities; business areas and zones are drawn up by higher authorities; all business profits are turned in to higher authorities; the types and amounts of goods to sell are also decided by higher authorities--such has been the longstanding situation. The business performance of an enterprise does not have any connection with the interests of the enterprise or the staff, nor is there any internal drive or external stress. Longstanding problems involving the management standard of an enterprise, the bureaucratic workstyle in commerce, the attitude toward customers, the standard of services provided and so on are not effectively dealt with.

5. Means of Commercial Management Are Seriously Out of Proportion With Business Development

The business volume of commercial enterprises has been increasing these past few years, but investments made by the state in commerce are decreasing. The commercial network as well as depot and business facilities are getting more and more out of tune with the needs of commodity circulation. In 1962, the business network operated by the Second Commerce Bureau of Chengdu Municipality and affiliated organizations had 10,084 centers. This number was reduced to 1,660 in 1978, an average of 1.4 centers for every 1,000 inhabitants. The loss associated with the rotting of goods arising from inadequate means of commercial management, such as cold storage, depots and so on, is also frightening. During the 13 years from 1966 to 1978, state-operated business in the whole province sustained property losses of as much as 410 million yuan. This amount has not yet taken into account the loss of 10 million yuan each year arising from the dying off of pigs. Staff quarters constitute an even more prominent problem. Since the founding of the state, commercial departments at the basic level have never built any quarters, nor have they been allotted any of the quarters completed under the unified building scheme carried out by the municipal authorities.

From the above, it can be seen that changes must be brought about in the highly concentrated and centralized system of planned management. Otherwise, in the dissected and disconnected organization or structure under which functions of an enterprise are mixed with those of government, as well as in the existing status of enterprises which cannot exercise any power over their own management and construction, it will be difficult to readjust the national economy, to cope with the new situation which has already emerged in the actual economic life since the third plenary session of the party Central Committee, and to attain the aim of revitalizing the market. Therefore, reforming the commercial system is indeed a most urgent task. From now on, it is necessary to set out the reform on the basis of survey and study so that a major reform will be effected through a series of minor reforms and so that there will be no further delays.

Where To Start With the Reform of Commercial System

The Sichuan provincial party committee attaches great importance to the reform of the commercial system. In November last year, when the provincial finance and trade section reported to the provincial party committee on the tentative reform program, the key comrades in charge of the committee expressed their views on many problems. In the main, their views are as follows: (1) In order to reform the commercial system, it is first necessary to put the situation back to that of 1957 in a planned manner, and of course, new conditions must also be taken into consideration. (2) The focal point of the reform is to expand the autonomy of enterprises, reduce the number of commodities under general control and bring about more channels to obtain goods so that the basic level is revitalized before reforming the system on top. (3) Wholesale links must be reduced to a minimum, and the organizational structure must be adjusted in an appropriate manner. Professional companies must first change the three-tiered wholesale accounting system and then adjust the organizational structure. (4) As far as possible, direct factory to shop links for local products must be arranged so as to avoid intermediary links. Commercial departments should go ahead boldly with the reform in this aspect. (5) Attention should be paid to the pricing problem. Stricter control should be imposed in 1980 so that the people's lives are not affected and stability and unity are not impaired. (6) Commercial facilities are very important. The more money that is spent on these, the more losses can be avoided. Speedy action must be taken to improve such facilities. There are three ways to obtain the necessary funds. The first way is to set aside some money in the budget; the second way is to get more money from the portion of profits retained by the enterprise; the third way is to take out some money from the fund allocated for meeting losses. In short, it is necessary to make some arrangements, and not just by relying on finance departments. (7) Industries run by commercial departments should be given financial assistance and advice on policy matters so as to help them stand on their own step by step. It would not be advisable to leave them alone. (8) Commercial departments have to cultivate a new idea, that is, to devote major efforts to promoting the sale of commodities.

Through this survey, we have formed the following ideas as to where to start with the reform of the entire commercial system:

1. Abolish Exclusive Sale System, Improve Planned Management

Under the existing system, all commodities of the first and second categories are for exclusive sale except those for monopolized purchase by the state. This method of putting all commodities up for exclusive sale has quite a few drawbacks. For example, it can neither benefit the production nor the circulation of commodities. In fact, commercial departments simply cannot underwrite the sale of all commodities. It is our view that with the exception of those commodities reserved for monopolized purchase and marketing, which should still be disposed of in accordance with the rules laid down by the state, all commodities for exclusive sale should perhaps in the future be "purchased according to a planned quota." That is to say, the industrial and commercial departments should enter into a contract which guarantees the supply and purchase of a certain number of commodities as laid down in a commodity purchase program assigned by the state. The production program of the industry can be bigger than the purchase program of the commercial department, and there is no need to demand that the two be of the same size. The portion in excess of the purchase quota (including that of increased production) can be sold by the industrial department. In case the industrial department is unwilling to sell the commodities by themselves but the commercial department is willing to make a purchase, then both parties can negotiate a deal. In this way, even controlled commodities will not be completely taken up for exclusive sale, and the production department will then be able to know directly the market situation and improve production. In addition, the improper interference by commercial departments in production matters under the situation of exclusive sale can be avoided.

The varieties of commodities covered by the purchase program should also be reduced step by step as production expands and the situation of supply eases. At present, there is a rule that the money spent on centralized purchase and guaranteed distribution and on ordering commodities must be more than 80 percent of the total cost of purchase. This appears to be a bit too much. In Sichuan, the ratio is to be kept at about 70 percent. We consider that no fixed ratio needs to be made because different regions have different conditions. As for commodities not covered by the purchase program, departments responsible for industry and commerce at the provincial and municipal levels can agree on following some interim guiding principles for industrial and commercial enterprises at the basic level. Based on such principles, the enterprises can make concrete agreements through consultation on the amount of purchase.

The aims of abolishing the practice of underwriting the sale of commodities and improving planned management are to develop production and expand circulation so as to cope with the demands of the market by activating production and circulation. As far as commercial departments are concerned, this does not mean laying down a burden, and as for industrial departments, this does not mean free production. It means rather to carry out better the principle of "combining planned regulation with market regulation, taking planned regulation as the dominant factor while attaching great importance to the role played by the market mechanism." Therefore, it is first necessary to consult with the departments of planning, industry, agriculture and so on to reach a consensus on the steps to take.

2. Simplify the Wholesale Structure and Reduce the Links of Circulation

It is a very prominent problem that commercial setups contain too many links. In order to reform the system, efforts should be made to increase the channels and reduce the links.

In Sichuan Province, grade-2 commercial centers are on the whole established on a reasonable basis. As for grade-3 wholesale centers, more than 50 of them are duplicated establishments which are to be closed or merged. In order to break free from the restrictions of the "dissected system," it is proposed to put wholesale and retail business under separate managements, combine the accounting work of grade-3 wholesale centers in an appropriate way, and carry out management in accordance with the standard of professional companies, starting with the department stores. After centralizing the grade-3 wholesale centers, attempts should be made to insure that the business of retail shops is profitable under normal conditions. This can be done by adjusting the prices of those commodities which do not bring any profit or which only bring losses to retail business because they have not been priced fairly within commercial departments or because there is not much difference between their wholesale and retail prices. After detaching retail business at the county level from grade-3 wholesale business, retail shops of different trades can be established and put under the control of the county commerce bureau. The county wholesale companies will be responsible for wholesaling industrial products to retail shops in county towns, rural supply and marketing cooperatives at the basic level as well as cooperative shops.

The aim of detaching wholesale from retail business and centralizing the accounting of wholesale business is to put grade-3 and grade-2 wholesale business under unified consideration and establish related organizations according to the needs of economic zones so as to achieve the aim of simplifying the wholesale structure and reducing the links of circulation. The following aspects can be taken as the point of departure to foster such a reform:

First, when factories and shops are willing to establish ties with respect to locally produced and consumed commodities, then regardless of whether or not these commodities are controlled, a direct factory to shop link should be encouraged. At the same time, the benefit of allowing wholesale discounts should be retained by the factories and shops involved (wholesale enterprises can still impose certain differential price earnings on controlled commodities) so as to encourage enthusiasm for building such ties.

Secondly, grade-2 centers at the place of production should, whenever possible, supply goods directly to grade-3 wholesale agents at the place of marketing within the same province, without going through grade-2 centers at the marketing place any more. Grade-3 wholesale enterprises should be allowed to purchase the commodities they supply directly to the local area from factories in that area without going through grade-2 centers. This will give rise to some new problems. Therefore, some economic measures should be adopted to help wholesale enterprises solve the problems arising from the change of channels (such as revising the financial commitment and so on).

Third, large and medium-sized cities should establish as quickly as possible wholesale markets for commodities so as to activate the circulation of commodities of the third category.

Besides, the stipulation that shops, supply and marketing cooperatives as well as cooperative shops at the basic level can choose the suppliers which suit their purposes should be further implemented. The method of applying the wholesale practice to anyone who contacts the wholesale source can also be considered for the supply of any commodities with the exception of controlled commodities which are dictated by the practice of planned distribution so as to facilitate launching the direct supply of goods.

3. To Reform Administration of Commodity Prices

The administration of commodity prices should basically be consistent with the planned management of commodities in continuing to implement the principle of unified leadership and classified management as well as in adopting the following three pricing patterns: (1) Fixed pricing, otherwise known as planned pricing: The purchase and marketing prices are laid down by the departments concerned of the state. The same price is laid down for similar commodities of the same quality within the same market. As for new products which have been produced on a trial basis, the production unit can fix a price according to the cost or agree upon a price with commercial departments and refer it to the leading department for approval. (2) Marginal pricing: Industrial products purchased by the state and agricultural byproducts going on the market after the quota for state purchase has been fulfilled are fixed. The highest and lowest purchase prices as well as the highest marketing price are fixed jointly by the provincial leading departments and the price committee. The prices can only be varied within the stipulated margin. This is another form of planned pricing. (3) Uncontrolled pricing: All industrial or agricultural products not covered by the two areas of pricing administration mentioned above have prices fixed by the enterprises concerned, and transactions of such products are concluded at a price agreed upon between the parties of purchase and sale. Products purchased at a high price can be sold at a high price, while products purchased at a low price can be sold at a low price according to market conditions.

The limits of authority to administer prices should be transferred to a lower level in an appropriate manner. Take as an example the market selling prices of commodities, among which 32 types are under departmental administration or above, while 34 types (including 4 types of nonstaple foodstuffs and 30 types of industrial products) should be put under the administration of localities. In addition, 68 types are under provincial administration while 86 types (including 23 types of nonstaple foodstuffs and 63 types of industrial products) should be put under a lower administrative level.

Administration of the price range charged by the catering services trade should be more flexible. In the case of the catering trade, attempts can be made to stipulate only the overall gross rate and classified gross rates. Enterprises should fix their own prices provided that they stick to the gross profit rates. As for the repair services trade, the criteria for the maximum charges can be stipulated according to different grades of the trade under the principle of "supporting a trade with the incomes of the trade." Enterprises should fix by themselves the specific charges within the stipulated ranges.

However, the pricing problem involves a very broad scope. The reform in this respect has to be carried out according to policies and stipulations laid down by the state.

4. Develop Collective Business and Manage Cooperative Shops Properly

Many problems exist in the management of cooperative shops. The main ones are: (1) There is no guarantee on the volume of goods a shop can stock. The shop can just trade on whatever volume the wholesale department of the company supplies. (2) There is a heavy burden imposed by high tax rates. In comparison with handicraft industries, cooperative shops are subject to a lower starting point on the tax scale and higher tax rates. For a similar amount of profit, the tax charged is 30 percent more than that imposed on handicraft industries. (3) The number of retired workers or workers on sick leave is enormous. On the average, two active workers have to support one retired worker or worker on sick leave, and some enterprises cannot afford the expense. (4) The business premises are dilapidated. (5) The control over cooperative shops is even stricter than that over state-operated stores; enterprises cannot make their own decisions on such aspects as purchase, sale, employment of capital, disposition of commodities, wages and rewards and so on.

To manage cooperative shops properly and develop collective business is a major policy in forming the channels, in activating the interflow of commodities between cities and rural areas, as well as in promoting prosperity in the socialist market. To counter the above problems, the solutions are proposed:

First, the leadership over collective business should be strengthened. Commercial departments at various levels should have the regular organizations and staff to specialize in providing solutions to problems relating to collective business.

Second, administration and management departments of industries and commerce in various towns and counties should approve the range of business according to the demands of the market. State-operated companies should treat every shop equally without discrimination when allotting commodities; besides, cooperative shops should be allowed to organize part of supply of goods by themselves. Rural cooperative shops should in principle get their stock directly from wholesale companies.

Third, appropriate reductions in the rate of profit tax imposed on cooperative shops should be made.

Fourth, overall planning in settling the expenses for retired workers should be done. It is recommended that workers' retirement funds be established from which centralized payments in proportion to the wages can be made to meet the expenses of retirement pay incurred by state-operated and cooperative business.

Fifth, separate collective enterprises, each having an independent accounting system and assuming sole responsibility for its profits and losses, should be organized for the newly recruited job-seeking youths. Temporary attachments should not be allowed in collective business. This should not be taken as a transition stage leading to formal employment for the job-seeking youths. Such an arrangement will facilitate the strengthening and development of collective business.

5. Expand the Power of Decisionmaking of Commercial Enterprises

Last year, the commercial departments and affiliated organizations in Sichuan Province carried out an experiment in 40 units to expand the decisionmaking power of commercial enterprises. This year, the experiment is to extend to 100 units. In addition, in the four cities of Chengdu, Chongqing, Zigong and Dukou, another 50 enterprises (including 40 retail enterprises and 10 trade warehouses) were chosen to carry out on a trial basis the method of paying a profits tax instead of turning in profits to the state and the method of assuming sole responsibility for profits and losses.

Expanding the decisionmaking power of enterprises means primarily to expand the power to stock goods and to expand the financial power to a certain extent, particularly to reserve some money from the excess profits for the three special funds of an enterprise, by sticking to the principle that the state should get more while an enterprise should get less. This will be conducive to integrating the interests of the state, the enterprise and the workers, to overcoming step by step the shortage of the means of business management and of welfare facilities for the workers, as well as to bringing into play the initiative of the workers. However, it is an essential prerequisite to fix the marketing and profits programs for the year in a rational manner. Three ways to fix the profits program of enterprises in the year 1980 were raised while conducting the study in Sichuan. One is to add the planned profits of 1979 to the actual performance and then divide by 2. The next is to add together the actual performance of the previous 3 years and then divide by 3 to obtain a base, which is fixed for several years with an increase of 5 percent for each successive year. The third is to assess the capital profits rate. All these methods can be carried out on a trial basis.

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[Article by Xue Muqiao [5641 2550 2890]: "Regulation by Planning Mechanism and Regulation by Market Mechanism"]

[Text] Why is the integration of regulation by planning mechanism and regulation by market mechanism necessary in a socialist economy? What is the relationship between regulation by planning mechanism and regulation by market mechanism? How should they be integrated? These are important theoretical and practical questions on which research has just begun. Here I would like to advance my personal views that still need continuous development and supplementation.

1. Why is the integration of regulation by planning mechanism and regulation by market mechanism necessary in a socialist economy?

A socialist economy is built on the basis of enlarged socialized production, which requires the full development of a commodity economy as its prerequisite. A capitalist or socialist economy can develop on the basis of enlarged socialized production. In our cities, a commodity economy may be said to have developed. But with the exception of a few big cities, enlarged socialized production has not yet reached a level of high concentration, one where people share out the work and cooperate with one another. A commodity economy has not been fully developed in our vast countryside and a natural economy still prevails. It is therefore necessary for our country to energetically develop a commodity economy and enlarged socialized production on the basis of developing a commodity economy. At the present stage our socialist economy is the kind of commodity economy which is based on the two socialist public ownerships (led by ownership of the whole people) of the means of production and which allows the coexistence of many economic sectors. This is different from the commodity economy under the system of capitalist private ownership.

The commodity economy has evolved through several stages: the small commodity economy, the capitalist commodity economy and the socialist commodity economy based on public ownership of the means of production. On the one hand, because the means of production are owned by the public, it is necessary and possible for us to conduct planned management of the national economy. On the other hand, we still have to develop a commodity economy and enlarged socialized production. It follows that use must be made of regulation by market mechanism.

In the past 30 years, most of the arguments in the academic circles centered on the commodity economy and the law of value. The socialist economy has been a subject for discussion and debate for more than 100 years since the time of Marx. Marx, in "Critique of the Gotha Program" mentioned that socialism was the initial stage of communism and there had to be traces of capitalism. The traces he referred to were distribution according to work. Marx assumed that there could be no commodities or currencies in socialism, but the socialism he conceived was built on the basis of a highly developed capitalism. He did not conceive of a state constructing socialism where capitalism was only moderately developed and which has just begun to develop capitalism as is the case in China where the small commodity economy and even the natural economy prevail. In "The State and Revolution" the views of Lenin were basically those of Marx. In the early stage of the October Revolution, the Soviet Union adopted the system of wartime communism, trying to abolish the relationship between commodities and currency, but to no avail. Summing up the experience of wartime communism, Lenin explained that much of the small commodity economy still existed then, and, in addition to maintaining the relationship between commodities and currency, commerce had to be developed, bringing into full play the important role of commerce. Yet he did not mention whether there would still be a commodity economy after socialism was reformed. Following collectivization of the Soviet Union's agriculture, Stalin pointed out the coexistence of the two socialist public ownerships in a socialist society. At the same time, there was the working class and the peasantry and there had to be exchanges. But no mention was made as to whether the exchange between the two socialist public ownerships referred to that of commodities and whether the law of value had to be utilized. Since then there has been prolonged argument as to whether the exchange between the two socialist public ownerships referred to the exchange of commodities. It was not until Stalin's later years when the article "The Socialist Economic Problems of the Soviet Union" was published that the existence of the exchange of commodities between the two socialist public ownerships was confirmed. Hence the law of value had to be utilized. Thirty years after that, however, the Soviet Union has not been able to come up with a satisfactory answer as to whether commodity exchange exists in a socialist economy. Consequently, neither the law of value nor the market was fully utilized. Stalin's system of economic management was not conceived in the context of a commodity economy, but in that of a natural economy (self-sufficiency, planned production and distribution within the entire society). Things were not done according to the principle that products were commodities and that exchange should be conducted at equal value. Rather, the socialist economy was treated as an inseparable whole and the relative independence of enterprises was not recognized. In his remaining years, Stalin summed up the 30 years' experience, formally recognizing that there was such a thing as commodity exchange and that the law of value was still functioning. But in the same book he said it would be wrong to think that the law of value had a regulatory effect on the production of agricultural raw materials, because agricultural produce was produced in accordance with plans conceived by the state which fixed all the prices of agricultural raw material. Hence the requisition price for agricultural produce then set by the Soviet Union seriously violated the law of value.

Would there be exchange of commodities after the transition from collective ownership to ownership by the whole people? This Stalin did not say and the question later became our bone of contention. In 1959, there was heated argument at an academic seminar in Shanghai. There were roughly three ways of viewing it at the time. The first was that there was no exchange of commodities within socialist ownership by the whole people. But this was the opinion held by only a handful of people. The second was that consumer goods sold by the state to the staff and workers were not commodities and opinion differed greatly. Two articles were published in RED FLAG at the time. One of them was written by me, acknowledging that consumer goods were commodities, while the other said that since labor force was not a commodity, consumer goods sold by the state to the staff and workers were not commodities. At a study conference held in Hainan Island in 1959, Comrade Liu Shaoqi said that there would be an exchange of commodities as long as there was distribution according to work. Arguments over this question went on until the early 1970's. In 1972, the "Political Economy of Socialism" compiled and published in places such as Shanghai still insisted that consumer goods were not commodities. The third way was that, as far as exchange among the state-run enterprises was concerned, Stalin said only the outward appearance of the commodities remained. This was what most of us thought, too. Yet there was just a little question. In my article I mentioned that, while the entire state was an owner, economic accounting was necessary among enterprises, so was exchange at equal value which should be done by adopting the form of commodities. Looking from this angle, we might say that there was an exchange of commodities to a certain extent. It was not until the recent augmentation of the autonomy of enterprises that the exchanges among enterprises were confirmed to be exchanges of commodities. A state-run economy is owned by the whole people. Yet, in spite of this, united production and distribution were not possible throughout society and the country. The management system of "eating from a big pot" treats socialist ownership by the whole people as an absolute entity and does not recognize that each and every enterprise in this entity is a cell with independent vitality, that there must be relative independence and that exchanges of commodities are necessary among enterprises. To manage enlarged socialized production, this management system uses the ideology of the natural economy. To solve this problem theoretically, we have to analyze the structure of the socialist economy. To maintain the initiative, creativity and enthusiasm of enterprises in the socialist economic entity, relative independence is essential and the enterprises must assume sole responsibility for their profits or losses to a certain extent. In addition, there must be a little competition among enterprises.

When we carried out our First Five-Year Plan, the economy was managed according to the Soviet pattern. At that time, because of the existence of such economic sectors as capitalist commerce and industry and the individual economy, extensive use of the market had to be made. As capitalist commerce and industry and individual economy were all independent economic structures, we had to guide and organize them through the market. We also had to establish contact with them through commercial departments and placing orders for processing materials or supplying manufactured goods. As for agriculture and handicrafts, we also made use of the law of value through the market to guide and organize them. By means of the market, we were in contact with private capitalist commerce and industry, individual agriculture and small-scale handicrafts. Then enlarged socialized production began to develop in our major cities. These cities formed naturally into economic centers according to the needs of economic relations. They are in direct contact with one another and form networks without having to be subject to restrictions of trades and districts. Cities such as Shanghai, Tianjin and

Guangzhou can have direct connections with other medium and small cities and do not have to be subject to the restrictions of divisions of administrative districts. But after the transformation of socialism, which was then adopted across the land, the effect of the market was canceled because of the state monopoly for purchasing and marketing. Though there was exchange of commodities in form, because of the system of "eating from a big pot," no one cared whether they made profits or losses. The production autonomy of the socialist collective economy was also basically rescinded. The whole country was divided into departments and districts, destroying the existing commercial connections. In the past, direct connections were possible among production, supply and marketing, but now things have to be run by departments and districts. In the days of old China, Yizhong Tobacco Company linked together the cigarette factories in Shanghai and Qingdao and tobacco leaf-producing areas such as Xuchang in Hunan, Fangzi in Shandong and Fengyang in Anhui, making supply, production and marketing a coordinated process. But now the tobacco industry is managed by two departments (industry and commerce) in five districts. Consequently supply, production and marketing are completely dislocated. Small tobacco factories are opened in tobacco leaf-producing areas and the big factories do not get sufficient raw materials. Such unreasonable phenomena show how our management system is a unitary administration which does not meet the requirements of enlarged socialized production. In the city of Wuxi, many old retired workers from Shanghai run quite a number of commune-team industries. They go it alone, secure orders for supplying manufactured goods to big factories in Shanghai and are trusted by Shanghai as far as their products are concerned. When the commune-team industries were to be brought in line with the state plan in 1978, these enterprises were all supposed to be incorporated into the plans for the county of Wuxi. Under the management system, contacts with places outside the province could only be made through Nanjing, Jiangsu Province. If this had had to be complied with, not only would the planning department have found it difficult, but the commune-brigade enterprises would not have been able to survive, either. In 1979, the situation deteriorated as the mechanical industry did not get enough assignments. But later when they were allowed to please themselves in securing orders for the supply of manufactured goods, Shanghai, departments under the party's Central Committee and the State Council and other provinces all approached them in Wuxi for contracts. As a result, instead of being reduced, production was increased by more than 20 percent as compared with 1978. At present, many of the big mechanical factories are trying to find ways for themselves to secure orders for supplying manufactured goods which are not included in the plans. The profits are rather handsome despite orders for small batches with less output value. In the past, we discarded the naturally formed economic connections that suited enlarged socialized production, thinking that they were contrary to objective economic law since they had not been brought in line with the state plan. It was not until last year that this convention was thrown to the wind and the economic connections were strongly advocated by the new media. But because the rules and regulations were not amended in time, the "reasonable but unlawful" situation still existed. We used to adopt the system of state planning which undertook all the production and marketing. This definitely is not going to work. It would suffocate the economy. We have tens of thousands, even hundreds of thousands of product varieties and only a few hundred or a few thousand of them have been brought in line with the state plan. We have to admit that they have the right to be related to one another through the market. Except for a few products that need planned purchase and supply, enterprises should be given a free hand to engage in the production and exchange of commodities not included in the state plan, and to link them together through the market. The practice of the state controlling all the income and expenditure and a state monopoly for purchasing as well as marketing regardless of the economic effect, causing dislocation between production and demand, must be changed. A question was raised last year: How can our production be made to suit the demands of the market? During our visit to the United States last year, some comrades put this question to the American professors, who were rather amazed. They felt that, if there was no demand in the market, why keep on producing? Wouldn't halting production solve the problem? They did not realize this has been a major problem in our management system for the past 20 years or more.

Now we must go on with the reform of the system and give enterprises more autonomous powers, making them relatively independent economic entities which, after complying with the requirements to turn over to the state part of their profits, should assume sole responsibility for their profits or losses. As a first step toward achieving this goal, we started to divide up the profits in 1979. But many difficulties were involved in carrying out this method, and there were many disputes. I am afraid that in future we would have to pay tax rather than turning over part of the profits to the state so that these problems might be solved. The state sector of the economy is not the same as the collective economy. Generally, the state sector of the economy has to guarantee that 60 percent or even more than 80 percent of the profits go to the state in the form of taxes. Then it assumes sole responsibility for its profits or losses after turning over part of its profits to the state.

At present, there has been a breakthrough in production and marketing according to plans. After carrying out the state plan, industrial departments are allowed to produce things in accordance with the market demand. As for marketing, except for a few important commodities, commercial departments can make selective purchases. What the commercial departments do not buy, the industrial departments themselves may sell. In this way, selective purchases on the part of the commercial departments and the selling on the part of industrial departments are integrated. Industrial departments can assume production and marketing of some of the small commodities. Alternatively the commodities can be sold to retailers direct, bringing into full play the regulatory effect of the market. In the past, neither the industrial nor the commercial departments cared about which commodities sold well and which did not. All they had to do was to produce and purchase in accordance with the state plan. The situation changes with regulation by market mechanism. The commercial departments no longer purchase products kept in stock for a long time. Instead, they buy more products that are in short supply to meet demand. Under the circumstances, factories have to produce less products of which there is a glut and more of those in short supply. Previously there were purchasing agents all over our country while salesmen were found everywhere in other countries. Last year we began to have salesmen too and advertisements began to be printed. The situation where some commodities are kept in large quantities for a long time while there is an acute shortage of some other commodities has improved.

Following the augmentation of the autonomous powers of enterprises on an experimental basis, the prices of many products are obviously out of keeping with their value, causing differences in the percentage of profits due to trades and enterprises. Consequently, some are happy and some are not. Similarly, because of unreasonable prices, some products which are in excessive supply are still being produced as they can be sold at high prices for big profits. However, trades and enterprises are unwilling to produce some of the products that are in short supply because of the low prices these products have to be sold at. This is a serious problem. To solve it completely, the system of prices for all products being set by the state must be scrapped. Except for a few major products, the production and marketing departments can negotiate an agreed price. As the supply of many products is unable to cope with the demand, it is hard to adopt the proposed system generally. But from a long-term point of view, it is impossible for the state to set the price for hundreds of thousands of products and sound use must be made of the regulatory effect of the law of value.

The problem of the labor system is also very serious. For many years, the labor force in the cities has been arranged by the labor departments and no one has been allowed to solicit help on their own. Consequently, more and more young people are awaiting employment. This is becoming a hard nut to crack. The problem of many factories being overstaffed is one that no one can handle. But there are too few staff and workers in banks, shops and other service trades, adversely affecting production and services for the people. Thus we have a situation where there is a shortage of workers on the one hand and yet there are a great many people who are jobless on the other. Some units are staffed with people who do not want to be there while others who do are rejected. Posting also creates a difficult problem. A large number of technicians cannot apply what they have learned and the scientific knowledge they spent years and years acquiring has not been utilized for the benefit of the country. As to the question of employment, meetings have been held at labor departments to discuss it. Two solutions have been suggested: employment arrangements should be made by the labor departments while young people wishing to be employed should look for jobs by themselves. Factories should have the power to decide for themselves in recruiting workers, and so should the people who wish to be employed. Besides, these people should be allowed and encouraged to solicit help in finding employment while the state should guide and assist them.

2. How should regulation by planning mechanism and regulation by market mechanism be integrated?

A socialist economy must have planned management. All production and the livelihood of all the people depend on the planned arrangements of the state. But this kind of planned management must be administered to a fairly large extent through regulation by market mechanism. If both planned management and regulation by market mechanism are necessary, how are these two to be integrated? What is the relationship between them? These are complicated questions. Our thinking in this respect differs from that of the Soviet Union and Yugoslavia. The Soviets still lay stress on regulation by planning mechanism. This is because they are engaged in an arms race, their construction scale is too big and many of their products are unable to satisfy demand. When demand exceeds supply, state planned distribution becomes necessary. Regulation by market mechanism is overemphasized in Yugoslavia, and it seems that their state plan does not exert much control. Their federal government does not do any capital construction investment, all of which comes from enterprises or joint ventures by enterprises. There is little the Yugoslav state plan can control. Every enterprise wants to increase production and the scale of capital construction expands freely. At the same time, every enterprise wants to improve the living standard of its staff and workers and the purchasing power of the society is also expanding freely. The total of accumulation and consumption far exceeds national income, thus leading to serious inflation. Now the Yugoslavs are examining the situation and action is being taken.

According to our 30 years' of experience, what should the state control? The first thing to control is the scale of construction. The second is the extent to which the people's living is to be raised. There should be an overall plan for economic construction and the people's livelihood. How much of our national income is going to be used in economic construction? How much of it is going to be used in improving the people's livelihood? There should be plans for all these aspects. For the last 30 years, our economy has been at fault just because the ratio between accumulation and consumption was not well monitored. Things were all right during the First Five-Year Plan period. For the Second Five-Year Plan, Premier Zhou's proposal was intended to arrange production and construction on the basis of overall balance. Had construction been carried out in accordance with Premier Zhou's plan, there would definitely have been no violent fluctuations. Production would have increased steadily and the living standard of the people would have continued to rise. In our socialist country, we all want to see faster production development, but then the construction scale would be enormous. During the 3 years of the "Great Leap Forward," everyone was called upon to tighten their belts, engage in construction and carry on a bitter struggle to put an end to the backwardness in 3 years. Consequently, because of the excessive construction scale and accumulation rate, not only was the people's livelihood affected, but also the development of production was hindered. Agricultural production decreased in 1959-1961, as did industrial production in 1961 and 1962. According to our 30 years' experience, fast development is possible at an accumulation rate of about 25 percent or a little more with our existing production level. Once the rate exceeds 30 percent, dislocation of ratio will occur and production will drop when the rate reaches 40 percent. As no summing up of experience was possible (once you sum up, you are against the "Great Leap Forward"), the idea that production should be developed at great speed which in turn necessitated a high rate of accumulation and bigger construction scale was pursued for all these years and was not corrected. From 1970 onward, the accumulation rate exceeded 30 percent every year. Consequently, there was no way the people's livelihood could be improved and there was a shortage of supply on the market. After the crushing of the "gang of four," we should have recuperated, multiplied and readjusted the dislocated ratio. However, another "Leap Forward" took place in 1978 and the accumulation rate reached as high as 36.5 percent, showing clearly that the ratio had been dislocated. Readjustment was faster this time under the policy of raising the living standard of the people and reducing the scale of capital construction. In criticizing the ultraleftist line in the villages in 1978, the two "doing things on a big scale" were stopped, and the policy of recuperating and multiplying adopted. Agricultural production increased substantially. In 1979, agricultural production again increased by a large extent following the raising of purchasing prices for agricultural products. The peasants' livelihood was greatly improved, too. Even peasants eating resold grain are earning more and their living standard is improving because household sideline production and enterprises run by commune brigades have developed. Forty percent of the staff and workers in cities were promoted in 1977, another 40 percent also got promoted in 1979 (many units did not conduct any promotion exercises until this year because of the difficulties in grading). Furthermore bonuses were awarded. The policy laid down last year to reduce accumulation and increase consumption is absolutely correct. In the course of its implementation, consumption was increased by 10 billion yuan, exceeding the plan by approximately 4 billion yuan. Much of the target to cut down capital construction by 9 billion yuan fell through because the plan came too late. At the same time, as the local construction scale got bigger, the investment total was just a little more than last year. With consumption exceeding what was planned while accumulation was not reduced as much as it should have been, there was a financial deficit. This year, consumption is not going to fall. Instead, it will further increase. The price of a few agricultural products will have to be readjusted and increased a little because the payment of most of the increases in wages last year was deferred until this year. The debts we have owed for more than 20 years should be paid back. As a matter of fact, not enough has been repaid, but already the state is shouldering a very heavy burden. So for the next couple of years, advance cannot be too great.

When we were discussing the aim of production last time, some comrades said that since we had all been engaged for decades in the field of economy, how could we not know that the aim was to improve the people's livelihood? I told them we knew that all right, but we did not do it. Our average rate of increase in industrial production was 11.2 percent from 1952 to 1978. Except for Japan which at one time had a production rate of over 10 percent, no other capitalist country had such a high rate of increase--those whose rate of increase reached 5 to 6 percent would be considered as having a high rate. Despite our high rate of increase in production, our people's livelihood has not improved much since 1957 because of excessive accumulation and the low economic effect of production. So what the aim of production is remains a question without an answer.

On the other hand, though the state has only repaid a small part of the debt owed to the people as far as their livelihood is concerned, the burden the state has to bear is already very heavy. Many say that it is wrong for the people's living standard to be raised in excess of the country's capability for production. I disagree. Debts are debts. They have to be repaid and when we do, naturally consumption will increase. Inevitably there will have to be a few years in which a little more of the products are consumed than accumulated. It is only when consumption exceeds accumulation that debts can be repaid. But it would be difficult if we want to repay more. The people will understand if we honestly explain to them the difficult situation the state is in (a concrete indication is that we are now suffering from a great financial deficit). The relationship between capital construction and improvement of living standards must be grasped. The increase in national income over the next few years should mainly be used to improve the people's livelihood, including to build more domestic premises. The scale of economic construction must no longer be increased.

It appears that the total of accumulation and consumption must be strictly controlled by the state plan, while the state must control the total of investment in capital construction. Once the investment total has been decided, the state should also be responsible for the management of many major construction items, not the local authorities or enterprises. As for the small and medium items, particularly tapping potentials, innovations and reforms, money from banks and funds kept by the local authorities and enterprises themselves can be used. Under the existing circumstances, it would be better if investment from funds allocated by the state could account for 50 to 60 percent of the total investment. From now on, the banks should be brought into full play and we should not depend entirely on funds being allocated by the state. I wonder if major items could be financed with financial allocation (which should also be made through construction banks charging interest), and small and medium ones with bank loans. Banks can be asked to share a little of the financial burden, finance some of the investment and make loans. In raising a loan, one would have to pay back the principal plus interest. Hence enterprises would calculate carefully and budget strictly, thus saving more money than acquiring funds through financial allocation.

There are some products the state would do well to interfere with less or not at all, so that enterprises can be directly responsible for both production and marketing. Directive plans such as those for cotton cloth and steel products are necessary. But the production and marketing parties should be allowed to negotiate the varieties, specifications, design and colors, and draw up purchase plans according to the needs of the market before mapping out production plans based on the purchase plans. This method can be more flexibly applied to many articles of daily use. Enterprises can even produce and sell small commodities for local sale, or factories can sell the commodities direct to retail shops. The state lays down the target for reference and the enterprises will see to the rest. At present, with the demand for quite a number of products exceeding supply, the state directive plan can only reduce in size gradually. When the problem of the dislocation of the natural economic ratio is basically solved and production and demand are balanced, directive targets may be reduced to a minimum. The state provides enterprises with targets for reference and information relating to the market and to guide the direction in which the production of enterprises should develop. A concrete method of guidance is to make use of the economic lever: price policy, taxation policy and readjustment of bank credit, and so forth. In this way, the market will be stimulated, and the production of enterprises will meet the demand of the market.

Formerly it was thought that if you carried out regulation by planning mechanism, you would not be able to carry out regulation by market mechanism. This is wrong. The two should be used simultaneously. Much of the regulation by planning mechanism is conducted through regulation by market mechanism. The balance between supply and demand in the market is then guaranteed. However, regulation by planning mechanism and regulation by market mechanism does not mean that some products need regulation by planning mechanism and others need regulation by market mechanism. Regulation by planning mechanism is conducted for many products through regulation by market mechanism.

What everyone is most concerned about is the price, which plays an important regulatory role. As the system of "eating out of a common pot" was practiced in the past, nobody cared about making profits or incurring losses, and the incongruity between price and value got greater and greater. The situation of production is always changing. For instance, agricultural and mineral products are subject to the restrictions of natural conditions. It often turns out that the more they are produced, the greater the cost will be. On the other hand, the more the processing industries produce, the lower the cost will be. The price of a great many products has not been readjusted for a long time. Prices have been frozen for a period of 12 years since the "Cultural Revolution." Profits from products of processing industries get bigger and bigger while those of agricultural and mineral products and the raw materials industry become smaller and smaller. Consequently there are more and more of those products that are already in excessive supply and less and less of those in short supply. The imbalance between the production and marketing of products is also deteriorating.

From now on, the departments responsible for fixing prices should readjust prices according to the law of value. In my experience as chairman of the price committee for several years, it was impossible for the departments to fix all the prices according to the law of value. With hundreds of thousands of products, do you think you can calculate all the costs correctly? After the cost has been calculated, the production departments say the price is too low while the consumers complain that it is too high. As a result, no final decision can be taken and the matter drags on for years. This is really absurd. The mechanical processing industry has suffered considerably from the adverse effects of this kind of planned price system. While the sale of spare parts and replacements brings great profits, the cost of assembling machines is high. At the moment, the Shanghai Mechanical Company is adopting the system of coordinated price. It reduces the price for the spare parts and replacements so that the profits thus obtained are generally the same as those made through assembly of the machines. A coordinated price is spontaneously fixed by the law of value. This used to be unlawful. But the validity of a coordinated price must be recognized now. This price is more reasonable than a planned price. It seems to me that in future, readjustment of planned prices can be effected by studying the coordinated price. The state cannot be depended on to fix the price for hundreds of thousands of products. The production and marketing departments should be allowed to consult each other as to how prices should be set. Some comrades say this would lead to chaos and soaring prices. I do not think it would. Presently mechanical products are not selling well. Through regulation by market mechanism, their price would definitely reduce rather than increase. Some steel products are overstocked and some are out of stock. If the system of regulation by market mechanism were adopted, price reduction and increases would probably be roughly the same. Furthermore, when the prices of these products are readjusted, it only means that money would go from one hand of the state into the other, as enterprises, be they producing or in need of the products, are all owned by the state. It would not affect the stability of prices in the market. Neither would it affect the balance between revenue and expenditure. There is an objective law regarding the increase and reduction of prices and the fact that prices do rise and fall is attributable to the role played by the law of value. Prices rise generally because the currency is devalued. All the state has to do is to control the amount of currency issued and use the law of value to readjust prices, and there will not be a general rise in prices. Regulation by market mechanism will not be brought into full play without readjusting prices. But at present the purchasing and selling prices of some important means of livelihood (for example, foodstuffs and edible oil) are coupled together. Any readjustment will affect the livelihood of the people. So the prices should not be readjusted for the time being, that is, not until the state is able to raise wages by a great percentage. In the meantime, any loss should be subsidized by financial departments of the state. To effect a general readjustment of prices now is still difficult. Before the state's vitality has completely recovered, it is not fit to undergo too big a shake-up. Therefore, the price of those commodities (mainly means of livelihood) that would not affect people's livelihood very much and the revenue and expenditure of the state can be readjusted sooner. Special care must be taken in readjusting the prices of important means of livelihood. The direction of reform is positively correct, but we must progress steadily. When the final readjustment of prices is completed and reform generally finished, our economic situation will be very different.

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'JINGJI GUANLI': PROMOTE INTEGRATION, COMPETITION

HK070649 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 80 pp 17-20

[Article by Ma Hong [7456 3163]: "Integration and Competition in Socialist Economy (1)"]

[Text] The principle of "taking advantage of superior features, protecting competition and promoting integration" put forth by the party Central Committee is an important principle for building socialism. To correctly understand and implement this principle is of great significance for readjusting the national economy, restructuring the economic management system, combining regulation by planning mechanism with regulation by market mechanism and speeding up economic development and the construction of the four modernizations. This article mainly deals with questions of integration and competition.

(I)

Economic Integration May Become a Major Organizational Form of National Economy

A very important task of socialist society is how to organize well the national economy so as to attain the best economic results with least labor consumption.

Lenin pointed out that the road of organization is long. The organizational form of a new society can be created only through practice. These words of Lenin are applicable to socialist transformation as well as to socialist construction.

Though our economy is still very backward, it has a certain foundation after 30 years of development. At present our country already has 355,000 industrial enterprises, including 83,000 under ownership by the whole people and 271,000 under collective ownership. Industrial departments include 104,000 machinery industrial enterprises, 22,000 chemical enterprises, over 5,100 metallurgical enterprises, over 8,900 electric power enterprises and over 46,000 construction building material enterprises. In addition, there are 1.46 million commercial and service units, 1.48 million enterprises of the people's communes and production brigades and 16,000 state agricultural, forestry, pastoral and fish farms. But not all these enterprises are organized well. There are still many problems in production, circulation, distribution and consumption. Yet these enterprises have a very big potential.

To organize socialist enterprises in a rational way and enable them to display their potentials and advantages is an important question that has to be studied seriously. Two years ago, there was a suggestion to set up, from upper to lower levels, national or regional specialized companies and comprehensive companies composed of various enterprises throughout the country. But it seems now that it is impossible to set up such companies at once. Organizational forms of the economy are decided by the level of productivity. The socialization of our production is not high, while the development of various departments and enterprises in various regions is far from being balanced. In such a situation it is impossible to organize all enterprises at once into specialized and comprehensive companies characterized by high concentration of labor force, finance, materials, production and supply and marketing. If we fail to proceed from reality, fail to consider the need of the development of production and fail to consider economic results but instead organize all enterprises into such companies by order from above, such a move will result in nothing but "old wine in new bottles." Such companies are in fact covert administrative organs that will only bring more duplication to administrative work and bureaucracy and will fail to promote economic development. Practice has proven that such a move has many defects. For example, with a degree of concentration, such companies can easily turn into monopoly organizations that will hamper competition. Such organizations can easily concentrate into the hands of higher authority power to deprive enterprises of the limited autonomy they have just won and hamper their initiative. Such companies will also sever the economic relations among the enterprises. Consequently, when the enterprises of a company want to coordinate with those of another company, the company to which these enterprises belonged must first of all contact the other company and the enterprises of these two companies can coordinate only after approval from the companies concerned. Another defect is that with such companies, economic results may be neglected. For example, the Northwest Farm Machinery Company, which was set up in March 1978, is composed of 144 factories that have to organize cooperation within a vast area covering 3.3 million square kilometers. The greatest distance between factories is several thousand kilometers. In addition, 20 percent of the factories are not located along railways. As a result, the cost of a tractor made by this company is as high as 15,000 yuan, compared with 9,000 yuan for a similar tractor made in Tianjin.

Experience has also proven that to organize various integrated economic organizations through various forms and carry out rational coordination between specialized departments on the basis of voluntary and mutual interest is beneficial to taking advantage of superior features, launching competition and speeding up the development of the economy. This year, enterprises in Sichuan Province and other places have taken the road of integration on their own initiative to establish various forms of economic integration. This has a number of advantages, including: They make it possible for various economic units to take advantage of their superior features and improve economic results; they enable enterprises to link up economic relations among themselves so as to break away from regional blockades and division by departments; they are helpful for realizing coordination between specialized departments, avoiding unnecessary repeated construction and avoiding blind production; and they meet the interest of attracting local and enterprise finance into urgent economic construction. All these are possible because such integration has many advantages. It is because of these advantages that when the integration was first advocated by the party Central Committee, many enterprises in various places established such economic integration. In the first half of this year, 140 joint enterprises were established in various forms in Shanghai's light, textile and handicrafts industries and they have gained notable economic achievements. For example, the handicraft enterprises that took part in joint ventures generally began their production 3 months after they signed contracts. In a matter of 6 months they formed productive ability. They can recoup their investments in 1 year. Such joint ventures mainly use existing equipment instead of undertaking new capital construction projects. They have thus gained a new experience.

Economic Integration Must Not Be Restricted by Trades, Regions, Ownership and Subordinate Relations

In the past, inner economic relations of enterprises were often severed when administrative methods that violated objective economic laws were used in economic management. Economic integration will free enterprises from the yoke of departments and regions and enable them to get away from administrative organs. In the past, enterprises were restricted by administrative organs in many ways. For example, industrial enterprises were not allowed to sell their products on their own accord; the enterprises under agricultural departments were not allowed to engage in commerce, while the enterprises of certain industrial departments were not allowed to produce things made by other enterprises. Such administrative restrictions bear the features of social guilds. There were various restrictions in the guilds of feudal society. Only by breaking away from the restriction of trades and departments will the relations of production be able to get away from supply and sales, from "big and complete" and "small and complete" and be changed in the interest of developing coordination between specialized departments. There were also many regional restrictions in the past. They included blockades of markets and materials. Such regional restrictions also bear the features of feudal society. A feudal society inevitably gives rise to feudalistic separatist rules. Socialized mass production demands that regional restrictions must be abolished to enable various regions to display their economic advantages; on the basis of development, the gap between poor and rich will be narrowed.

Economic integration must not be restricted by ownership and subordinate relations. Yet there are still many restrictions in this respect. There is a theory which holds that the "collective" must make the transition to the "whole people" and that when the "collective" is integrated with the "whole people," it is the revisionist theory of "mixing together." Both the "collective" and the "whole people" have their own advantages; therefore the question of the trend of their development can only be solved in practice in the future. There is no doubt that both the "collective" and the "whole people" will exist side by side for quite a long period to come. The integration of the "collective" with the "whole people" will help each other display its advantages and make them complement each other. Such integration is not transition from the "collective" to the "whole people," it is an integration embracing both. Public economy can also be integrated with private economy, such as in the case of joint ventures operated by our country with companies from other countries. The "collective" can also be integrated with individuals. Economic integration must in no way be restricted by subordinate relations. That is to say, enterprises under the party Central Committee may integrate with those of the provincial, regional and county levels. For example, an electronic company in Nanjing is composed of enterprises under the Fourth Machine-Building Ministry and under the Nanjing municipality. Some of these enterprises are of the "collective" and some others are of the "whole people."

In order to enable economic integration to develop smoothly, the ownership, subordinate relations and the relations of finance of the enterprises that are integrated must not be changed at will. The relations of handing over profits, the right of credit with bank as well as the relations of liabilities also must not be changed at will. If changes are to be made, this can only be done with approval from the departments and units taking part in integration and from financial departments and the banks concerned.

Economic Integration Must Be Carried Out in Various Forms According to Reality

Different enterprises need different forms of integration because they have different productivity and different needs in developing production. The forms of integration depend on the actual needs of various economic units. It is advisable to adopt flexible measures and establish various forms of integration. Thus the forms must not be confined to hard and rigid rules, while the thinking blindly of seeking certain advanced forms must be avoided.

Over the past year, many forms have been used by many places in integrating the economy. In general, these forms include: First, integration of production. This form is used in integration by ballbearing enterprises in Sichuan and Henan provinces. Integration of sales. For example, more than 20 measuring and cutting tools factories under the First Ministry of Machine-Building were integrated according to sales and they organized production according to sale contracts. Integration of transportation. Trucks in Shanghai and Tianjin were organized according to trades and different regions and they are used in a planned way. All these integrations are formed from the point of the processes of production. Second, the forms are based on essential factors in production. They include integration of capital such as in joint ventures. For example, a chemical plant in Sichuan invested in individual enterprises. Enterprises in Shanghai invested in enterprises of other places. Integration of technology, such as technical coordination. Integration of labor force. For example, some factories in Shanghai integrated with enterprises under the people's communes and production brigades on the outskirts of the city, with the former providing technology. Integration of workers. For example, enterprises in urban areas assigned enterprises under the people's communes and production brigades the tasks of producing some products or accessories, to rationally make use of surplus labor force in rural areas. Integration of materials such as raw materials and fuel. Integration of various essential factors in production. For example, one side provides capital while the other side provides laborers; one side provides equipment while the other provides land, or one side provides technology while the other provides raw materials. Third, integration from the angle of business. This integration includes integration of exploiting resources; joint sales by agriculture, industry and commerce—comprehensive integration of agriculture, industry and commerce. Fourth, integration from the angle of the forms of business, such as establishing parent companies and their branches; joint ventures by several factories and people's communes and production brigades; or setting up a factory that is composed by several enterprises of the same trade. Some enterprises in different provinces are now planning to set up joint ventures. Fifth, from the angle of ownership, the above-mentioned integrations vary in the composition of ownership. They include integration between the "whole people," between the "collective," and between the "collective" and the "whole people." There are also integrations among various ownership forms in the rural and urban areas.

In short, economic integration is a process of constant development. Therefore various types of integration must be formed according to different situations and different needs. Organizations of economic integration by various economic units have gradually developed from coordination of production, compensation trade, joint ventures to integrated companies. That is to say they have developed from lower to higher level and from smaller size to bigger size.

Implement the Principle of Voluntariness, Equality and Mutual Benefit, Practice Independent Accounting and Responsibility for Losses and Profits

In integrating economy, the principle of voluntariness, equality and mutual benefit must be followed and it must be coupled with independent accounting and sole responsibility for both losses and profits. At the same time, state quotas must be guaranteed.

The principle of voluntariness. In organizing integration we must proceed from the need of the development of production and must persist in the principle of voluntariness. This work must not be carried out forcibly through administrative order. It must be carried out through the initiative of the enterprises themselves with help from higher authority. By so doing it seems that the process is slower, but such a method will attain better results with quicker process. In short, in carrying out integration, the units concerned must fully discuss the method they are to use. Such integration must be developed from simple to complicated and must develop gradually and steadily. We must seek efficient results and not seek opportunities to show off or promote certain forms. It cannot be done in a rush with a mass action, nor can it be done with uniform methods.

To persist in the principle of voluntariness means that both sides must voluntarily take part in integration. Both sides must be "free to choose their spouses." There should be neither "arranged marriage" nor "forced marriage." The departments concerned must do a good job of "introducing spouses" and linking up the relations of various units so as to create necessary conditions for integration.

The principle of equality and mutual interest. Equality and mutual interest are the basis of voluntariness. Therefore in organizing integration we must persist in the principle of equality and mutual interest and take into consideration the economic interest of all sides. Rational pricing, distribution of the results of the operation (profits and products), the ratio of liabilities and the signing of agreements and contracts must all be done according to the conditions provided in various aspects such as funds, resources, raw materials, equipment, facilities, sites, technology and labor force. All sides must observe the agreements and contracts.

The organizations of economic integration and the various sides that join the organizations are all legal entities. Therefore their ownership and rights must be respected and protected by law and the agreements and contracts they sign must be protected by the state and law. No department or person is allowed to seek egalitarianism and indiscriminately transfer goods, equipment and materials that are owned by either side. It is forbidden to infringe upon the autonomy of enterprises by making use of integration. As corporations, economic integration organizations are not restricted by the ownership of trades and regions. The ownership, subordinate relations and finance relations of all sides taking part in such organizations must remain unchanged.

Independent accounting and sole responsibility for profits and losses. Such responsibility for profits and losses means that enterprises are in a position to handle their profits and they must be responsible for losses after the profits are deducted by various expenses and tax and after they have performed their obligation for the state. The enterprises under ownership by the whole people that are solely responsible for their own profits and losses will maintain the nature of their ownership. Their ownership belongs to the people, and it is only the rights of usage and business that belong to the enterprise and can be separated from ownership right.

Various organizations of economic integration must perform their obligation for the state. They must insure that their tax is paid and that the quotas of the profits to the state are met. They can in no way take in state revenue under the pretext of integration.

In general, the wages and welfare of the staff of such organizations remain the same as those they received from their enterprises. This means that wages and welfare must not be changed at will.

It is necessary to stress here that the relations of coordination of various sides taking part in integration cannot be presumptuously discontinued. The existing coordination must be maintained even after the organizations are set up. The existing relations of coordination can only be changed through consultation and when new relations are formed, to insure that each side can carry out its production smoothly.

The organizations of economic integration must carry out democratic management. They may set up committees composed of all the units concerned to guide the implementation of the system of responsibility for economic management. The forms of management must be established according to actual situations and must be constantly improved through practice.

How To Support and Promote Integration

Economic integration is a new thing that needs support from various departments. We must actively support and encourage any form of economic integration that is in the interest of promoting production, linking up supply and sale and promoting economic growth. All departments concerned such as finance, banks, tax, pricing, goods and materials, transportation, commerce, supply and sale and foreign trade must actively support such integration. For example, organizations of economic integration are allowed just to pay only increment value tax so as to avoid duplicate middle-link tax. Banks must select the organizations that are doing good business and support them in ways of credit and interest rate so as to help promote them.

The new problems that arise in carrying out economic integration must be studied and solved by various departments concerned and economic theoretical circles. Planning departments must strengthen their work so that the integration will be in the interest of the readjustment and development of the national economy and in the interest of avoiding blind readjustment. But these departments must in no way irrationally restrict and interfere with the organizations. The policies, systems and working methods of various departments must also be improved to help consolidate and develop the integrations. It is very urgent at present to study the forms of management and the distribution of products and profits, the nature of ownership and the trend of development of the organizations of economic integration.

In addition, laws and regulations to protect and promote economic integration must be formulated so that the organizations of economic integration will have laws and regulations to observe.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON NATIONAL ECONOMIC MANAGEMENT

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[Article by Yu Guangyuan [0060 0342 6678]: "Take the Science of National Economic Management Seriously"]

[Text] In early 1978 when we emphasized that we must take economic management seriously, everybody understood that economic management referred principally to enterprise management. This was because the problem was raised as a result of the "gang of four" running amuck at a time when the normal management of enterprises had been seriously disrupted and even after the crushing of the "gang of four," many problems still remained unsolved and enterprise management had to be strengthened and readjusted. At the same time, in the original set of methods for enterprise management in our country, some of them were relatively backward and were not able to meet the requirements of modernization. For this reason, the general opinion was that if we did not take enterprise management seriously and did not advocate that enterprise management must be scientific and modernized, then our country's economy would not be able to develop smoothly. It was within this framework of understanding that JINGJI GUANLI was conceived.

Over the past 2 years we have done much work in such directions as propagating the necessity to improve enterprise management, popularizing scientific knowledge in enterprise management, conducting experiments on making management scientific and modernized, and training up specialist talents in enterprise management. We not only started the publication of management magazines but also set up a number of public academic organs with a bearing on enterprise management. Some of the universities also established research units concerned with enterprise management. Many educational institutions gave important attention to courses on enterprise management and some institutions of higher learning set up special departments to teach this subject. Many study classes and research units on enterprise management were instituted for the benefit of working cadres. Generally speaking, rapid progress has been made in this field and notable results have been achieved.

It must be remembered that in our country there are over 50,000 rural people's communes, nearly 700,000 production brigades and over 5 million production teams. In addition, we have over 300,000 industrial enterprises (including those owned by the whole people and those collectively owned in cities and towns), and over 1 million commercial network units. All these enterprises are the basic economic organs of our country. Good or bad performance in enterprise management work has a direct bearing on good or bad performance in the basic work of our entire national economy. For this reason, we must further improve our knowledge and understanding of enterprise management. In my opinion, we should pay great attention to how to formulate a set of advanced management systems and methodology which suit our country's needs, based on the socialist nature of our enterprises and on the experience we have gained in enterprise management over a prolonged period while at the same time making use of the scientific and modernized management methods of foreign countries. This is a big and difficult task.

As everybody knows, economic management may be divided into two portions, namely, enterprise management and national economic management. To borrow from terms in physics, it may be divided into microcosmic economic management and macroscopic economic management. Since China is a big socialist country and has a large number of enterprises, the task of improving enterprise management is rather difficult and complicated. The fact that China is a big socialist country also makes the task of national economic management very difficult and complicated. National economic management embraces not only management of the entire country's economy but also management of the economy of each and every province, each and every municipality, and each and every special district or county under a province.

Actually, there is no need to dwell on the important nature of national economic management. If management work on the whole structure has not been done well, then even if work on part of the whole is satisfactory, big losses may still be entailed. And the situation would be even worse if work had not been done well either on the whole or on part of the whole. We have all along reasoned in this manner and modern science has done likewise. Hence, we must emphasize not only that the work of enterprise management be done well but also that the entire national economy be under scientific and modernized management. In particular, this is because our country is a socialist country and socialist production is production built on the basis of ownership of the means of production by society and has as its starting point the interests of the entire society and the interests of the working masses of society. The innate and special nature of socialism is to manage the entire national economy with a definite objective and in a planned manner. Therefore, under the socialist system, it is necessary to pay particular attention to management of the national economy. It is also possible to achieve even more effective national economic management than in capitalist states.

Over the past 2 years, not only have we paid important attention to enterprise management, but also we have kept a close watch over management of the national economy. We recall that within the short space of 2 years we have brought up many important problems with a bearing on management of the national economy. For example, we raised such topics as the economic target of socialism or the objective of socialist production, reform of the socialist economic structure, or composition of the ownership system under socialism in our country, development of the particular advantageous conditions of the localities, banning monopoly and mutual blockade and giving free vent to competition, allowing uneven development in certain localities and giving aid to undeveloped localities, gradually narrowing the price scissors between industrial and agricultural products and rationalizing disparity in price between various products, the type of planning system to be set up for a socialist national economy, the important position of education and science in the national economy, methods and their integration in formulating the national economy, democratization and systematization of management of the national economy, assessment of the economic effects in developing the national economy, and so on. Each of these topics embraces many other important problems. For example, the topic of reforming the economic organization system embraces the problem of expanding the decisionmaking powers of enterprises, the problem of breaking the barriers between the ownership systems of trades and the localities and promoting their unity, the problem of reforming the financial and foreign trade system, and so on. We could quote more topics or problems of this nature but we shall not do so here. They are all big problems relating to management of the entire national economy. In my opinion, just to bring them up is already in itself an important achievement. Correctly raising a problem, engaging in research and discussion thereon, and reaping the fruitful results of scientific research are essential steps in the solution of problems which have a bearing on guidelines or policy in the field of our country's national economic management. Hence we have reason to hope that these problems that we have raised ourselves may be studied in a more penetrating and concrete manner. At the same time we should continue to bring to mind other important problems with a bearing on national economic management and draw them to everybody's attention for discussion.

I feel that in comparing our work on national economic management with that on enterprise management, we can find a special feature, which is: concerning the sector of national economic management, many problems of principle have been brought up but little work has been done in propagating and popularizing scientific knowledge, particularly knowledge of a more concrete type, concerning national economic management. Also, little work has been done in training up cadres with specialized and scientific knowledge of the national economy. I do not know if my observation is correct or not. If my observation is in accordance with the actual situation, then I feel that today I should bring up one problem which is that we should take the science of enterprise management as seriously as we take the science of national economic management and should promote the popularization of research and training or teaching work in this field.

I feel that the phenomenon mentioned above is related to the special feature of national economic management, because national economic management is concerned with a much wider field, is strongly theoretical in character and is not as specific as enterprise management. Macroscopic economic management science and microcosmic economic management science both have their own peculiarities. But I feel we should still emphasize giving further important attention to the research, popularization and propagation of the science of national economic management.

Among the sciences related to national economic management, first of all we should mention political economics, particularly its socialist portion. It plays an important guiding role on national economic management. In recent years, some progress has been made in this field and certain phenomena that have been displayed have been pleasing. Comrades now engaged in research on the socialist portion of political economics are more adept than before at observing actual economic life from which many noteworthy problems have been raised. This is unlike the former situation of being seriously bound by doctrinairism and empty thoughts. Nevertheless, seen solely from the angle of national economic management, there are still many more problems for research and it seems that scholars engaged in the study of political economics should broaden their scope a little.

Problems of political economics are not the only topics with which research on national economic management is concerned. Our research must be extended to many problems concerning the economics of the productive forces, the various aspects of social reproduction, the departmental economics of those departments of the national economy concerned with economic matters, and to management science in general. This is because research on national economic management must embrace research on these economic sciences and on the science of management. Besides, researchers on national economic management must possess many kinds of related specialized knowledge, including knowledge of natural sciences and certain other technical know-how.

I feel that the work we are doing at present is not sufficient unless we mention such factors related to national economic management as the research, popularization and teaching of specialized scientific knowledge. To cite an example, at present we have very few research organs devoted to specialized research on national economic problems. We have as yet no specialist journal in this field. Articles of a specialized academic nature are very scarce. Few educational institutions have set up special departments for the training of national economic management personnel. It is true that some educational institutions have in their curriculum courses on national economic management but because of the little research work done, generally speaking the teaching materials are comparatively out-of-date. Among students sent to study abroad, none seem to have been assigned to this special field of study. I do not mean to say that we have not done any work in this connection at all. What I mean to say is that we never seem to have been very concerned with this matter before and hence in our work we were not so aware and systematic.

Let us take an example concerning urban construction. This is an item in the sphere of national economic management. It is an important problem and also an urgent one in our country. Our defects in urban construction are many. The problems are numerous, such as those concerning housing, supply of vegetables, general consumption and services, telecommunications and transportation, water supply, electricity and heat, underground piping, air and water pollution, garbage, noise, environmental hygiene, and so on. Although conditions vary from city to city, they all have problems such as those mentioned above and city residents have many complaints. All of these problems are urgent ones and must be solved. We have yet to mention other problems such as planting trees in and around the city, or providing facilities to residents for rest or for cultural, recreational and sports activities. Take such large cities as Beijing, Shanghai and Tianjin: our republic has been established for 30 years now, yet during all this time not a single complete urban construction plan has been presented to the residents or brought up for discussion at the municipal people's congresses. This must be admitted as a serious defect in our work. Urban construction requires important know-how. Among personnel in municipal governments or their directly subordinate organs in foreign countries, a large proportion consist of experts who have received higher education on subjects specializing topics in urban construction.

I believe that the poor showing in our work, aside from other reasons, may be ascribed mainly to our lack of scientific know-how in urban construction. I am afraid that at the moment very few cadres working in our cities and towns have had systematic training on the scientific knowledge of urban construction. Even now, we do not seem to have any provision in our institutions of learning for the training of expert personnel in this field. Naturally certain of our technical schools may offer engineering and technological courses related to urban construction. I have not heard of any educational institution preparing teaching materials covering our own experience in urban construction over the past 30 years or conducting systematic research into urban construction experience in foreign countries. Indeed, we do not know how much longer we must wait before a large body of our experts on urban construction can graduate from their schools and be dispatched to responsible posts in the urban areas.

As for the responsible personnel of national economic management departments who must attend to urban construction work and at the same time to work in the rural villages of a county, or district, or even a province or a large tract of farmland, they must have a much wider knowledge and scientific know-how. It seems that we have paid no attention to the training of this type of personnel in national economic management.

Let us turn to another phase of work as an illustration. In order to make a good job of national economic management work, we must do well in such other fields as statistics, land research, and collection of data on market conditions and on economic technology. What we have now in practice is a socialist planned economy. Hence, we must have on hand various kinds of "planned materials" for use in scientically formulating the national economic plan. In another article I have already discussed the types of plan that must be embodied in a socialist national economic plan and have also discussed the concept of "planned materials." They will not be repeated here. What I wish to say now is that the planned materials encompass many aspects and that to obtain these planned materials we must employ specialized scientific and theoretical methodology and know-how, and must have specialized personnel and a specialized organizational structure to handle the work. I would like to cite the following three illustrations:

1. In the formation of a socialist national economic plan, we must possess various kinds of relevant statistics. At present in many countries, such statistics are supplied principally by national statistical organs. It is true that in some countries, certain financial institutions such as banks also supply many kinds of important statistics. Banks are in a position to supply these figures because they have ready access to them. But a national statistical organ can, by means of legislation, require the relevant quarters to submit the statistics needed. This special power of a national statistical organization enables it to acquire in good time the necessary data for compilation of complete statistics. But in order to perform its work well, a statistical organ must have conducted special research into the theory and methodology of national economic statistics, must have a sufficient number of specialized personnel and must have advanced technological equipment. Only in this way can it compile in good time various kinds of statistics and carry out scientific analysis. In addition, this organ must be adept at using current data to make a scientific forecast of future development.

2. In the formulation of a socialist national economic plan, we must have a correct and detailed understanding of our country's natural resources, natural conditions, economic resources, economic conditions, and so on. For example, our country is a big country with a vast territory and rather complicated conditions. It is not a simple job to obtain a clear idea of the conditions of the territory. Because of insufficient work in the past, we are not absolutely clear about certain conditions of the land. Thus, our statistics on the acreage of cultivated land are not entirely correct. This requires additional surveying work on land throughout the country. We also need a scientific description and analysis of the conditions of the natural geography and economic geography of the entire land, and must explore, survey and carry out research on our underground resources. We must study the geographical distribution of the population and of the productive forces. The purpose of such research and survey work is not only to know current conditions but also to prepare the way for forecasts of the future and to find out the various possibilities for the proper utilization of developed land. To find out how a piece of land may be put to the best use or how to achieve useful effects or to find out whether large or small benefits can be derived therefrom, it is necessary to provide the necessary data. To carry out work of this kind requires specialized scientific know-how pertaining to national economic management and also requires a large force of specialized personnel.

3. To compile a socialist national economic plan, it is necessary to make a good job of market investigation work and to have a firm grasp of market trends. Therefore, in order to understand society's needs and the circumstances governing changes in consumption and production in the country, it is necessary to know the conditions prevailing on the international market. It is not easy to perform this task well because it requires an understanding of the conditions and the knowledge must be accurate and timely and must supply the details and the most important points. It is a kind of specialized knowledge, requiring specialized and trained personnel.

To compile a socialist national economic plan also requires a timely understanding of the present conditions and the trends of future development of the economy and of scientific technology both at home and abroad. Information of this kind helps current work and is also a necessity in contemplating problems of economic strategy. People should not only devote attention to studying the development of scientific techniques but also watch and study changes and developments in other sectors of society. The importance of this kind of work is reflected abroad in the great attention paid to "futurology." This concerns specialized scientific knowledge in another field and requires another set of specialized personnel.

Although the actual contents of market surveying and research into economic and scientific technological developments are not the same, yet they both belong to the field of data collection and study of the data collected.

To sum up, all such work requires specialized scientific and technical knowledge. As a matter of fact, a special branch of specialized science and technology has been developed to answer the need and only those who have been trained in such specialized work have the qualifications to fill posts of this kind.

The three lines of work mentioned above are all for the purpose of acquiring the necessary materials for the compilation of a national economic plan and for carrying out scientific management of the national economy. As for enterprise management, this also requires materials from these three aspects. However, since the sphere covered by the enterprises is comparatively narrow, the work in the acquisition of these materials is aimed principally at serving national economic management. All the sciences related to this work also belong to the realm of the science of national economic management.

Recently, I visited the Planning and Budget Ministry of the Mexican Federal Government and was informed that the ministry had under it a department known as the National Services General Coordination Department for Intelligence, Statistics and Geography. Under the department were the National Statistics Bureau, the National Land Research Bureau and an intelligence research structure. The area of work of this General Coordination Department corresponded entirely with the three lines of work we mentioned. I believe that the Mexican Government had good reason to install service organs involving these three categories of work under the Planning and Budget Ministry since the materials from these three sources are all essential data for compiling plans and determining the budget.

I may here add some supplementary information. The responsible person of the National Land Research Bureau of the Mexican Planning and Budget Ministry told us that the bureau had under it a staff of some 2,500 people. Their job was to make various kinds of maps of the entire country on a scale of 1:500,000. They had to make many different kinds of maps. We visited the bureau's workshop which turned out these maps and also their electronic equipment. We found that they principally relied on aerial and satellite photography for the land survey and used a method combining remote sensing with on-the-spot surveying to make an extensive study of the country's land. In Mexico we also visited the office of the population deployment vice minister of the Mexican Ministry for Population Deployment and Public Works. The office had a staff of 1,500 people. They used the maps supplied by the National Land Research Bureau to examine projects for population deployment, urban construction, national communication and transportation and water conservancy. The decisions taken on the basis of the results of the examination and research work were forwarded to the public works portion of the ministry for implementation. From such factual instances as the Mexican Federal Government having two organizational structures of the kind mentioned above and that on our last visit to Hungary, we found that this country with a population of 10.6 million (1979 figure) people had under it a Central Statistical Bureau with a staff of over 1,000 people, I have come to believe that we should have two different kinds of government organs; one of them being an organ of state power and the other a type of organ insuring that national economic management is highly scientific in character. The size of the staff of the first type of organ should be kept to the minimum since too many people may aggravate bureaucratism. As for the second type of organ, either our country does not have any or, if there are any in existence, they are in a very unhealthy state. Therefore, earnest efforts must be made to train up specialized personnel for this type of work.

In my opinion, socialist national economic management work should be organized in three different phases: First, policymaking; second, policy implementation; and third, assessment or inspection. These three phases are interconnected and together form a whole. At the same time, the assessment and inspection phase of the work can revise already existing policies and provide suitable data for future policymaking.

The policymaking phase may again be divided into two sections. One of them attends to preparation work for policymaking. This calls for specialized structures (specialized organs or committees formed by various kinds of experts) to provide a number of projects for selection or adoption. This is to say: it must possess all the data in support of the projects suggested and the projects themselves must have been thoroughly examined before presentation. The person responsible for bringing up the projects should give a briefly summarized but thoroughgoing explanation of the projects. The second portion consists of the policymaker making the final choice from the projects presented by the specialized structures. It is not necessary for the policymaker himself to be an expert on the relevant projects but he must be farsighted, have a knowledge of the situation in his own country and throughout the world, understand wherein lie the interests of the state and of the people and possess the experience and ability to make the best choice. If the preparation work has been done thoroughly and well, and all possible projects have been studied, basically speaking, the policymaker should not have to make expert comments on the projects.

Organizing the implementation work is an extremely complicated and delicate task. It must be accompanied by a full set of working structures, work methodology and steps of procedure. The main point of this work is to earnestly carry out the policy decided upon. A good policy should contain a scientific forecast of possible future developments and provide measures for overcoming such eventualities. However, in the process of policy implementation, unexpected developments are entirely possible. In such a case new or supplementary decisionmaking is necessary.

In national economic management work, it is necessary to examine or inspect the implementation results. This constitutes assessment work. The purpose of this work is to examine whether or not the decisions have been thoroughly carried out and also to determine whether or not the policymaking has been correct.

These three phases of work must be in line with the science related to national economic management. The first phase of this work has already been touched upon above. The second phase involves rather complicated problems, such as what is the best way to organize the implementation. In recent years, this topic has been widely discussed and certain departments of management science have been developed. The third phase likewise requires discussion and specialized research. In this article, I have presented the problems pertaining to the science of national economic management for research in relation to these three phases of work. As for how to proceed further with this research, that will be left to a future date.

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NATIONAL POLICY AND ISSUES

PROBLEMS OF MAKING MARKETS MORE ACTIVE DISCUSSED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 89 pp 25-27

[Article by Chen Dahu [7115 2192 7711]: "How Can the Commercial Departments Further Enliven the Market?"

[Text] In implementing the policy of combining plan readjustment with market readjustment, the commercial departments' main task is to further improve the socialist market mechanism and correctly bring the regulating effect of price laws into play so as to adapt to the requirements of socialist economic development.

In the past year, the commercial departments have made great efforts to enliven the market. These have included readjusting purchase-sales relationships, developing a wide variety of economic components, opening many channels for circulation, and suitably relaxing planning and price management. Compared with a year ago, the industrial and agricultural departments' production enthusiasm has been increased, and products are more in line with the market; the number of outlets in the commercial network and the number of personnel have increased; under the impetus of competition, types and styles of service have also been improved; and operations are more flexible than previously. However, for all commercial work to adapt to the new situation in which the two "readjustments" are connected, it still must do a great deal to improve the market mechanism. Below I give my own opinions under six points.

1. Adjusting purchase-sale relations. In order to improve the previous situation of excessive rigid, centralized control, in the last year the approach of combining state-monopoly purchase and sale with selective purchase and independent sale has been instituted, using state-monopoly purchase and sale for the first and second categories and selective purchase and sale for the third category. This year's conference of Ministry of Commerce provincial and local office heads proposed elimination of exclusive sales rights and suggested that commodities should be divided into four categories: state purchase and sale, planned purchase and sale, sale on order, and selective purchase (independent sale); in addition it decreased the number of product varieties subject to planned purchase and sale from more than 100 to 42. For these varieties, above-plan output can be disposed of through negotiations between industry and commerce, being either sold by the industry itself or purchased by the commercial departments. For products sold on order the conference issued only reference guidelines; the various local industrial and commercial enterprises must arrive at agreements themselves, sign contracts

and act according to them. The products designated for selective purchase and independent sale can be bought and sold as the situation arises. The clothing industry has already changed over from the previous state processing order system to purchase-sale relations.

The current focal points of disagreement of between industry and commerce are: The commercial departments are requesting state purchase and sale or planned management of some commodities, while the industrial departments are requesting that a certain proportion of the plan for these be left for them to sell themselves; the commercial departments request selective purchase and independent sale of certain commodities, while the industrial departments request that a minimum of 50 percent of output be for independent sale, and the local party organizations sometimes request that they come entirely under exclusive sales rights. Some local industrial departments have already exceeded the specified guidelines and are acting contrary to policy, selling large quantities themselves. On the basis of statistics for the first quarter of this year, purchases by commercial organizations amounted to only 69.2 percent of woolens (compared with 79.2 percent in the first quarter of last year), 74.9 percent of sewing machines (compared with 87.2 percent for the first quarter of last year), and 68.3 percent of polyester blend fabrics (compared with 72.6 percent in the first quarter of last year). In general terms, the proportions of these planned sale commodities sold by the industry itself amount to between 20 and 30 percent, and sales to the commercial departments have not followed the plan.

In accordance with the requirements of the commodity economy, industry and commerce must adhere to the principles of equal value exchange and voluntary accommodation, and must conclude contracts on an equal basis and act in accordance with them. Industrial products can be sold to the commercial sector or sold by industry itself; the commercial sector can select the best products for its stocks, and can also refuse purchase. State monopoly sale is unfavorable to both production and circulation. But under the current situation of insufficient supplies of commodities, such commodities as cotton cloth and embroidered cotton textiles are subject to state-controlled purchase and sale, and supplies are fixed by cloth coupons; products which affect the national economy and the people's livelihood and which are in insufficient supply are subject to planned purchase and sale. These measures are still necessary, and are beneficial to planned disposition of the market. In the future, the scope of plan readjustment and market readjustment can gradually be adjusted on the basis of actual output and needs. In the long run, when production has expanded and output is slightly greater than demand, state purchase and sale and planned purchase and sale can be completely eliminated, and commerce's relationship to industry can be further changed over from purchase-sale relations to distributor relations.

2. Decrease the number of steps in distribution. At the same time as we have improved purchase-sale relationships, we have also changed the circumstances by which commodities are assigned at each level within the commercial departments, allowing the third-level wholesale outlets and the commercial enterprises to sell at will inside or outside their provinces and to sell non-planned commodities, while locally produced and sold commodities may be sold through factory-shop arrangements; in all cases where one locality has two wholesale networks and distribution steps, it must decrease them to a one-stop arrangement. Last year

we eliminated 51 second-level outlets and 132 third-level outlets. In order to foster circulation of small class 3 commodities, and to adapt to the needs of third-level wholesale and of purchase and sale by the industrial departments, many large and medium-size cities have set up small commodity wholesale markets and commission trade companies, while the industrial departments at the various levels also have held various types of commodity supply meetings, experience-exchange meetings, sales exhibitions and the like.

An important precondition for decreasing the number of steps in circulation is the organization of commodity circulation according to economic regions (or economic centers). Currently the greatest question is implementation of separate supply ["eating in separate kitchens"] in the financial system; so-called two-level financial management is actually four-level financial management, and the financial organs at the various levels are competing for profit. In a situation where commodities are insufficient, the localities are also competing for good supplies, so that redundant, irrational second-level and third-level outlets which should be eliminated cannot be eliminated, and circulation links which should be cut back cannot be cut back.

Furthermore, the degree to which the number of circulation links should be decreased differs for different products. Not all commodities need all four links, i.e., first, second and third level wholesale, and also retail, but it is still not possible to arrange a direct production-sale connection. This arrangement is suitable for some products, while others require passage through one link before retail, and still others require passage through two wholesale links. The current problem is that commercial division of labor is too coarse, so that commodity circulation cannot be arranged in the best way for each commodity, and situations of "small commodities, large circulation" even arise.

Accordingly, the main approach to treating the number of links in circulation include the following: First, setting up the structure according to economic regions, eliminating what needs to be eliminated, combining what needs to be combined. Currently, because there are contradictions in four-level financial management, we may consider instituting distribution of a proportion of profit, and instituting center-province, province-city and city-county joint operations as a solution. Second, the individual industries must be broken down further, and some products can be handled at wholesale and retail, simultaneously, so that one physical unit can carry out all the tasks of first, second and third level wholesale and also retail, or a part of these.

3. Clearing out circulation channels. Socialist commerce has three channels: state-run commerce is the principal one, collective commerce is a secondary one, and county-fair trade is a supplementary one. Because of the influences of "leftist" errors, supply and marketing cooperatives were changed over to the system of ownership by all the people, cooperative commerce was limited, and during 10 years of catastrophe, county-fair trade was almost completely eliminated. Since last year, collective commerce has been energetically developed, county-fair trade has recovered, urban farm-products markets have been opened, and the various individual merchants have been allowed to engage in nonexploitative commerce, service and labor, with the result that a situation in which a variety of economic components exist side by side has evolved on the commercial front, so that the socialist market is becoming more lively. In 1978 there were only 54,700

establishments, comprising 1,269,000 persons, in collective commerce. In 1979 the number had increased to 124,600 establishments and 2,058,000 persons, accounting for 15 percent of the society's retail sales; recovering older cooperative commercial establishments has provided a small part of the growth, but the majority of the increase is in new collective commerce, resulting both in an increase in the number of commercial network outlets and in placement for unemployed youth, which has also had an excellent effect in encouraging production and making the markets flourish.

The multiplicity of economic components is expressed in the fact that there are not only collective commercial establishments run by the commercial system but also neighborhood-run collective establishments and establishments run by the people. It is not only the state-run commercial departments that are engaged in sales: industry is selling its own products, and other departments are also engaged in commerce. Reports from Kaifeng indicate that in addition to state-run commercial organizations and old collective commercial organizations, the industrial, materials and foreign trade departments have also entered the market to sell daily-use articles, the supply and marketing cooperatives have come to the cities to sell commercial products, in addition to which there are district and neighborhood collective commercial organizations run in order to provide work for unemployed youth, and permitted individual outlets, so that a situation in which "a hundred parties engage in commerce" has arisen.

The simultaneous existence of a multiplicity of economic components and circulation through a multiplicity of channels has stimulated competition, which has very great advantages for overcoming the officious attitudes of certain state-run shops and improving operations and management. The main current problems are:

a. The policies for developing collective commerce are not being implemented, and funds, housing and facilities are in short supply, sources of goods are not guaranteed, the economic load on retired maintenance personnel is too heavy, and some enterprises are unable to cover their costs, so that they suffer losses. The various relevant policies must be further implemented.

b. Instances of cross-industry operations are very evident, for example, sale of bicycles and sewing machines by household supplies stores, sale of silk cloth by cotton and linen stores, sale of electric fans and firecrackers by grocery stores, sale of firewood by tobacco and liquor stores and the like. Accordingly, where there are many outlets engaged in commerce, there must be a unified commercial law, specifying the conditions and procedures for engaging in commerce, the scope of operations, the policies that must be followed, methods of accounting, tax collecting and payment of profits, forbidden practices and the like.

c. If government-run commerce and supply and marketing cooperatives divide their labor by urban and rural areas, circulation channels become somewhat sluggish, the supply and marketing cooperatives complain that there is a unsufficient quantity of industrial goods in the countryside, and the commercial establishments complain that they cannot get small commodities out to the countryside. An interim solution is to continue relying for the present primarily on a geographical solution, and secondarily on division of labor by commodity, but the supply and marketing cooperatives must be allowed access to the cities to sell agricultural sideline products and local specialties, while the state-run commercial outlets are allowed access to market towns to sell industrial products.

4. Reasonable price adjustments. This is the central question of market readjustment. If we do not have rational prices and we do not allow prices to fluctuate within a certain range, this will affect production and supply, as well as competition and coordination of activity. For third category minor commodities, including most third category manufactured goods, minor food products, and food products of the food and beverage industry which use small quantities of agricultural and sideline products as their raw materials, it was originally planned to use negotiated prices, so that they can be bought high and sold high or bought low and sold low, and can rise and fall; but this year, out of broad considerations of price stability and unity, only a part of agricultural and sideline and local specialty products has actually been subject to negotiated prices.

Because commodity prices are unchanging, many commodity prices are not reasonable, and ones which should be adjusted cannot be adjusted this year, so that some industrial and commercial departments are taking losses on certain products, which is directly harming their production and operations enthusiasm.

On the basis of a document from the Beijing Second Bureau of Light Industry, from 1978 to early 1980 the prices of 28 items needed by the second light industry system increased, including pig iron, coke, coal, steel products, gold, silver, and industrial grains and pigskins, affecting the production costs of 1,200 standard products in 109 varieties, including domestic stoves, domestic scissors, kitchen knives, washtubs, domestic mirrors, chalk, stovepipe, baby carriages and the like, resulting in a total decrease in profits of 16.4 million yuan. Currently Beijing's industrial and commercial enterprises are losing money on 119 daily-use manufactured items. For 31 varieties the problem is being handled through adjustment of profits between industry and commerce, tax decreases, subsidies or increased prices; negotiations are underway regarding six varieties; and there are no profits to distribute and tax decreases cannot solve the problems in the case of 82.

Prices of commodities sold by industry itself are also not in agreement with commercial prices, with the result that industrial-commercial competition is not on an equal basis, and the consumers also have expressed views on the matter. For example, Jiefang brand sewing machines produced in Changshun, Jilin Province, have a producer price of 110 yuan and are sold by the factory itself at 119.10-133 yuan, while the Shuangyanghe supply and marketing collective sells them for 145 yuan, the Yichun Service Company's Zhiqing outlet sells them for 150 yuan, the Yushu County basic-level supply and marketing collective sells them for 155 yuan, and they are on sale in Tonghua District for 170 yuan: many prices are higher than the state list price.

Price adjustment is very important in market adjustment. Certain preparations are being made to start the adjustment with internal price fixing methods so as to adapt to multichannel circulation, decrease the number of steps in circulation, and improve purchase-sale relationships. In this context we must take account of several things. First, we must consider how to take account of needs for storage of products in the area in which they are produced (the "reservoir effect"), and reflect profits to a greater extent in wholesale outlets in the area of production. Second, we must change over from the current method of deductions from the allocated price [diaobo jiage daokou 6148 2328 0305 2706 022 2099] to the markup [shunjia 7311 0502] method, in order to allow for geographical price differences and to preserve the essentially balanced nationwide price levels. Third, after purchase-sale relations are reformed, price fixing between industry and commerce for products for which there are direct factory-store connections or which the factories sell directly to third-level wholesale or retail outlets must provide a reasonable relationship between the procurement and sale prices, so that industry will be able to sell them and commerce to hold them.

5. Protect legal competition. Competition is an objective phenomenon of the commodity economy. But competition between socialist enterprises must be under the unified guidance of the state plan, be on a fair basis, and be run in a law-abiding manner, for only in this way does it help promote coordination. Accordingly, first, it is necessary to solve the problem of unequal positions of different enterprises resulting from unreasonable prices and change the situations in which some enterprises make large amounts of money with little effort while others lose more money the more small commodities they handle. Second, we need a unified commercial law. Third, we must eliminate exclusionary policies so as to bring advantageous situations into play and promote coordination. Currently, local exclusions have already emerged, according to which if a given area has a certain product, sale of that product when produced outside the area is not allowed. When third-level wholesale and retail enterprises buy outside the province, they must observe the limitations of a products list. In reality, the more protection is given to backward enterprises, the less able they are to make progress. In 1979, in order to protect local commodities, the Beijing No 5 Metallurgical Corporation would not allow the shipping in of nonlocal commodity brands and cheap, good-quality products, with the result that its stocks increased 26.5 percent and sales dropped by 16.4 percent.

In order to decrease blind operations and avoid circuitous proceedings, when engaging in competition, market forecasting and situation reporting must be intensified, and plan guidance of the apportionment of production must be strengthened.

6. Grant commercial enterprises relative independence. While under unified planning, commercial enterprises must maintain relative independence. Only in this way can we stimulate enterprises to grasp market supply and demand changes more flexibly, to strive to improve operations and management, and to serve industrial and agricultural production and the people's livelihood better. In reorganizing enterprises, the Ministry of Commerce has laid down some management regulations for retail, third-level wholesale and food service enterprises. Their general spirit of decreasing administrative interference and granting the enterprises a certain autonomy is currently being experimentally adopted. In addition, the provinces all have organizations in which expanded autonomy is being tested. To preserve the enterprises' economic independence, a first important problem is that of changing over from payment of profits to taxation. Currently there is a very pronounced situation in which everyone is fighting for profit in every direction. Implementation of partial retention of profits does not guarantee revenues to the financial organs. In addition, enterprise activity is limited by the division of the financial organs into blocks. It is best to change over

from payment of profits to payment of taxes. After an enterprise has paid its taxes, it keeps all its profits. Naturally, central and local taxes are collected separately. This approach is more beneficial to enterprise economic autonomy than the current system of paying part of profits on the basis of the enterprise subordination system.

Next, the enterprise should have certain funds of its own. This is highly necessary for wholesale enterprises. The system of "separate interest computation on credit" [quan'e xindai, cundai fenkai, fendang jixi] is extremely unfavorable for the wholesale enterprises, which play the role of "reservoirs," and frequently forces them to take account only of fund turnover and not of normal stocks.

Third, enterprise rights, responsibilities and interests must be coordinated. We should also implement the economic accounting system. The profit indicator alone cannot be used to judge enterprise achievement.

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ECONOMIC JOURNAL CRITICIZES FEUDALISM IN ECONOMY

HK060512 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 80 pp 14-16

[Article by Qian Jun-rui [6929 0193 3843]: "Vigorously Clear Away the Remnants of Feudalism in the Economic Sphere"]

[Text] The transformation of scientific socialism from theory to practice did not begin in advanced capitalist countries as anticipated by the founders of Marxism. On the contrary, the proletariat first achieved revolution victory and started building socialism in economically relatively backward or even very backward countries like Russia, China, etc. Czarist Russia was a feudal, military, imperialist country. Capitalism developed under the czarist system only for slightly more than half a century, and then the Great October Revolution overthrew the rule of the landlord and bourgeois classes and set up the first socialist country. China had a history of feudal rule for several thousand years. After prolonged revolutionary struggles, it leaped from a semifeudal, semicolonial country to a socialist country. We have leaped over the normal stage of capitalist development. What we had for the past 100 years was simply comprador capitalism heavily tinged with feudalism. This heavy burden of feudalism has made a deep impression on the course of socialism in China and the Soviet Union, both in the economic base and the superstructure, and gives a negative influence. The degeneration of the Soviet Union from the world's first socialist country into a feudal, military, social imperialist country, from a positive teacher wholeheartedly cherished by the world's laboring people into a ferocious and detestable negative teacher, is directly connected with this burden which it had not conscientiously cast off. This is worthy of our serious consideration and vigilance.

New China eradicated feudalism in the economy in a thorough way. The thoroughness in doing away with feudalism in the land revolution during the period of 10-year civil war and in the nationwide land reform after new China was set up far exceeded that of the advanced capitalist countries (for instance, France, England and Germany) and it was even exceptional among socialist countries. However, in the superstructure, especially in the ideological sphere, we are far from having fulfilled the task of thoroughly eliminating feudalism. It should be admitted that our understanding of the danger of the remnants of feudalism in the sphere of superstructure toward the construction of socialism and of their negative influence on the economic base is far from adequate.

Our party has a glorious tradition of serving the people wholeheartedly and of having close links with the masses. However, after our party was in power throughout the country, especially after achieving great victories in the socialist revolution and construction, chiefly because of being proud, bad thinking and bad work styles, such as the patriarchal system, the practice of one person alone having the say, bureaucracy, trying to obtain privileges, promoting on the basis of seniority, rigid stratification, etc., have developed among a portion of comrades, especially among some leading cadres. All these bad things, to a great extent, are manifestations of the influence of the remnants of feudalism.

The essential characteristic of a socialist economy is public ownership of the means of production. In our country state ownership and collective ownership are the two forms of socialist public ownership. They shall exist simultaneously for a long period, each giving full play to its superiority. This kind of public ownership of the means of production is the core of the relations of production of socialism. Only in this way can there be the relation of real equality and brotherhood of the people in the entire economic life of the society; can people be guaranteed to be paid according to their work and not according to their capital or power; can people be motivated to give full play to their initiative and creativity; and can social labor productivity be guaranteed a constant increase and social productive forces rapid development, with the consequent and constant increase in material and cultural needs of the whole society being satisfied to the greatest extent.

Ownership is the most crucial economic relation stipulated by law. Our constitution and law stipulate that all the means of production in state-owned enterprises belong to the people of the whole country and the means of production in collective-owned enterprises (including rural people's communes, production brigades and production teams) belong to all the members of the enterprises concerned. The rights of ownership are chiefly manifested in managerial authority over the enterprise and authority to distribute its products. These two powers converge on whoever is in control. That person is the main indication for measuring whether public ownership is real and whether it is sufficient.

At present, industrial and agricultural enterprises in our country usually practice the system of factory directors (chairmen of the people's communes, heads of the production brigades) assuming the responsibility under the leadership of the party committee. In places and units where democratic style is wanting and the patriarchal system of leadership is practiced, the authority to manage the enterprise and the authority to distribute products are actually in the hands of the secretaries or the factory directors (commune chairmen and heads of production brigades and production teams). There are no staff and workers' conferences or representative conferences or the commune members' conferences. Even if there are any, they are a mere formality, without real power. Socialist public ownership in such circumstances is at least extremely insufficient and quite empty. This is actually ownership by the secretary or the factory director (the commune chairman, the head of the production brigade or production team). It completely destroys the superiority of socialist public ownership and obliterates the initiative and creativity of the masses of workers and peasants for production.

It is correct and entirely necessary to lay stress on centralized unity in the socialist construction. But we must strictly distinguish between socialist centralized unity (whose foundation is democracy with appropriate dispersion as a condition) and feudal monarchy or individual dictatorship. Over-centralization of power, too rigid or too broad a unification, or even everything being decided by the leader himself, none of this has any relation to the socialist economic system. It seriously runs counter to the principle of giving simultaneous consideration to the interests of the state, the collective and the individual. It greatly harms the initiative of different regions and different nationalities in giving play to each individual superiority to develop their economy according to their individual conditions. It deprives different regions and different enterprises of their due right to act on their own, restricts and harms their initiative. Everyone eats from the same pot, holding an iron rice bowl. Each holds himself responsible to his superior but not to the masses. Production is divorced from demand. Production is divorced from marketing. The interests of the state, the collective and the individual are divorced from each other, thus greatly reducing the economic effects of the enterprises, hindering the development of the social productive forces and the improvement of the life of the masses, seriously damaging the superiority of the socialist system.

Socialism is the primary stage of communism. It is also a considerably long historical transition period from capitalism to communism. The economy of this period is a commodity economy under the state's planned guidance, based on the public ownership of the means of production (subsidized by a certain amount of other economic component parts). It is a kind of special highly developed commodity economy. It serves to develop and expand socialism, and thereby creates conditions for negating (destroying) itself.

A feudal economy is basically a natural economy in which a commodity economy has only a subordinate position. A commodity economy once developed somewhat in semifeudal, semicolonial China, but the extent of its development was very limited. The countryside was basically in a state of self-sufficiency. After liberation of the whole country, we built socialism, mechanically applying the pattern of the Soviet Union during the period under the leadership of Stalin. We also had deviations in our understanding. We wrongly thought that a socialist planned economy was incompatible with a market economy, looking upon it as capitalism, at least as a breeding ground for capitalism. Therefore, pure administrative means were employed to run the economy and to eliminate the market economy. The law of value and other laws of economy were treated with indifference. The regulation and rationing of goods and materials according to natural formation were taken as the main channel for circulation and distribution. These formed the foundation of the economic management system in our country. We know that the Soviet Union suffered from this kind of economic management system in its early stage. In China where the commodity economy was less developed, we suffered even more from it. We ran the socialist economy in a dry and rigid way. That had much to do with the influence of the deep-seated tradition of the natural economy in our country. Many of our enterprises often tried to make themselves "big and comprehensive" or "small and comprehensive," which ran counter to the principle of production (including service trades) socialization, production specialization and sharing out the work and cooperating with one another. This was also a manifestation of the influence by the feudal manor system and small production.

Another manifestation of the influence of the remnants of feudalism on the economic work in our country was the rather strongly marked style of official industry, official agriculture, official commerce and official transportation. Quite a few of our organs of economic work, and various enterprises of our industry, agriculture, commerce, communication and transportation were often quite bureaucratic. Bureaucracy in state organs and in enterprises owned by the whole people greatly exceeded that in enterprises owned by the collective, and the bureaucracy in enterprises owned by the collective again greatly exceeded that in the individual economy. The only surviving individual economy today has little or no bureaucracy. It can be said that in our country the more public the ownership is the more bureaucratic it is. This seems to have become a law. Unfortunately it is an abnormal law. It can never be a normal law of the life of socialism. Bureaucratic airs is also called bureaucracy. Its essence being separated from the masses, being indifferent to them, paying no attention to their well-being and even ignoring their life or death and bullying them by relying on the great or small power in hand. These kinds of bureaucratic airs are of long standing and well-established. They can be found in capitalism and more easily found in comprador capitalism, but their real native home is feudalism. Feudalism is their ancestor. We must dig up the tomb of this ancestor and uproot bureaucracy. Otherwise, this stubborn illness of our organs being overstaffed, sluggish in work, not serving the masses but being served by them, never paying attention to economic effects and never paying attention to work efficiency can never be fully cured. It is simply impossible to realize the four modernizations without curing this serious illness.

Because of the heavy burden of feudal traditions, our economic work often puts undue emphasis on following the regional administrative division and jurisdiction. This in fact obstructs and disrupts the natural flow of a modern economy by feudal, local, separatist regimes. The characteristics of a modern economy are socialization of production and various kinds of economic life, formation of a unified and complete national economy, to effect a reasonable international division of work and realization of the internationalization of economic life. In our country, different regions should give play to their own superiority according to their own characteristics, organize and combine in various ways in accordance with the principle of sharing out the work and cooperating with one another, and compete under planned guidance; and on qualified basis, form naturally and establish several economic regions and economic centers throughout the country. At the same time, we must resolutely break with the condition of closing the country to international intercourse and boldly expand international contacts on the basis of equality and mutual benefit.

Finally we should like to point out a problem which must be speedily and thoroughly solved. It is the problem of factionalism among economic workers, which is a pernicious influence sown by Lin Biao and the "gang of four." It is a major obstacle preventing us from uniting as one and from being of one heart and soul in carrying on the four modernizations. It is more precise to say that this kind of factionalism is rather of a feudal character than of a bourgeois character. Lin Biao and the "gang of four" themselves are reactionary feudal factions having combined two into one. In order to usurp the party and seize state power, they promoted a feudal fascist dictatorship, trying to reduce our country once more to a colony or semicolony. They made use of backwardness and superstition of some of the masses, stirred up feudal factionalism, split the broad masses into two main factions, which clashed and fought at close quarters, caused great damage to production, sabotaged education, disrupted work, and pushed the national economy of our country to the brink of collapse, which resulted in an unprecedented tragic 10-year calamity. The factionalism incited by Lin Biao and the "gang of four," disguised under the flowery attire of "revolutionaries" and "rebels," restored and developed the most decadent and abominable dregs of the feudal trade association and gangsters of old China, and endangered the socialist construction of our country. After smashing the "gang of four," although this kind of factionalism has been overcome to a certain extent, its remnants still have much capacity for maneuver. We should never underestimate this. Whenever it has a chance, it will change its appearance, fan the flames of disorder, creating disputes and do harm to our most favorable situation of stability and unity.

The 3d Plenary Session of the 11th Congress of the party and the 2d Session of the Fifth National People's Congress called on the people of all nationalities of the whole country to resolutely bring about the great strategic shift of the focal point of our work to effect socialist modernization and to implement and carry out the policy of readjusting, restructuring, consolidating and improving the national economy under the leadership of the party and the government. The present focal point is readjustment and while making readjustment, restructure, consolidation and improvement are progressively carried out. Since the past year or so, remarkable progress has been made in the work of readjusting our national economy and reliable preliminary reforms of the economic management system have also been made or are being made on the basis of investigation and study. In his opening speech at the Third Session of the Fifth Political Consultative Conference, Comrade Deng Xiaoping pointed out: "In order to build our country into a modernized, highly democratic and highly civilized powerful socialist country, it is necessary to give play to the superiority of our socialist system with utmost efforts. The most important thing is: in economy, to enthusiastically develop socialist production and to improve gradually the people's material and cultural life; in politics, to encourage full display of socialist democracy, to strengthen the socialist legal system, and to develop the united, lively and vigorous political situation; in organization, to discover, train and promote in great quantity persons of ability who meet the needs of modern construction, to provide wide opportunities of airing views and to make full use of each man's ability."

The various kinds of influence mentioned above of the remnants of feudalism in the economic sphere are the archenemies against giving play to the superiority of the socialist system of our country and against successfully realizing the four modernizations. The chief ones are the patriarchal system, bureaucracy and feudal factionalism, the three rogues. With these three, the masses of the people cannot be real masters in their own houses and cannot have high enthusiasm, initiative and creativity, and consequently the productive forces of the society cannot be smoothly developed, the life of the people cannot be gradually improved, the socialist democracy and legal system will be trampled and persons of ability who meet the needs of modernization cannot be discovered and trained. In a word, the superiority of the socialist system in our country cannot be given play; the magnificent target of building a modernized, highly democratic, highly civilized socialist powerful country cannot be realized. Therefore, we must fully realize the extreme importance of clearing away these remnants of feudalism and under the leadership of the party's Central Committee, carry out deep and meticulous education throughout the whole party and the whole country. The main methods used are criticism and self-criticism, supported by the establishment and strengthening of systems and necessary organizational and disciplinary measures. We must exert ourselves to clear away the remnants of feudalism in the economic sphere, give play to the superiority of the socialist system and victoriously realize the four modernizations.

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NATIONAL POLICY AND ISSUES

POSTS, TELECOMMUNICATIONS MANAGEMENT REFORMS SUGGESTED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 80 pp 23-24

[Article by Deng Junwen [6772 0193 2429]: "Some Suggestions for Reform of the Posts and Telecommunications Management System"]

[Text] In the 30 years since the state was founded, posts and telecommunications in this country have developed considerably, and an extensive urban and rural postal and telecommunications network centered on Beijing and linking together the entire country has been gradually developed, but in overall terms our posts and telecommunications activity is developing rather slowly, there is little advanced equipment, communications capacity is small, service standards are rather low, and there are rather many problems with management work. The reasons are manifold, but shortcomings in the management system are an important cause. Accordingly, studies dealing with improvement of the posts and telecommunications management system have become an urgent need. In the last 30 years, the system has undergone five major reforms; at times management has been primarily linear, while at other times it has been block by block, and instances of combining posts and telecommunications and of their separation have existed side by side. About two-thirds of the time, a linear system has been used, while one-third of the time a block-by-block or two-level management system has been used. Currently the management system still has the following problems:

1. A one-sided stress on administrative measures, while ignoring the regulating effect of economic laws on the management system.

For many years articles have been written on the question of whether linear or block-by-block management is preferable, and the question of enterprise subordination relations has been dealt with over and over, sometimes stressing concentration and sometimes stressing lower-level autonomy. The result has been a wavering between the two poles of overrigid unification and chaotic lower-level autonomy. Because of overreliance on administrative methods and the ignoring of the regulating effect of economic laws on posts and telecommunications activity, there has been no overall comprehensive analysis of overlapping relationships in posts and telecommunications economic activity or of adaptation to local conditions. Administrative measures are admittedly indispensable, and there must be a delimitation of the jurisdictions of the central departments and the localities, but exclusive reliance on administrative methods and administrative measures to solve an economic problem, with no account taken of economic laws so as to strike an overall balance, will make it impossible to achieve the desired effect.

2. Supply system management with rigid centralized control of receipts and disbursements weakens enterprise initiative.

For many years, posts and telecommunications enterprises' supply systems have been managed on the principle of "receipts paid to higher levels, higher level approval required for disbursements, materials arranged for at the higher levels, capital construction taken care of by the state." Under this approach, the enterprise's management activity was directly regulated by state organs, and planning with regard to personnel, finance and materials was concentrated in the hands of the state agencies, while the enterprises lacked the necessary autonomy, which restrained management improvement activity and initiative in replacing facilities and carrying out technological renovation.

3. Combined management which does not separate the areas and "one-big-rice-pot" management weaken management of the specialized areas and economic accounting.

The posts and telecommunications sector consists of two distinct components, namely posts and telecommunications. Each of the two areas has certain subdivisions with different characteristics and uses. But for a long time, combined management and "one-big-pot-of-rice" management which do not distinguish the characteristics of the different functional areas have been practiced. For many years departmental leadership by the cognizant state agencies and enterprise management of posts and of telecommunications have been mixed together, with a one-sided stress on correspondence between higher and lower levels, which has weakened specialized management of posts, telecommunications, and their different functional areas. It also has resulted in major obstacles for enterprise economic accounting and specialized area economic accounting, with the result that any reliable basis for judging economic performance and determining funds expenditures by the specialized areas has been lost.

I believe that in order to carry our reform of the posts and telecommunications system, we should lay stress on the following:

1. Adjustment of enterprise structure on the principle of specialization and cooperation, and separation of the post and telecommunications areas.

A rational economic structure is an important condition for promoting the development of modernized large-scale socialist production. Enterprise structure should foster the development of specialized production and cooperation, the improvement of production efficiency and the implementation of economic accounting. More than 95 percent of our country's existing posts and telecommunications enterprises are mixed post and telecommunications offices, while there are only a few specialized postal or telecommunications enterprises. Although both posts and telecommunications transmit information and link society together, the forms in which they do these things are entirely different, and they are two mutually independent communications systems. Most countries make posts and telecommunications into separate communications systems and set up separate posts and telecommunications enterprises. In our country, with its extensive territory and vast population, the combined post and telecommunications system increases the complexity of management and operations. Accordingly, we should set up separate postal and telecommunications enterprises. Experience shows that the current arrangement of postal communications centered in the capital, the provincial capitals and the county seats is suitable. At present the capital, the provincial capitals and the municipalities have individual post offices, but other cities and county seats have posts and telecommunications offices in which the two areas are combined; in the latter we should set up independent post offices. At the same time, to allow for the postal system's characteristics, namely a coherent communication network, continuous delivery, dispersed structure and integrated operations, we should further organize regional integrated postal enterprises by province, municipality and autonomous region on the basis of county seat post offices. As for telecommunications, we have the Beijing Long-Distance Telecommunications Office in the capital, with the responsibility for linking all the provinces, as well as the Beijing Municipal Telecommunications Office, which is responsible for telephone communications within the capital. The various provincial capitals have city-run telecommunications offices--for long-distance telecommunications and local telephone communications. Other than the provincial capitals, the cities and counties have post and telecommunications offices that combine telecommunications and postal functions. As telecommunications has expanded, it has become necessary to manage telecommunications as two separate areas, long-distance telecommunications and municipal telephone (or county telephone). Telecommunications enterprises of this type can thus be set up as long distance telecommunications offices, municipal telephone offices and county telephone offices.

2. Readjust the enterprise management system and bring central and local activism into play.

In reforming the posts and telecommunications management system, we should suitably delineate the operating and management powers of the central departments and the localities, bringing about division of labor and giving each its strengths so that they are well coordinated with each other. National posts and telecommunications should be the province of enterprises directly subordinate to the central departments, and should be directly managed by the central departments, which helps to guarantee that national communications links will operate effectively and that the national communications network will be planned and constructed in a unified fashion. The municipal telephone exchanges and province telephone exchanges which are responsible for local traffic are part of local public utilities and can be managed by the various provinces, cities and autonomous regions as local enterprises. Each province can institute integrated management or independent management by the provincial or municipal office, depending on conditions. This approach is beneficial for coordinated development of municipal telephone, provincial telephone, local industrial and agricultural production, and municipal government construction.

3. Expanding enterprise autonomy.

For a long time, under the situation of centralized receipts and disbursements, and combined operations, whether in linear or block-by-block management, the enterprises have functioned as appendages of the state agencies, have not had much autonomy as regards personnel, finances, materials, production, supply and sales, and have lacked production and operations initiative. The state should give the powers that are now excessively centralized to the enterprises and expand enterprises operating and management autonomy. The state agencies should change their practice of using administrative measures pure and simple to manage the enterprises, and should use economic levers and administrative measures in combination to manage and direct enterprise activity.

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ECONOMIC JOURNAL DISCUSSES JOINT MANAGEMENT

HK050950 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 80 pp 37-39

[Article by Wang Guo Cheng [3769 0948 6134], Liu Gang [0491 0474] and Xing Yi Chu [6717 6654 0443]: "There Is Great Promise in Joint Industrial and Agricultural Management--Investigation on the Shanghai Dazhihe Woolen Mill"]

[Text] The Dazhihe Woolen Mill is a new enterprise operated jointly by workers and peasants in Shanghai Municipality. It is a medium-sized woolen mill under the joint management of the Wool and Jute Fabric Company of the Shanghai Textile Industrial Bureau, the Huanglu Commune and the Sandun Commune of Nanhui County. Practice shows that there is a great future for joint management in the textile industry.

The 3d plenary session of the 11th party Central Committee called for emancipating the thinking in the various trades, for the joint management of agricultural-industrial-trade enterprises and for the rapid development of light industries, textile industries and the handicraft industry. The Textile Industrial Department had allocated a set of Japanese woolen textile equipment consisting of 9,200 spindles to Shanghai. According to regulations, the overseas loans and interest to purchase this equipment are to be repaid by the municipal textile industrial bureau by supplying colored fabric. The department stated that there had not been much increase in output though the old spindles have been replaced with new ones and thus we cannot repay the foreign loans on time. These two facts lead us to the plan of using the old spindles in the outskirts of the county and thereby paving a new way for increasing production.

With the approval of the municipal leadership, leaders of the municipal textile bureau arranged negotiations between the worker-peasant joint enterprise and comrades in charge of industry in the Nanhui County Committee. Since it is beneficial to both the agricultural and industrial sides, an agreement was reached rather quickly. Both the industrial and agricultural sides decided to set up specialized leadership bodies immediately and made preparations for the construction of the Dazhihe Woolen Mill and the Friendly Woolen Mill. On 13 February 1979, they broke ground and on 1 February 1980 they started production; the production is all-encompassing. The total construction area of the plant is 13,500 square meters. It has 5,200 British-style woolen textile spindles and 760 workers and can manufacture 800 to 1,000 tons of cashmere and knitted fabric every year to meet export and domestic demands.

Superiority of Joint Worker-Peasant Plants

Joint operation can create new productive forces. The road of joint management is a new way to accelerate the development of the textile industry. For the past year, the constructing and operating of the Dazhihe Woolen Mill has initially revealed the superiority of joint worker-peasant management.

First, develop the superiority of both the agricultural and industrial sides, develop the strong points and avoid the shortcomings and build the plant rapidly. In a joint agricultural and industrial operation, the industrial side supplies specialized equipment and the technical force and is responsible for managing the enterprise. The agricultural side supplies the land, the labor force for capital construction and the workers. This guarantees a rapid start, rapid production and rapid results. As soon as the industrial and agricultural sides had come to an agreement in December 1978, the municipal Wool and Jute Fabric Company, the Nanhui County Textile Company, the Huanglu Commune and the Sandun Commune sent a group to take overall responsibility for the work of constructing the plant. In less than a month, they had drawn up initial plans by selecting the points, coming up with an engineering design stipulating the scale of operation, and stipulating the products to be produced. In the process of construction, the agricultural side called up more than 2,000 laborers. They overcame various difficulties and in only 85 days, completed the tasks of constructing the main plant covering 5,200 square meters and created favorable conditions for beginning production before the scheduled starting date of the Dazhihe Woolen Mill.

The Municipal Wool and Jute Fabric Company also mobilized workers in all aspects of the textile industry and old skilled craftsmen from six woolen mills used their own tools and accessories to install the plant's main equipment. The worker-craftsmen made every minute and second count, and even when they were tired they continued to fight. Under the vigorous support of these workers, all of the 5,200 spindles were properly installed by the end of October. Since February, it has produced more than 180 tons of wool which basically conform to the quality index, earning an income of more than 600,000 yuan. This plant has been earning revenue since it started production. It is estimated that all investment will be repaid by the production output of approximately 1 year. Less than a year was required between ground-breaking and starting full-scale operation in this medium-sized woolen mill.

Next, it helps renovate equipment, taps reserves and is beneficial to reforms, transformation and acceleration of the development of the textile industry. In order to vigorously develop the textile industry, it is necessary to reform the industry according to the principle of specialized cooperation and implement the upgrading and substitution of products. The old products must be "shelved" and those still usable should be sent to the lower levels. A joint worker-peasant plant can shoulder the tasks of "propagating the species and continuing the line" of textile products.

In the Dazhihe Worker-Peasant Joint Management Plant, 11 backbone workers of the industrial equipment plant and technical management departments participate directly in production management and have led the operation and management of the mill onto the right track. In production technology, the workers selected and transferred more than 10 old skilled technical workers to the joint management plant as technical consultants and selected and transferred more than 100 young workers from the joint management plant as "seeds" to be allocated to No 17 Woolen Mill and other units to undergo technical training. After training, these young workers will return to the plant to teach the advanced technology and mobilize a group of people to master new operation skills. The 11 backbone workers are mainly management personnel sent out by state enterprises and are quality controllers. They see to it that production is carried out in strict accordance with regulations. All the workers--old workers with their experience and young workers with their skills--are constantly raising the technological level of production which guarantees quality products. Since the Dazhihe Joint Management Plant started full-scale production, the quality has very rapidly approached the levels of other plants in the same industry and has remained fairly stable.

Within 1 year, the No 17 Wool Mill of the municipal Wool and Jute Fabric Company has installed the 9,200 new spindles and help build the Dazhihe Woolen Mill with its 5,200 spindles. The Dazhihe Woolen Mill produces approximately 1,000 tons of knitted fabric to satisfy domestic and overseas demands. It is estimated that the mill's annual output will reach 30 million yuan. Thus, the taxes and profits submitted to the state each year could reach more than 7 million yuan.

Next, it helps improve the lives of peasants, promotes economic development of the countryside and gradually wipes out the differences between the town and the countryside. In the suburbs of Shanghai, there are many people but not much land, and water conservancy projects over successive years have reduced the area of arable land. This has made the contradictions between a dense population and a scarcity of land stand out even more. Since completion of the Dazhi River project, each person in Huanglu Commune and Sandun Commune has less than 0.7 mu of land on the average. There are many people and not many farm jobs. The commune members took turns doing the work and the surplus labor force urgently needed an outlet. The joint worker-peasant Dazhihe Plant has precisely solved these contradictions in the countryside. These two communes have allocated 71 mu of land for building factories and made arrangements for the employment of more than 700 young commune members, and this has reduced social pressures. The income of these industrial commune members working at the plant is 100 yuan more than an average commune member and there has been tremendous improvement in their livelihood. In the joint worker-peasant operation of the plant in particular, industry both supports and promotes agriculture and will help to develop a prosperous countryside. It is estimated that the annual output of the Dazhihe Woolen Mill will be more than 30 million yuan and that profits could reach 4 million yuan. After proportional distribution, each of the two agricultural communes could obtain a net profit of 700,000 yuan. This will strengthen the collective economy, develop brigade industry, accelerate agricultural mechanization and help to develop a new socialist industrial and agricultural countryside and wipe out the differences between the town and countryside.

Finally, it helps to decentralize industries in the municipality and improve the industrial layout. Industry in Shanghai Municipality is overcentralized. On the average, there are 30 or 40 plants and more than 40,000 people in every square kilometer. This industrial structure needs to be further adjusted. There is a total of 430,000 workers in the municipal textile industry system. The output value occupies one-fourth of the total industrial output of the whole municipality and the amount for export occupies 40 percent of the total export. If textile industry is to be greatly developed, 300,000 spindles will have to be added by 1985 and there must be innovations in the development of wool spindles which will result in a great increase in output. In order to promote the textile industry, it is necessary to add new productive capabilities while continuing to tap reserves and renovating and transforming the existing enterprises. In order to establish new textile plants in the municipality various restrictions such as land requisition, the intensity of work and the speed of plant construction have to be overcome. Therefore, we should definitely open up a second battlefield of textile industry in the county's suburbs. The establishment of the Dazhihe Woolen Mill has opened up a new path in this direction.

Problems That Require Further Studies

First, the question of the nature of joint worker-peasant management enterprise. The Dazhihe joint worker-peasant management plant is a new form of ownership. Its nature needs to be investigated and studied. Can we say that the nature of joint worker-peasant management enterprise is state collective ownership?

The Dazhihe Plant is the result of coordination between ownership by the whole people and collective ownership and not the amalgamation of the two ownership systems. The ownership of workers and peasants of the original means of production for a fairly long period of time has maintained relative stability and cannot be changed indiscriminately. This means that a joint management enterprise must have unified planning over the utilization and calculation of manpower, and supply of financial and material resources. But, the basic form of the two types of ownership remains unchanged, which means property ownership remains unchanged. The staff relations and policies on wages and welfare remain unchanged. The source of funds and the channeling of profits and taxes submitted remain unchanged. This will bring into play the superiority of workers and peasants respectively. They can bring out their strong points and avoid their shortcomings and overcome their weaknesses by acquiring other people's strong points. They can learn from one another, supervise one another and call up the initiative of peasants and workers so that management of the enterprise continues to steadily improve.

Second, the question of investment and profit allocation for joint worker-peasant management enterprise. The Dazhihe Plant was founded on the basis of voluntary cooperation. Therefore, profit allocation must be fair and rational and attention must be paid to the economic interests of the state and collective. Profit allocation in the Dazhihe Woolen Mill is based on the proportion of investment. After detailed calculation and repeated negotiations, the industrial and agricultural sides have ascertained the proportion of profit allocation according to the principle that each should share in the profits. The total investment of the whole plant is approximately 4.32 million yuan and investment from the industrial side is 2.33 million yuan which is approximately 55 percent. Agricultural investment is 1.9 million yuan which is approximately 45 percent. Thus, it is more rational to allocate profits according to the proportion of actual investment. The workers approve of this and the peasants are satisfied. However, there are disputes regarding whether land should be considered as part of the investment. The method used by the Dazhihe Woolen Mill to solve this problem is to require the enterprise to provide a land compensation fee of 300 yuan per year by calculating the annual output of each mu of land. In order to further develop the production of woolen textile, that plant is prepared to implement profit retention after repaying loans which will be used to increase reproduction and for the collective welfare of staff.

Third, on the question of organized leadership in joint management enterprise. The Dazhihe Woolen Mill has set up a leading body under the party's and government's unifying leadership, command and planning and set up a functional organization to unify management and thus attain unity in the following nine aspects: the party, the government and the masses, manpower, financial and material resources, supply, production and marketing. The staff who do the main tasks in the plant and office are assigned by the industrial side while the staff for subsidiary posts are recommended by the agricultural side upon approval of the municipal party committee of the Wool and Jute Fabric Company. On the whole, the industrial side is responsible for supply, production and marketing and enterprise management. The agricultural side is mainly responsible for local tasks such as patriotic public health campaign, militia work and so on. However, in the course of carrying out this work, approval must be sought from the industrial side and this must not affect the mill's production. The Nanhui County Committee intends to set up an investment share company in the future. The various communes will be able to invest by buying shares and there will be a board of directors. The board will handle major questions on the joint management enterprise and there is to be no direct contact with the communes. This method has various strong points. The first is that the municipal departments concerned will establish links with investment companies for planning, and make full use of the existing plants now operating under capacity within the county. They rationally set policy to avoid "a free-for-all" whereby new plants spring up helter-skelter. This will establish a means for requisitioning land as well as extending the front of basic construction. The second strong point is that staff for the subsidiary posts in the joint management plant are all sent from the county committee and they have no relation with the communes. This will simplify organization and reduce the contradictions between the agricultural and industrial sides in staff deployment. The third point is that the various communes are allocated bonuses according to their number of shares. This can solve the phenomena whereby some communes are rich and those living there are happy and others are poor and their people are sad. The county can help and support relatively poor communes in the border areas.

Fourth, the question of management and operation. The Dazhihe Woolen Mill uses the same operation and management methods as the state enterprises. Thus, it exercises excessive and rigid control in production management. The plant has no autonomy in management. This does not help develop the initiative of either the agricultural side or industrial side. Joint worker-peasant management mill is the corporate body of the state enterprise and the commune collective economy. In management and operation, it is necessary to absorb the strong points of the two types of ownership and adopt the scientific part of management and operation in state enterprise, but it is also necessary to develop the characteristics of independent accounting, shouldering responsibilities for one's own profits and losses, flexible management and strong adaptability of the collective enterprises so that the enterprises have certain autonomy in management and operation. Only this way can the initiative of both the industrial side and agricultural side be released and the superiority of joint management enterprise be brought into play.

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PRC JOURNAL ON SOCIALIST ENTERPRISE MANAGEMENT

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[Article by Jiang Yiwei [5592 0001 5517]: "On the Basic Characteristics of Socialist Enterprise Management." Article bears the following footnote: "This article was a learned report given by Comrade Jiang Yiwei at the first annual meeting of the China Enterprise Management Association in February 1980. For this publication, the author has made only a few lexical revisions."]

[Text] It was pointed out at an early date by Marx that enterprise management possesses a dual nature, namely, the natural nature which it possesses in relation to the productive forces and to large-scale socialized production, and the social nature which it possesses in relation to the relations of production and to the social system. This dual nature is fundamentally brought about by the fact that commodities possess a dual nature. If we recognize this dual nature, this will have great significance in guiding our correct treatment of the handling of the problem of the similarities and differences between socialist and capitalist enterprises.

In the past, because the tendency toward extreme leftist thought was allowed to spread unchecked, it was only permitted to talk about the social nature and the class nature of enterprise management, and enterprise management and politics were confused, coming to mean virtually the same thing; the basic principles of enterprise management were summed up as containing only a few political elements, and its scientific content, founded on the basis of the socialization of labor and modern production technology, was eliminated completely. As for the valuable experience accumulated in this field by capitalist enterprises, it was dismissed out of hand, and if it was not, it was labeled as "taking the capitalist road." This extremely biased concept, of taking into account only politics and ignoring science, of only taking into account the differences and ignoring the similarities, caused grave setbacks in the development of the science of management in China.

Today we are bringing order out of the chaos, and are beginning to overcome and eradicate the above-mentioned bias, and to admit that management is a branch of science, with its own objective laws; we are concentrating on the similarities of management and, on the basis of summing up China's own experience which has been effective in practice, we are actively absorbing foreign experience, and have thus opened up wide prospects for the rapid development of China's management science.

However, while taking into account the similarities, we must simultaneously pay attention to the differences, for otherwise, another mistaken bias will come about. In the final analysis, there are basic differences between socialist enterprises and capitalist enterprises. If these are given expression in the management of enterprises, socialist enterprise management will inevitably come to have its own special characteristics. Only by gaining an understanding of these special characteristics and by making correct use of them can the superior nature of socialism be brought fully into play, in order to light the way for the realization of a Chinese modernization of management. This article will discuss some simple points of our understanding in relation to this problem.

(1) The Basic Characteristics of Socialist Enterprise Management

The basic characteristics of socialist enterprise management are determined by the socialist economic system. The fundamental differences between the socialist system and the capitalist system lie in the fact that socialism practices the system of public ownership, has eliminated the phenomenon of man's exploitation of man, and that its whole national economy develops in a planned and proportional way under unified state guidance. These special characteristics of the socio-economic system have not only determined the socialist nature of enterprises, but also inevitably cause fundamental differences to occur in the field of management between socialist enterprises and capitalist enterprises.

Enterprise management possesses a dual nature. In enterprise management, as far as the functions of equitably organizing the productive forces and of organizing large-scale socialized production are concerned, there are similarities between socialist and capitalist enterprises, and no fundamental differences exist. Of course, differences will still exist because the levels and scale of the development of the productive forces and the socialization of labor are not the same, the environmental and historical conditions are dissimilar, and so on. But these differences are not fundamental ones. This is by no means the case, however, in matters relating to the handling of production relations and economic benefits within enterprise management; here fundamental differences do exist between socialist and capitalist enterprise management. Because socialism still needs to carry out commodity production, certain characteristics formed by commodity production will continue to exist, such as, for example, the use of the market economy, the role of price laws, the use of economic means in the management of the economy, and so on. These economic functions are very similar in form to those of capitalist enterprises, and in these areas we can, moreover, absorb useful experience from capitalism. But similarity of form is not the same as being intrinsically identical. Since, ultimately, socialist commodity production is not the same as capitalist commodity production, some forms and methods of management relating to commodity production also possess completely dissimilar natures and significances.

Looking at things from the angle of the relations of production, the management of enterprises covers relations in three fields, namely, the relations between enterprises and the state, the relations between enterprises, and relations within enterprises. Under two dissimilar social systems, irreconcilable differences will come to light in these three fields of relationships.

Let us look first at the relations between enterprises and the state.

The socialist state not only has political functions, but also possesses economic functions. In economics, if the state represents the workers as a whole, then an enterprise will represent part of the workers. The relationship between enterprises and the state is thus essentially the relationship between a part of the workers and the workers as a whole. The real nature of this relationship is the relationship of economic benefits, the relationship between the economic interests of a part and the economic interests of the whole.

The two most important forms of ownership system in China's enterprises at present are the system of ownership by the whole people and the collective ownership system, and both of these belong to the category of public ownership systems. Theoretically speaking, in two dissimilar systems of public ownership, there should be some difference in the level of benefits accruing to the section of the workers represented by enterprises. However this distinction has encountered some difficulties in practice; exactly how important this distinction is in theory is a question which is open to discussion. Nevertheless, there is one point which can be affirmed: in the socialist stage of history, commodity production must still be carried out, and enterprises must exist as the basic units of the national economy; whether these enterprises are owned collectively or by the people as a whole, they still represent a producer of commodities, and they necessarily possess the independent nature and independent economic interests of producers of commodities. But they are not the same as privately owned enterprises, in that their independence cannot be absolute independence, and can only be a relative independence, under the unified guidance of the state; as for economic interests, here again enterprises can only strive to increase and develop their economic interests according to the principle of the subordination of the interests of the part to those of the whole. This is a point on which socialist and capitalist enterprises are fundamentally at variance.

Next, we will consider the relations between enterprises.

The relationship between socialist enterprises is also entirely dissimilar from that in capitalist societies. This is because, even if each enterprise is a relatively independent economic entity, all enterprises are still primarily equal members of the socialist economy as a whole, and have common interests. This unanimity of interests determines the relationships between them, which are primarily relationships of mutual cooperation, mutual support and, when necessary, of working together as a single integrated entity. The development of this kind of cooperative relationship can assist in raising the level of socialization of production, thus speeding up the development of the productive forces, which in turn will benefit the growth of the enterprises themselves, and of the national economy. However, a certain conflict of interests must necessarily exist between socialist enterprises, and there must be a suitable amount of competition between enterprises, so as to permit the occurrence of profit differentials according to whether the results of production operations are good or bad. These differences constitute only a contradiction among the people, based on the common interest; under the unified guidance and coordination of the state, not only does the sort of mortal conflict that exists between capitalist enterprises not arise, appropriate differences will, on the contrary, give a significant impetus to the promotion of the development of the productive forces.

Finally, we will consider relations within enterprises.

Within enterprises, as a result of the elimination of exploitation under the socialist public ownership system, the class conflict within enterprises has also been done away with. The staff and workers of enterprises are no longer those who offer their labor for sale, but the owners of the enterprises. The workers are directly linked with the means of production. Whether the state, the enterprises or individuals gain a profit as a result of their labor, the workers are, in the final analysis, working for their own benefit. The individual benefits accruing to workers and staff are in relation to the size of the contributions made by individuals, to the quality of enterprise operations, and to the speed of national economic development. We only need to let the broad masses of workers see this connection, and gain real benefit therefrom, in order to arouse the great enthusiasm and creativity which are the source of the superiority of socialism over the forces of capitalism.

The distinguishing features of the above production relations have determined the basic characteristics in respect of the management of socialist enterprises. What exactly are these characteristics? I believe that the above-mentioned distinguishing features of the production relations can be compressed into three basic characteristics, that is: the state nature of management; the democratic nature of management, and the mass nature of management. None of these three qualities are capable of being fully possessed by capitalist enterprises. They are the embodiment of the superiority of the socialist system. Nevertheless, this superiority is still only an objectively existing possibility; if we wish to transform this possibility into reality, this will still depend on whether or not we are able to adopt the correct forms and methods, in order to give genuine fulfillment to the positive role of these three qualities in the field of management.

(2) The State Nature of Socialist Enterprise Management

The socialist enterprise is an economic unit under the unified guidance of the state which carries out independent operations and practices independent accounting. It should possess considerable autonomy, and also be responsible for its own profits and losses after it has fulfilled its obligations to the state. But it is not the same as a privately run enterprise; each unit is not isolated and cut off from help, and does not stand or fall on its own merits. Under unified state guidance, although an enterprise has autonomous rights and powers, it nevertheless also has clearly defined obligations. The state not only safeguards the legitimate rights and interests of enterprises, but also provides them with guidance and necessary support. Although the state management and administration of enterprises does not constitute direct control, it should still stipulate their direction of growth, so that it is in harmony with requirements for the planned and proportional development of the national economy; the state should formulate all kinds of economic policies and legislation, and should unify and coordinate the operational activities of enterprises. Consequently, in management, socialist enterprises do not have complete freedom to go their own way or for each to do what it thinks right; they have, to a very large extent, a state nature. Only within a scope stipulated by state policies and decrees are the enterprises able to give full expression to their subjective dynamic roles, and to continually improve their operational management, so as to achieve a greater development of the enterprise economy.

Socialist enterprise management has a state nature, and this is not the same as the intervention of capitalist states in capitalist enterprises. In order to coordinate the interests of the capitalists, and to further certain public interests, capitalist states have also increased their intervention in enterprises. In the management of their operations, enterprises must also respect their governments' policies and legislation. But these enterprises are privately owned, and they view state intervention as an additional burden imposed from outside, and they use a great deal of energy in evading state intervention or treating it in a perfunctory manner. The socialist public ownership system determines the relationship between the state and enterprises as the relationship between the parts and the whole of the economic system. This economic wholeness determines the unanimity of interests, and the state's unified guiding role promotes the development of enterprises rather than stifling it. This unity allows socialism to overcome the ungoverned state of capitalist production, and is a powerful manifestation of the superiority of socialism over capitalism. In the past, however, we caused this unity to become absolute, thus completely doing away with the comparative independence of enterprises. In its approach to enterprises, and especially to the production operations of enterprises under the system of ownership by the whole people, the state imposed on them centralized management and direct control by the central organs of state or by the local organizations: their duties were handed down by the state, their funds were allocated by the state, each individual management method was exactly specified by the state, in the economic field, the system of unified income and expenditure was put into practice, and so on. This type of economic setup really meant that the state was transformed into an enterprise of unparalleled size, and thus that every enterprise became a branch organization belonging directly to the state administrative setup. Practice has made it clear that this form of centralized management constitutes a misunderstanding of socialist economic unity, and that it has resulted in the fettering of the self-determining function of enterprises, and seriously obstructed the development of the productive forces.

Unified guidance and centralized management are not one and the same concept. Unified guidance does not necessarily have to make use of the methods of centralized management. To integrate unity with independence, to establish enterprise autonomy, and to allow enterprises to give complete expression to their initiative and enthusiasm, is a central problem in the prosecution of China's present reform of the economic system. But in bringing into play the independent and self-determining roles of enterprises, we must definitely not relinquish the unified guidance of the state; to relinquish this would be tantamount to relinquishing socialism.

In the field of management, socialist enterprises possess a state nature; this means that they should, and must, embody the state's function of unified guidance. This state nature should generally include the following aspects:

1. The establishment and development of enterprises must conform with the requirements for the planned and proportional development of the national economy.

The planned and proportional development of the national economy is a basic principle of socialist economics. Adherence to this principle is an important precondition for overcoming the ungoverned state of social production. The chief measure for the implementation of this principle should be the control of the establishment and of the direction of development of enterprises. The starting up of an enterprise, whether it be owned collectively or by the people as a whole, whether it be central or local, must undergo scrutiny by the appropriate planning departments or industrial and commercial administration and management departments, according to the requirements of state economic policies and of the national economic development plans. The state should draw up an "enterprise law," clearly laying down the procedure for the approval and registration of newly formed enterprises. Thus it will be impossible to gain approval for the establishment of proposed enterprises which do not conform with the requirements of economic development, which do not possess the necessary conditions, or which are not economically feasible in terms of scope or technology. As soon as they have been approved and registered, however, enterprises achieve a relatively independent status in economics and the status of a legal person in relation to the law; in addition they possess all the rights and obligations stipulated in the terms of the "enterprise law." Provisions concerning the direction of product specialization or the modification of established enterprises must also be scrutinized and approved by the state. There should be a precise differentiation of the powers and scope of approval pertaining to central and local bodies.

State control of the establishment and the direction of development of enterprises is the chief function of the state's unified guidance of the national economy, but the setup currently in force is in direct opposition to this; on the one hand, its direct intervention in the operational management of existing enterprises is excessive, and on the other hand it lacks serious scrutiny and control of the setting up of enterprises. We are implementing family planning to control the population, but in respect of the emergence of new enterprises, we are content to let things drift, and this is entirely incompatible with the principle of the socialist planned economy.

2. Enterprises must receive the guidance of state economic planning, and priority must be given to fulfilling orders for goods placed by the state.

Through the reform of the economic system, China will bring into being a planned management system involving the integration of regulation by planning mechanism and regulation by market mechanism. According to the needs and possibilities of national economic development, the state will lay emphasis on the formulation of long-term plans and regional economic programs, pointing the way for enterprise development. As far as annual and day-to-day production plans are concerned, we should give enterprises a relatively high level of production autonomy by adopting the methods of allowing higher levels to be influenced by lower levels, and of integrating higher and lower levels. At the same time, the state will be able to supply enterprises with information and forecasts concerning the requirements of domestic and foreign markets; with reference to cooperation in the distribution of labor among enterprises, the state will, by means of certain mechanisms, be able to effect linkages and coordination, which will help enterprises to develop production in a better way, and to satisfy the needs of society. Certain important or scarce goods and materials should remain under direct state control, and be subject to centralized purchase and marketing, and enterprises may be ordered by the state to produce these goods and materials.

When the above economic setup is in force, enterprises will, subject to the planned guidance of the state, determine their own operational policies and development programs; enterprises should arrange their own production obligations according to state and market requirements, and are also responsible for giving priority to the fulfillment of orders for goods placed by the state.

3. Enterprises should strictly carry out the state's economic policies and respect the state's economic legislation.

The formulation of all economic policies and every piece of economic legislation is an important means for the centralized management of the national economy by the state. Policies and legislation determine the standards which enterprises must abide by in their production operations, and are an important foundation for all aspects of management work in socialist enterprises.

The exercise of a restrictive function in the operational management of enterprises by the state through all kinds of economic policies and legislation is entirely different from the use of administrative means by the state to directly control the activities of enterprises in production operations. Within the scope of policy limitations and what is permitted by law, enterprises may exercise a great deal of autonomy, and realize the full potential of their subjective dynamic roles, just so long as they do not disrupt the unity of the socialist economy. The state can thus greatly reduce its administrative efforts, simplify its mechanisms, and redeploy significant forces to the development of strategic policymaking for the national economy.

4. In accordance with centralized state provisions, enterprises must make rational arrangements for the distribution of economic gains.

Distribution according to work is a fundamental principle of socialism. The proper implementation of this principle should primarily be expressed as the earning of differing incomes by enterprises according to whether the results of their production operations are good or bad and whether their contributions to society are great or small. Then, the equitable distribution of the earnings among workers and staff is carried out within the enterprises, according to whether individual workers' contributions have been great or small, thus relating the earnings of workers and staff directly to the operational results of the enterprises. That there should be a disparity of earnings between enterprises, between one group of workers and another, is in accordance with socialist principles. However, these disparities cannot be unlimited; the gaps must not be too wide.

For the benefit of the rapid development of the national economy, the state should take the correct steps to arrange rational proportions of accumulation and consumption. Aside from the handing over of various sums to the state in the form of taxes, and giving administrative expenses and accumulated funds to the state, within the enterprises themselves, socialist enterprises cannot have complete independence in the distribution of their own earnings; they must carry out distribution in accordance with the centralized provisions of the state, with one part being used as a production development fund for the enterprise and another part going toward wages and bonuses for workers and staff and the development of collective welfare projects.

It is clear from the above aspects that the independence of socialist enterprises is by no means the same thing as the independence of capitalist enterprises. Through the formulation of economic policies, legislation, and centralized economic plans, the state exercises the function of unified guidance in respect of the operational management of enterprises, thus causing socialist enterprise management to possess a state nature. The internal management of enterprises and the state's centralized management are closely connected, and complement each other.

(3) The Democratic Nature of Socialist Enterprise Management

The second characteristic of socialist enterprise management is its democratic nature.

Marx said, "Insofar as its form is concerned, capitalist management is autocratic." ("The Complete Works of Marx and Engels," Vol 23, p 369) This is an unavoidable manifestation of the capitalist system of private ownership. Because of the development of modern production technology, the proportion of mental labor in the composition of labor is steadily growing larger, and modernized production increasingly requires initiative in its production workers. Also, at the same time, because of the increasing acuteness of class contradictions, capitalist enterprises have had no choice but to adopt some democratic management forms, such as the implementation of "worker participation in management," recruiting small numbers of staff and workers to take part in board meetings, promoting workers' "democratic management," and so on, in order to alleviate class contradictions. It should be admitted that capitalist enterprises have achieved a certain measure of success by adopting this kind of method. Under the private ownership system, however, there can never exist any true democracy between the owners of capital and hired laborers, and the authority to manage enterprises can only be concentrated in the hands of the bourgeoisie and their agents. Under certain circumstances, the adoption of these forms of democratic management can play a role in alleviating class contradictions, but can never eliminate the contradictions. Only under the socialist system, with the public ownership of the means of production, and when the workers have become the owners of enterprises, is it possible to implement genuine democratic management.

The socialist public ownership system has made it possible for enterprises to put into effect genuine democratic management. But if we wish to turn this possibility into reality, and bring enterprises under the unified guidance of the state, this will really depend on the masses of workers and staff being the masters of their own destiny, so that their socialist enthusiasm can be brought into play to the greatest possible extent, and we will still need to have a concrete organizational form which is suited to, and beneficial for, the socialist system of public ownership.

The system of democratic centralism is the organizational principle by means of which the proletariat carry out the revolutionary struggle. It represents an important summary of the experience gained by the proletariat over a long period of political struggle. But it can also be appropriately applied to the prosecution by the proletariat of the production struggle. After the victorious conclusion of the October Revolution, Lenin pointed out that, "Our present task in the economic field is to implement the system of democratic centralism...." ("Complete Works of Lenin," Vol 27, p 181) What specific uses may be made of the system of democratic centralism in the management of socialist enterprises, is a matter which is worthy of investigation.

To examine this problem, we need first of all to make a simple analysis of the organized leadership required in the operational management of enterprises. It is clear from past experience that, in carrying out the effective management of modernized enterprises, the power of leadership within enterprises can be divided into three main functions, namely, the power to make policy decisions, the power to direct, and the power to supervise. The power of making policy decisions consists of the power to make decisions on the overall policy for, and the direction of, the production operations of enterprises, and on certain important measures in this field; the power to direct consists of the administrative leadership of the day-to-day activities of enterprises' production operations, and the power to supervise consists of the overall supervision of those who make policy decisions for and direct the enterprises, on the basis of the rights and interests of the owners of enterprises. Only when each of these powers has its own separate existence, and when they interact with each other, can the rights and interests of the owners of the enterprises be safeguarded; only then can the level of management efficiency required by modernized enterprises be guaranteed.

In capitalist enterprises, these three powers are concentrated in the hands of the capitalists and their agents. Generally speaking, the power to make policy decisions and the power to supervise are exercised by a board of directors composed of the representatives of the capitalists, or the power to make policy decisions is exercised by the board of directors, while another supervisory body is formed to exercise the power of supervision, and a managing director is appointed by the board of directors or by the supervisory body to exercise the power of direction. Some capitalist enterprises, as part of their much-vaunted "democracy," have recruited members of their work force to sit on the board of directors, but they are only allowed to occupy a small number of seats on the board, with the result that decisions on matters of importance, and especially on matters relating to the wide-ranging rights and interests of the capitalists, are still made by the directors and the chairman of the board.

The powers of leadership of socialist enterprises reside with the proletariat. Enterprises should carry out genuine democratic management under the leadership of the proletariat's own vanguard force--the Chinese Communist Party--in accordance with the organizational principle of proletarian democratic centralism. With respect to the distribution of labor, however, the powers of leadership may still be divided into the three aspects of the power to make policy decisions, the power to direct and the power to supervise.

Since the founding of the PRC, under the party's guidance, and relying on the feeling of responsibility of the broad masses of workers for their own affairs, much valuable experience has been gained in the democratic management of enterprises. This experience will provide a basis for our further investigation of this question.

In the overall view, the system of representative assemblies of workers and staff and the system of responsibility being taken by factory directors, under the guidance of party committees, in fact retains the concrete division of the powers of leadership into the three aspects of the power to make policy decisions, the power to direct and the power to supervise. At present, the general practice among enterprises is that the enterprise party committee exercises the power to make policy decisions, the head of a factory (or its manager) exercises the power of direction, and the representative assembly of workers and staff exercises the power of supervision. In usual practice, moreover, it is held that the guidance given to enterprises by the party can only be manifested in the party committees' exercise of the power to make policy decisions. However, a considerable number of problems are encountered in practice when things are looked at, and carried out in this way; it is theoretically unreasonable, and also merits consideration.

Comrade Deng Xiaoping has pointed out that, in order to uphold the leadership of the party, we must strive to improve that leadership. He has also raised the question of the reform of enterprises' internal leadership systems.

As far as socialist enterprises are concerned, it is absolutely necessary that the party's guidance of enterprises be strengthened. The party's guidance is mainly embodied in the line, and in the general and specific policies, which are formulated by the party, and only if enterprises persist in carrying these out to the letter can the socialist nature of the enterprises be insured; only then can they adhere to socialist principles in the management of their operations. However, in strengthening the guidance given to enterprises by the party, we do not necessarily have to organize the direct management of enterprises by the basic levels of the party. Enterprises are economic organizations under the centralized guidance of the state which possesses a relatively high degree of independence, and should be directly managed by the workers in the enterprises, for only when this is the case can the enthusiasm of the broad masses of the workers for being the masters of their own affairs be fully activated. As for the three powers of leadership of enterprises, the power to make policy decisions should be exercised by the representative assemblies of workers and staff, and the power of direction should be exercised by heads of factories (or directors); enterprise party committees should then have the power of overall supervision, so as to insure the thorough implementation of the party and state lines and general and specific policies within enterprises.

It is generally held that the power to make policy decisions is the most important among the powers of leadership, and that supervisory power seems to be of only secondary importance. There is a lack of scientific analysis in this traditional view. With respect to capitalist enterprises possessing absolute independence, the power to make policy decisions is the most important among the three powers of enterprise management; as far as socialist enterprises, which have only relative independence, are concerned, the supervisory power is of greater importance. This is because socialist enterprises are only able to make limited policy decisions within the scope of the line, policies and legislation drawn up by the state, and on receiving guidance from national economic plans. The important problem in insuring the state's centralized guidance of enterprises lies in the implementation of effective overall supervision of enterprises' policy decisions. In particular, this kind of supervision will be even more necessary after the reform of the economic system and the expansion of enterprise autonomy have been carried out. Only when party committees exercise the power of supervision, the workers' representative assemblies exercise the power to make policy decisions, and heads of factories exercise the power of direction, when the party committees supervise both the factory heads and the workers' representative assemblies, can real benefit accrue to the party's guidance of enterprises, to the thorough implementation of the system of democratic centralism by enterprises, and to the reform of the economic management system. This sort of guidance setup may be said to be the system of responsibility by heads of factories under the leadership of the workers' representative assemblies. If things are done in this way, many current problems can be resolved, and our theories can be rendered more logical.

First, enterprises are economic organizations, and party committees are political organizations. These two qualitatively different kinds of organization should not be confused. It was pointed out at the 3d plenary session of the 11th party Central Committee that, "We should conscientiously resolve the phenomenon of failing to make a distinction between politics and enterprises within the party, of taking the party to represent politics, and taking politics as representing enterprises...." ("Report of the 3d Plenary Session of the 11th Central Committee of the CCP") The phenomenon indicated here of not making a distinction between politics and enterprises within the party really indicates a confusion in the organizational system. If the party committee continues to exercise the power of making policy decisions within an enterprise, if the enterprise's problems in the field of production operations are directly decided by the party committee, and these decisions are implemented through the distribution of labor by the factory head, so that the party committee forms a component part of the enterprise's economic structure, then it is impossible to prevail over the phenomenon of not making a distinction between politics and enterprises within the party.

Second, the enterprise must of necessity be taken as the standard in China's reform of its economic system, and the autonomy of enterprises must be established. Enterprises should not, as they do under the system currently in force, play the part of branches of the state administrative system, with all their affairs, of whatever degree of importance, being under the direct control of the state organization. The centralized guidance of enterprises by the state will reduce administrative measures by means of the formulation of economic policies, economic legislation, and economic planning, as well as by the use of other economic measures. As the socialist producers of commodities, enterprises will possess a relatively high degree of independence from the state. This is the expression of the characteristic of an enterprise of being an economic organization. Since enterprises have this characteristic, the party committees cannot similarly possess it; they are component parts of the party organization as a whole, subsidiary organizations of the higher level party organizations, which must also be under the direct control of those higher level party organizations. Since enterprises may possess a relatively high degree of independence from the state, enterprises' party committees cannot possess a relatively high degree of independence from the higher level party organizations. Thus, as a result of the exercise of the power to make policy decisions by enterprises' party committees, the overlapping of two qualitatively different organizational systems is brought about, and under these circumstances some contradictory phenomena are bound to arise.

Third, since the reform of the economic system has expanded the autonomy of enterprises, it is necessary to implement the overall effective supervision of enterprises. According to the present way of doing things, the power of supervision is exercised by the workers' representative assemblies. The workers' representative assemblies are mass organizations under the leadership of the party committees, and the supervisory powers which they wield usually only relate to the supervision of heads of factories or directors. If there is any bias or shortcoming in the exercise of the power to make policy decisions by the party committees, this cannot be rectified by mass organizations under the leadership of the same party committees. As a result of this, there is in fact a lack of effective overall supervision of enterprises.

Fourth, rights and obligations should be unified. Under centralized guidance of the state, enterprises possess a relatively high degree of independence, as well as fairly wide economic rights and interests, but at the same time they also have economic obligations and responsibilities. In law, an enterprise should accept these rights and obligations in the guise of a "legal person." Can a party committee exercising the power to make policy decisions within an enterprise assume economic and legal responsibilities as a legal person? This is clearly not fitting. If the party committee does not assume responsibility as a legal person, then the enterprise will lack a centralized authority over rights and obligations, and there will be a contradiction in the field of economic legislation and company law.

Fifth, when the system of democratic centralism is implemented in enterprises, as far as organizational structure is concerned, democracy and centralism should form a directly related organizational system. The party organization itself is an organizational system of democratic centralism which takes the party members as its foundation; it sets up party representative assemblies through election by party members, then establishes party committees, forming the centralized leadership of the party. The enterprise should also have as its foundation the masses of workers and staff; its workers' representative assembly should also be set up through election by the workers, and should elect or appoint the factory head. The power to make policy decisions concerning an enterprise's activities in production operations should be exercised by the workers' representative assembly. In exercising the power of direction, moreover, the factory head should be responsible to the workers' representative assembly. Thus, in the operational management of the enterprise, democracy and centralism form a closely related organizational system. Although the party organization does not have a place within this organizational system, it can nevertheless exercise the party's function of guiding enterprises by means of the overall supervision of this system.

Sixth, since the workers' representative assembly and its standing bodies exercise the power to make policy decisions, they constitute the legal person of an enterprise, and assume the economic and legal rights and obligations of the enterprise, and, when rights and obligations are in conformity, there will necessarily be a further increase in the feeling of the broad mass of workers that they are responsible for their own affairs, and this will bring into play an even greater socialist enthusiasm. With respect to the workers' representative assembly, an enterprise's party committee exercises a primarily supervisory function. The party committee may criticize the workers' representative assembly, make recommendations to it, and may play an active role in it through party member representatives. By relying on the high prestige of the party among the masses, and on the role of party members as models and guarantors, the full implementation in enterprises of party and state lines and policies can be insured. In specific cases, for example in circumstances where the workers' representative assembly will not submit to the enterprise party committee, things can be put right by recourse to the party committee at the next higher level. Workers' representatives who are party members must therefore implement the party's decisions, and keep themselves within the bounds of party discipline.

Finally, the power of supervision exercised by the party committee within an enterprise covers all aspects: it supervises not only the workers' representative assembly and its standing bodies, but also the factory director and cadres at all levels; it not only supervises the enterprise's major policy decisions in operational management, but also keeps a check on unhealthy tendencies in day-to-day work and life. The assumption of indirect responsibility by the party committee for making decisions on, and directing, the enterprise's operational management on the one hand helps to increase the workers' feeling of responsibility for the results of the enterprise's operations, and on the other hand helps the party committee to lighten its load of administrative tasks, to make thorough investigations and research, to analyze problems existing in the enterprise, to determine the direction of the enterprise's development, and to make timely criticisms and suggestions in relevant areas. At the same time, the party committee can bring important forces to bear in carrying out the work of political and ideological education of the party members and the masses, and in bringing into play the pioneering, model role of party members, in order to insure that the enterprise advances along the socialist road. Thus the enterprise's party organization will become more autonomous, possess a greater fighting spirit, and will become the central force of the enterprise.

Under the overall supervision of the party committee, the enterprise gives expression to the role of democratic management, in the form of the workers' representative assembly, and at the same time establishes a system of direction with the factory director at its head, forming a democratic centralist management organization within the enterprise. This is an important embodiment of the democratic nature of socialist enterprise management. The implementation of this kind of democratic centralist management organization will necessarily bring about the further realization of the socialist enthusiasm of the broad masses of workers; while they possess the overall supervision of the party, enterprises will at the same time be safeguarded against any departure from socialist unity, thus permitting the better integration of the unity of the state and the independence of the enterprise.

(4) The Mass Nature of Socialist Enterprise Management

The third characteristic of socialist enterprise management is its mass nature.

As a result of the implementation of a democratic centralist management organization in socialist enterprises, under the guidance and supervision of the party, the broad masses of the workers have really become the owners of enterprises. The individual interests of the workers and staff are related not only to the size of their individual contributions to the work, but also to the results of their enterprise's collective production operations; the inevitable consequence of this is to cause the masses of workers to show an interest in the operational management of the enterprise, to wish to participate in management, and to strive together to improve the results of the enterprise's production operations.

The direct participation by workers and staff in enterprise management is an objective requirement for, and an inevitable tendency in, the modernization of management. Many enterprises in capitalist countries have already recognized this point, and have even adopted measures to draw the masses of workers into participation in management. However, only under the socialist system is it possible to bring about the full realization of the state of affairs in which the masses of workers can truly be relied upon to participate in management of their own volition.

Why is it necessary to rely on the participation of the broad masses of workers in the management of modernized industrial enterprises? This historical trend is caused by the rapid development of modern production technology and the continual raising of the degree of socialization of labor.

From the historical process of industrial development it can be seen that, in the primitive stage of workshop handicraft industries, as well as in the early stages of modern large-scale industry, enterprises were not on a large scale, there was only a simple specialized distribution of labor within enterprises, and the efficiency and speed of production was also not very high. As a consequence of this, enterprise management was relatively simple, and the form of management organization corresponding to this level of the productive forces was the "linear system" (also known as the "military system"), which practiced direct, departmentalized control. This form of management relied on a small number of people to carry out overall management, and management functions relating to such areas as production, technology and operational activities were all dealt with by individual directors at each level. Following the development of modern large-scale industry, management work became increasingly complex, and workloads became heavier and heavier, so that it was vital to implement the distribution of labor in management. All kinds of specialized management departments were gradually set up, and the form of management organization known as the "functionalist system" made its appearance. In this system, production was separately controlled by departments having various kinds of functions. This form of multifunctional control was not compatible with the further development of production, and so the "regional management system" was developed, which was an amalgamation of the "linear system" and the "functionalist system."

The productive forces of modern enterprises continue to develop, production tends toward automation and standardization, production processes become increasingly intensive, and the efficiency and speed of production have been greatly raised, while at the same time the scale of enterprises continually expands, market competition intensifies, and the content of enterprise management becomes daily more complex, thus requiring a corresponding correctness and promptitude in dealing with things, as well as great foresight. This has spurred on the tendency in the organizational form of enterprise management toward the so-called "matrix system," which represents the amalgamation of departmental management with functional management; as far as the content of management is concerned, this demands the eradication of the tradition of approaching problems by means of the specialized division of labor through departmentalization or ordering things according to function, and stresses the comprehensivization and the systemization of management, advancing the new concept of "comprehensive management."

This comprehensive management has as its special characteristics the management of the entire process of an enterprise's production and operations, the comprehensive analysis and handling of the many different factors which may affect the results of production operations, and the scientific prediction of future development trends.

To take quality management as an example, the traditional management method is to set up a specialized management structure for quality inspection, and to implement postproduction inspection of product quality, so as to insure that goods meet the prescribed standards of quality. This postproduction checking type of quality management, in its earlier stages was concerned primarily with the inspection of finished goods, but later evolved into the inspection of semifinished products, but the object of quality management did not progress beyond the process of manufacture. Following the development of production technology, and the continual increases in the speed and efficiency of production, on the one hand the modernization of quality inspection techniques was called for, and on the other hand a transformation was required, in quality management from postproduction inspection to forecasting and taking precautionary measures in advance; this gave rise to the use of mathematical statistical methods and to the corresponding methods of overall quality control. So as to gain precautionary control over product quality, the sphere controlled by quality management was extended from the process of manufacture to cover such preparatory processes of production technology as the supply of raw and processed materials. With the further advance of production technology and the further intensification of market competition, the problem of how to rapidly replace products so as to meet market requirements became a matter of life or death for the capitalist enterprises caught up in this fierce competition, and this meant that quality management could no longer be confined to the inspection and control of the quality of work in the manufacturing process, and that comprehensive quality management must be carried out instead, with the aim of raising the level of quality standards for the actual products themselves.

Comprehensive quality management is thus the management of quality at all stages of the process of production and consumption, and requires not only the continued checking and control of quality throughout the manufacturing process, but also the implementation of quality inspection during the processes of the marketing of products and their use by consumers, the prediction of market requirements and development trends; according to market requirements and consumer needs, enterprises should quickly alter the design of their products, draw up new quality standards and adopt new manufacturing techniques, so that they can produce new and more competitive goods, and get them onto the market quickly. In this way, a new advance in product quality is achieved in every cycle. This kind of quality management covers the whole process of an enterprise's production operations, from marketing to design, from production preparations to manufacture, and back to marketing again; all the departments of the enterprise must assume a certain amount of responsibility for raising product quality, so that comprehensive quality management comes into being.

Seeing that comprehensive management is the management of the whole process, it demands not only that the functions of every department of an enterprise be fully realized in the pursuit of the common management objectives, but also that the workers and staff of every department, from their various different posts, should show a common concern for, and actively participate in, management, so that comprehensive management must also necessarily be fully participatory management, for the best results can only be achieved by depending on the active participation and the mutual coordination of the entire body of workers and staff. Modernized management can no longer rely simply on a small number of specialized management personnel; reliance on the participation in management of the broad masses is an inevitable tendency in objective development, and only socialist enterprises possess the sufficient conditions for the implementation of this type of comprehensive management.

The content of enterprise management comprises many different aspects, and its work may be divided among many different management functions. However, if we synthesize these in a systematic way, they can be summarized as three main aspects of comprehensive management, and these are overall planning management, overall quality management, and overall economic management (or overall economic business accounting).

The socialist enterprise remains an economic unit carrying out commodity production. Its aim in production is to satisfy the needs of society, and at the same time it must create economic gains for the state as well as for the enterprise itself. The dual nature of the aims of production and the dual nature of commodities are identical, namely, on the one hand, to continually increase the use value of products according to the needs of society, and, on the other hand, to make efforts to reduce consumption of all kinds of materials and unstintingly increase the economic results of production operations. In order to achieve the former objective, overall quality management must be adopted; to achieve the latter objective, overall economic management must be implemented. Whether we speak of overall quality management or of overall economic management, the common concern and participation of the whole body of staff and workers is required before the best results can be attained.

The production operation activities of modern enterprises with a high level of socialization must be carried out in a planned way, and this is equally necessary for capitalist and socialist enterprises. However, under the socialist system, not only enterprises, but also the national economy as a whole, are highly planned; enterprises' plans are interconnected with state plans, and the necessary consequence of this is that there can be a higher level of planning within socialist enterprises than exists in capitalist enterprises.

Planning management is a sort of composite management, and should also be comprehensive planning management. In the first place, all the items of an enterprise's work should be centered on production and marketing plans; all work should be organized on the basis of plans and, once an overall balance has been achieved, these plans should become the enterprise's composite plan, coordinating and harmonizing all aspects of work and insuring the realization of the production and marketing plans. Second, precise differentiation of plans must be carried out for the realization of any plan: short-term plans are to insure the fulfillment of long-term plans, while department and section plans are to insure the fulfillment of an enterprise's overall plans. The more accurate the differentiation, the more effective it will be in guaranteeing the fulfillment of the plans. The precise differentiation of plans must ultimately be carried right through to each production process and each job; it must be carried right through to each individual worker and staff member. Thus, overall planning management must also be fully participatory planning management. Again, only by relying on the common concern and participation of the whole body of staff and workers can an enterprise put into effect genuine overall planning management.

Overall quality management is comprehensive composite management centered on the utilization value of commodities, while overall economic management is comprehensive composite management centered on the value of commodities, and thus overall planning management is comprehensive composite management which focuses on the whole process, from production to marketing, organizing every aspect of an entire factory's activities in production operations. If we adhere to these three aspects of overall management, we will have grasped the basis of complete management.

All these three aspects of management are also fully participatory management, and all rely on the concern by management for every member of the work force, and on everybody's participation in management. If every worker and member of staff, each in his own job, strives for quality, strives for economy, and moreover carries out his work and his production strictly according to plan, then enterprises can assuredly attain outstanding results in their production operations, with high quality, high output and low consumption.

To summarize what has been said above, the state nature, the democratic nature and the mass nature are the fundamental characteristics of socialist enterprise management. In specific terms, this means that we should: bring fully into play the subjective dynamic role of enterprises under centralized state guidance; set up a democratic centralist management organization under the guidance and supervision of the party, and rely on the participation of every member of the broad masses of workers and staff, in order to realize the three aspects of comprehensive management. If we can gain a correct understanding of these characteristics of socialist enterprise management, fully bring into play the superior nature of socialism, while selectively and discriminatingly absorbing advanced foreign management methods and adapting them for use in China's specific conditions, we will surely, within a relatively short period, be able to create a complete and characteristically Chinese system of socialist management science, in order to bring into existence the conditions necessary for the realization of Chinese-style socialist modernization.

CSO: 4006

ECONOMIC JOURNAL ADVOCATES COMPETITION IN ENTERPRISES

HK101510 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 11, 15 Nov 80 pp 35-37

[Article by Liu Shiwen [0491 0013 2429] and Yan Jun [7346 6511], staff of the headquarters of the Honghe Chemical Plant at Zigong: "Competition Enhances the Vitality of Enterprises"]

[Text] Is competition good or bad for socialist enterprises? To more and more people, the answer is affirmative. Indeed it is so. Many examples have proved that competition is an external stimulus for vitalizing enterprises.

Ours is a composite chemical plant. In the past, competition was not encouraged. Enterprises were not given any power to promote competition. It was always the same procedure from production to marketing and there was little development in the enterprises. Last year, our plant became one of the enterprises to experiment with greater autonomy. Since then we have had some achievements in economic activities. Competition, among other factors, accounted for this success. This vitality can be seen in the production and management of three of our products.

Survival in Competition

Bibasic calcium phosphate is both a good additive to poultry and livestock feed and a principal component in the industrial production of compound feed. In 1971, our workshop began trial production of bibasic calcium phosphate. In 1974, we met the standard set by the state and began exporting to some Scandinavian countries. In the next few years, the demand exceeded our supply.

However, a new problem arose in 1978. Our annual output of bibasic calcium phosphate increased from 400 tons to around 1,000 tons, yet it was no more competitive than before in the international market. The amount of export remained the same as in the beginning. As a result, there was a surplus of bibasic calcium phosphate in the warehouse. In early 1979, the surplus bibasic calcium phosphate already exceeded what was needed for export in that year. To regulate the national economy, the plant was obliged to suspend production of bibasic calcium phosphate as from April 1979.

Unable to find any solutions, the workshop spent 5 months trying to produce other goods. However, by September, the workers were again enthusiastic and the machines were back in operation. Bibasic calcium phosphate was being vigorously produced again.

At that time, the term "competition" had not yet been restored. Those who knew that bibasic calcium phosphate was again being produced said that bibasic calcium phosphate had been eliminated by competition and was reborn by competition. How did the staff of the workshop save the production of bibasic calcium phosphate from elimination in the international market?

In the second half of 1978, the Ministry of Foreign Trade arranged a meeting between the leading cadres of the workshop and some foreign businessmen. A Japanese businessman asked if we could produce special grade bibasic calcium phosphate. Compared with the existing grade, special grade bibasic calcium phosphate must contain 8 percent more phosphorus, 40 percent less fluorine and 50 percent less arsenic. The responsible cadres assumed that behind this demand for such high quality bibasic calcium phosphate there must be a large market. Hoping to earn more foreign exchange from the export and with encouragement and support from the headquarters, they promised to satisfy the Japanese request. First, they collected similar products from four countries for analysis. Then, from over 500 pieces of data, they made countless revisions in technology and equipment. After several months of hard work, they were able to produce the special grade bibasic calcium phosphate which the Japanese requested.

Everybody thought a big demand would follow. To their disappointment, the Japanese only ordered 15 tons of the bibasic calcium phosphate which was to be sent to them at intervals over 3 months. This amount was only 1.5 percent of our annual output of this product. Some people said it was not worth all the effort to produce such a small amount of bibasic calcium phosphate, others said we were inventing unnecessary variations and not producing bibasic calcium phosphate according to the set standard and so forth. At that time, the phosphate rock was of a low grade, so it was not easy to produce special grade bibasic calcium phosphate. More and more people wavered. Should we sum up our experience and go forward or give up and retrench? The members of the plant and the workshop, taking practice as the criterion, discussed two questions.

First, was it an unnecessary variation to depart from the set standard and produce according to market requirement? The majority of the staff believed that the set standard was issued by the state in the early 1970's with regard to our production capacity at that time and to the international market situation in the 1950's and 1960's. At that time and in the period that followed, it was in keeping with or basically in keeping with the demand. Therefore, the bibasic calcium phosphate produced at that time sold well abroad. Now the international market requirement has been raised, but our set standard has not. Our production is still geared to the old standard, so the sales situation has not improved. Through discussions, we realized that no matter what the standard, once it was outdated and became an obstruction to the development of production, we should depart from it by seeking truth from facts. We should start from the actual situation and produce what the consumers demand. This is in no way an unnecessary variation.

Second, how should we treat small business? The workshop made a comparison between the composition of bibasic calcium phosphate from several countries with what the Japanese required. They found out that what the Japanese required was either on a par with or superior to what these countries produced. And these products happened to be the more competitive ones in the international market. From this we recognized that although the Japanese order was of a small value, its effect was not. Since the quality of the special grade bibasic calcium phosphate was up to international standard, we need not worry about the prospect of future orders. It was unwise to go back to the old path just because the Japanese order was not for a large amount. If we clung "bookishly" to our erstwhile practices, some day we could even lose the contract for the annual export of 400 tons.

Through discussion and analysis, the staff of the workshop straightened out their ideas and regained confidence. They thought of new ways to solve the problem of low grade phosphate rock and persisted in the production of special grade bibasic calcium phosphate.

In the spring of 1979, the special grade bibasic calcium phosphate first attracted the attention of foreign businessmen at the Guangzhou trade fair. When the trade fair was over, the Ministry of Foreign Trade received one order after another from abroad. The bibasic calcium phosphate from the warehouse was soon emptied and production in the workshop resumed. In the first half of this year, Japan and the Philippines alone placed orders for 900 tons of bibasic calcium phosphate from us. The Japanese firm that had initially ordered 15 tons of bibasic calcium phosphate from us told us in a letter that compared with the bibasic calcium phosphate made in the United States, India, South Korea and Taiwan, ours was up to their expectation. "With great trust and hope," they requested us to supply them with 800 tons of bibasic calcium phosphate each month in the second half of this year and a total of 12,000 tons next year. They also offered a 20 percent price rise. At present, the most pressing question for the 1,000-ton-capacity workshop is how to expand production.

The revival and prosperity of the production of bibasic calcium phosphate shows that while market competition is a contrast to internal factors such as quality, it also serves as a comparison in terms of economic ideas and insight. If it had not been for the insight of the staff of the workshop, who saw the large trade potential from a small order, decided on a correct policy and immediately improved the quality of the product according to market demand, this workshop might still be struggling with the fear of being closed down.

Find a Way Out Through Competition

The methyl chloride produced by another workshop in our plant is a good organic chemical solvent and an extractor. It is widely used in the production of organic synthetic plastics, medicines and spices. Since we began to produce it in 1965, it has been under the state monopoly for purchase and marketing. As demand always exceeded supply, the staff of this workshop were eating "rice comfortably."

However in 1978, this product suddenly dropped in social status. In 1979, the state informed us that the proposed output of methyl chloride was to be 1,100 tons. In actual fact, only 419 tons of it had been sold by the end of June. Among the other contracted 681 tons, 468 tons were canceled due to high price and low quality. Judging from this, only 49 percent of the finished product could be sold and more than 50 percent had to be stored in the warehouse.

The reason for this was that we met strong competition both from factories in the country which produced more and better methyl chloride than before and some central departments which had imported methyl chloride from abroad.

From our setback in the face of this competition, the leading comrades of the plant and the workshop realized that it was a punishment that objective economic laws were imposed on us due to our stagnation and lack of improvement in the quality and price of methyl chloride for over 10 years. When the production of methyl chloride was under preparation, the responsible higher department considered installing a complete set of equipment for the production of new 4-fluoro plastic goods. However, when production was started, the product consistently remained 96 percent pure. Over the years, the responsible higher department ordered that the methyl chloride should be 99 percent pure so as to suit the requirements of synthetic 4-fluoro plastics. Yet we held the attitude that we did not have to worry about the sales of our product. So we did not bother to improve it. One plastics factory, after purchasing our methyl chloride, had to distill it before using it. In the process of distillation, 30 to 40 percent of the methyl chloride was lost, thus the actual price of the methyl chloride rose from 2,500 yuan to more than 3,000 yuan per ton. On the other hand, imported methyl chloride was over 99.9 percent pure and could be directly used in the production of 4-fluoro plastics. Its price was only around 2,300 yuan per ton.

In our discussion on the outlet for methyl chloride, two sides appeared, one in favor of "lodging a complaint," the other of "reporting a victory." The "faction in favor of lodging a complaint" maintained that we should complain to the central authorities and ask them to stop importing methyl chloride from abroad in order to protect the domestic industry. The "faction in favor of reporting a victory" said that only when we showed super grade methyl chloride with over 99 percent purity as proof of our ability to satisfy market requirements could we report our success to the central authorities which might then consider reducing or curtailing imports from abroad. They held that we should compete with the imported methyl chloride and try to eliminate it from the scene.

Under the leadership of the headquarters and with support from the higher responsible departments, the workshop took many concrete measures in production, technology and management.

First, a market research team was formed. It visited nearly 100 consumers in 19 provinces and cities both in the north and south of the country. Based on the opinions and requests of the consumers and the actual market situation, and with the focus on finding out the difference in quality and price between various brands of methyl chloride, the team proposed ways to improve production.

Second, the price of methyl chloride was twice readjusted on the basis of lowering production cost. The price dropped from 2,500 yuan to 1,800 yuan per ton.

Third, we publicized our product by advertising, actively improved the packaging, provided better service and strengthened the sales of small amounts.

The most important measure was that we set up a technology class to study ways of improving the production of super grade methyl chloride. The members of the class bore in mind that "the consumers are 'kings' and their requirements are our target." They took the standard of 4-fluoro plastics required by synthetic plastics factories as their target. After nearly 3 months of hard work, they were able to produce super grade methyl chloride with over 99 percent purity in early October last year.

Having read our report on super grade methyl chloride, the central departments concerned took measures this year to reduce the import of methyl chloride. Our plant produced about the same amount of methyl chloride as was imported. Cheaper than its imported counterpart, our methyl chloride sold well. We received orders from old and new consumers alike. This year we can produce at most 1,200 tons of methyl chloride, but the demand for it has already exceeded 2,000 tons. At present, the workshop is trying every means to cut down consumption and expand production so that it can produce more for the market.

The question of high price and low quality methyl chloride, not solved by administrative means for over a decade, was solved in a mere few months through competition. This shows that we should encourage and protect competition. For those products with low quality and high prices, we should deliberately introduce some advanced counterparts from abroad so as to press them into finding a new way out.

Seeking Development Through Competition

One of the major products of our plant is soda. It has been produced here for more than 20 years. We used to have another method of production. After the technological reforms in 1975, our plant became the second enterprise in the country to adopt the joint method of soda production. By joint method we mean one in which the synthetic ammonia, soda and ammonium chloride are used. Since this method was put into practice in September 1975, soda, ammonium chloride and ammonia water have been selling well.

However, the situation changed last year. There was a surplus of ammonia water, whereas originally it had been in short supply. This was due to the development of several large chemical plants in the province and small nitrogenous fertilizer plants elsewhere. We made a great effort to achieve a balance between the production and sales of ammonia water by lowering the price, improving the quality and delivering the product to the consumers, but all in vain, for our ammonia water was still slow to sell.

What could we do? Should we produce less ammonia? No. In our joint production, there must be a balance between the amounts of ammonia and soda. Less ammonia would mean less carbon dioxide, which would result in less soda and ammonium chloride. There is a fixed proportion between these three items. A change in one of them would upset the balance. Since we could not reduce the production of ammonia though it was not selling well, should we just dump it in the river? No, this would cause pollution and increase the cost of production which would be harmful to the state and the people.

The leaders and engineering-technological personnel of the plant soberly analyzed this situation. For many years, we had been used to "determining sales by production, listening to polite requests and seeing the smiling faces of the consumers." We were satisfied with the sales of our product, without being aware of our good and bad points or the present and future market. We were content to know neither our enemies nor ourselves. The advent of market competition sobered us up. We realized that it was unwise to persist with the same methods of production and management. We must know ourselves and conduct renewed self-analysis so as to maximize our strengths, otherwise we would not be able to withstand the currents of competition. Having analyzed the situation, we understood that if we continued to compete with the large plants in the province in the production of ammonia water, we would be permanently in an inferior and passive position. Our cost of production was lower than that of other plants and our scale of production was smaller. This internal factor could not be easily changed. We should avoid this shortcoming and foster our good points in order to transform our passive position. By good points we mean the joint production with soda. With some technological reforms and measures, we could change ammonia to soda. Soda had always been in urgent demand in both the domestic and international markets. There would be a broad scope for development for a long time to come. Therefore, we should start from this actual situation and maximize our strengths in the production of soda by avoiding the bad points and fostering the good points. We had earlier intended to expand soda production. Now, under the pressure of poor sales of ammonia water, the leaders were all the more inclined to do so. Early this year, with the support of the Department of Chemical Industries and the provincial and municipal departments concerned, we renovated the No 2 white limekiln which had been closed for many years. We used the carbon dioxide from lime burning to increase soda production and balance the proportion of carbon dioxide. Since May, carbon dioxide has been continuously transmitted from the white limekiln. More carbon dioxide means more absorption of ammonia. The production of soda and ammonium chloride rose by several dozens of tons per day. Increased soda also means relatively less ammonia water and so the balance between production and sales was attained.

The conditions in May and June reflected distinct economic effects. Without the carbon dioxide from the white limekiln in these 2 months, the output of soda would have been 14,000 tons and of ammonia water 16,000 tons. With the carbon dioxide from the white limekiln, 18,000 tons of soda, 18,000 tons of ammonium chloride and only 6,000 tons of ammonia water were produced. That means 10,000 tons of ammonia water was converted to 4,000 tons of soda and 4,000 tons of ammonium chloride. There was a drop in the surplus product and an increase in the product in short supply. This was indeed an unexpected turn. We spent 1 million yuan in renovating the white limekiln, which was equivalent to the profit on 10,000 tons of soda. We can certainly surpass the production target of 20,000 tons proposed by the state.

This shows that competition is a good thing. Without competition, conflicts will not be exposed and the human mind will not work so well. Through competition we understand and foster our strengths and avoid our weaknesses. If it had not been for the external pressure from competition and the internal motive of the expanded decisionmaking power, perhaps the enterprise would not have been so enthusiastic in dealing with the poor sales of ammonia water and developing the production of soda.

CSO: 4006

LESSONS OF BAOSHAN STEEL WORKS IN CONSTRUCTION PLANNING STUDIED

Shanghai JIEFANG RIBAO in Chinese 20 Sep 80 p 1

[Article: "Modernization Is Not Something That Can Be Bought, Economists Say; Shanghai Biweekly Economic Forum Considers It Necessary To Draw Experience and Lessons From the Policy Decision on the Baoshan Steel Works Project"]

[Text] The Shanghai biweekly forum on economic problems recently held a discussion of the important problems of Shanghai's economic construction brought forward by delegates at the 3d session of the 5th People's Congress. In particular, the discussion centered on the question of construction of the Baoshan Steel Works. It was held that modernization is not something that can be bought and that we should seriously draw experience and lessons from the policy decision on the Baoshan Steel Works project.

Among those speaking on the question of Baoshan Steel Works were Wu Shaozhong [0702 4801 0022] from the first economic research center of the Shanghai Academy of Social Sciences, Chen Minzhi [7115 2404 0037] from the departmental economic research center, Chen Jiangtao [7115 3068 3447] from the Environmental Protection Bureau, and Lui Qinglan [0712 1987 3482] from the Municipal Harbor Bureau. They set forth the following views:

Investments might top 22.7 million yuan. Answering inquiries the leadership of the Ministry of Metallurgical Industry said that investments in the Baoshan Steel Works might reach 22.7 million yuan. But circumstances indicate that investments might top this figure. The 22.7 million yuan estimate was made before the budgetary estimate for the Baoshan Steel Works was worked out. The figure did not take into account such factors as interest payment and price increase. Further, quite a few obvious items were left out. If mineral ores were to be produced in China, construction of mines would entail a considerable amount of investments.

The factory site chosen was the most unsatisfactory in terms of geological structure. On the question of choosing a factory site, it was Baoshan Steel Works' decision to choose the site before proceeding with geological prospecting. The results of drilling show that the sector from Baoshanzui to Liuhokou is the most unsatisfactory in terms of geological structure. Geologic maps of the past indicate that all sectors except the site of Baoshan Steel Works showed clay formations when drilling reached 20-30 meters deep. The geological structure there is very bad but since it was chosen as the factory site the only thing to do was drive imported steel piles. This operation alone involved a considerable amount of investments.

Economic results are not good. According to preliminary estimates, the cost of molten iron is 210 yuan per ton, which is much higher than the 145 yuan cost of products turned out by the first plant of the Shanghai Steel Works. The cost of coke is 132 yuan per ton, which is also much higher than the cost of approximately 70 yuan in the case of Shanghai Steel Works. Investments in Baoshan Steel Works average 3,115 yuan per ton of steel whereas investments averaged 1,342 yuan per ton of steel during the "first 5-year plan" period and 2,452 yuan during the "fourth 5-year plan" period. What will be the cost of Baoshan Steel Works' ultimate product (rolled steel)? The Ministry of Metallurgical Industry merely said it will not be too high. Consequently they took the view that total investments could be recovered in 13 years, but when making this determination they lacked the base of scientific calculation and at least they did not say whether interest payment was taken into account.

The source of raw materials is not determined. In the near future, Baoshan Steel Works will rely on foreign countries (five countries including Australia and Brazil) for imported iron ores, but no contracts have been signed beforehand. Some of the ores to be imported are no longer produced abroad. If we depend on iron ores produced at home, it should be remembered that large rich ores available to the Baoshan Steel Works have so far not been found in our country and, even if they are found, we must find ways to solve the problems of investments and transportation and tackle the new problem of technology and technique that will arise. Apart from this, the problem of supplying coke to the Baoshan Steel Works has not been satisfactorily solved.

Market for products is the cause of worry. The leading body of the Ministry of Metallurgical Industry said that construction of the Baoshan Steel Works is designed to cut down future import of rolled steel. However, the rolled steel produced by the Baoshan Steel Works is limited in variety, and it is not possible for the Baoshan Steel Works to make up the shortage of the kinds of rolled steel experienced in the course of carrying out our four modernizations program. The kinds of steel turned out by the 1.7-meter rolling machines of the Baoshan Steel Works and Wuhan Steel Works are needed by our country but the quantity of production is not large. If more is to be produced, there is the probability that products will be overstocked. The Ministry of Metallurgical Industry has never forecast market supply of and demand for various kinds of rolled steel. Besides, it should provide economic proof to determine which kind of rolled steel it pays to import.

Environmental pollution of Shanghai should not be overlooked. The leadership of the Ministry of Metallurgical Industry said: Baoshan Steel Works' emission standards are the ones adopted by Xinritie [2450 2480 6993]. But treatment of three kinds of waste by Xinritie is not the best in Japan. More importantly, the geographical environment of the Baoshan Steel Works is different from that of Xinritie. Xinritie is located on the seaside remote from large cities and its waste gas and waste water are discharged into the Pacific Ocean. Baoshan Steel Works is only 20 kilometers from Shanghai where environmental pollution has already assumed quite serious proportions and the population density is high. Baoshan Steel Works' emission standard for sulphur dioxide is not high but the total volume of emissions is not small. This plus the pollution of the city proper will increasingly worsen Shanghai's environment. Besides, the Baoshan Steel Works has not solved its problems of treating steel slag and industrial and domestic sewage which reach 800,000 tons a day. If these are not properly treated they will cause serious pollution of Shanghai's environment.

To draw water from Dianshanhu and Dongdaying is to seek far and wide for what lies close at hand. To solve the problem of water for production purposes, Baoshan Steel Works is prepared to build diversion works to draw water from Dianshanhu. Shanghai's fresh water resources are limited. The water drunk by the people of the whole city is the polluted water from the Huangpu River. In such a situation, to draw clean water from Dianshanhu for supply to the Baoshan Steel Works for production purposes can hardly be justified. Under such circumstances, Baoshan Steel Works, instead of depending on Dianshanhu for water supply, will use water from Dongdaying. To lay pipes for drawing water from any of these two sources will entail a large amount of investments. It would be better to take other technical measures for drawing water from the Yangtze River on the spot.

In addition, those present at the forum set forth some views of the relationship between Baoshan Steel Works and urban construction in Shanghai and that between Baoshan Steel Works and Shanghai's long-range plans. They took the view that in terms of site selection, product orientation, product scope determination, geological prospecting, preparation for design and construction, or technical and economic proof, the Baoshan Steel Works project appears to have been worked out in haste and has deviated from the principle of keeping within the limit of resources. It is a reflection of leftist thinking in economic construction. Some suggested at the forum that total investments in the whole Baoshan Iron Steel Works project are 3 times those in the 156 projects built during the "first 5-year plan" period and that the matter is of great importance and must not be dealt with carelessly. It was proposed that the departments concerned assume a responsible attitude to the state, carefully study and prove things and properly solve the problems mentioned above.

Present at the discussion were some 300 responsible persons of Shanghai's economic departments, economists, scientists, technical experts and teachers of institutes of higher learning. Li Peinan [2621 1014 0589], deputy director of the Standing Committee of the Shanghai Municipal People's Congress attended the meeting. Huang Yifeng [7806 6654 1472], president of the Shanghai Academy of Social Sciences, presided over the meeting.

9780
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PATENT LAW DISCUSSION MEETING HELD IN BEIJING

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[Text] Beijing, 29 Nov (XINHUA)--The State Scientific and Technical Commission and Chinese Patent Bureau recently held a patent law discussion meeting in Beijing.

To establish a patent system in our country, the State Council approved and transmitted last January the State Scientific and Technical Commission's "Request for Instructions on Establishing a Patent System in our Country," thereby officially inaugurating the PRC patent bureau. In April 1979, a special group was organized under the leadership of the State Scientific and Technical Commission to carry out the work of drafting a patent law. After more than a year of repeated revisions, a draft patent law has now been put forward. It was on this basis that the present patent law discussion meeting was held.

The more than 70 representatives from the various legal, economic, scientific, technical, educational, trade and industrial circles attending the meeting conducted extensive discussions on the question of establishing a patent system and the draft patent law. With everyone airing their own opinions, they conducted conscientious analyses of the advantages and disadvantages, as well as the gains and losses, of the patent system and of several articles of the draft patent law. They put forward many beneficial opinions and proposals.

Many representatives attending the meeting pointed out: Since it is necessary to expand to decisionmaking rights of the enterprises and to recognize the enterprises as commodity producers with corresponding independence in the course of the reform of economic system carried out by the state, it is also necessary to recognize the ownership of the enterprise or individual of its or his technical inventions. The patent system is a kind of scientific method to acknowledge and protect owners of inventions in accordance with the stipulations of law. We should discard the system's nature of protecting indiviudal monopoly and use its scientific method of management. Besides, in taking advantage of the international market conditions, it is also necessary to follow the principles pertaining to international trade and technical interchange, to stress prestige in trade and to respect invention ownerships. Therefore, the establishment of a patent system has become imperative, and we should actively create necessary conditions for carrying out such work as soon as possible.

Some representatives held: with the gradual deepening of the reform of our country's economic system and the continuous development of our country's international contacts, the establishment of a patent system is essential. However, under the present circumstances where our country's technical level is relatively backward and its industrial foundation relatively weak, it is necessary to consider more carefully the establishment of the patent system and the enforcement of the patent law. The pressing task at present is to establish a system of compensatory transfer of technical achievements, which not only solves the numerous practical problems put forward under the present economic, scientific and technical management but which creates necessary conditions for the transition of the system to a system under the patent law.

Some other representatives probed into the historic course produced by the patent system and the essence of this system. Weighing the gains and losses, they advanced some enlightening opinions aimed at putting the future work on a stable and scientific foundation.

What kind of patent system should our country establish? The representatives maintained that our country's patent system should meet the following few principles: 1. It should reflect China's characteristics, suit our country's socialist system and protect its interests. 2. It should be able to promote the development of our country's national economy and science and technology. 3. It should be conducive to arousing the enthusiasm of the people of the whole country and concerned with the interests of the state, the collective and the individual. 4. It should be conducive to the importation of advanced foreign technology and to the promotion of international trade and international scientific and technical interchange.

CSO: 4006

BRIEFS

HYDRAULIC ENGINEERING CORPORATION--Beijing, 14 Nov (XINHUA)--China's Ministry of Water Conservancy today announced it has established the Hydraulic Engineering Corporation of China (HECC) to undertake overseas river basin planning, hydroelectric engineering projects and water conservancy projects including Chinese aid-assisted schemes. Zhao Chuanshao, HECC general manager, said the corporation is ready to undertake the surveying, designing, construction and installation of water conservancy and hydroelectric projects, either as contractor or as subcontractor. It will also provide technical services and organize the export of complete sets of equipment for small hydroelectric power stations. He said, HECC is ready to cooperate with overseas businessmen. [Text] [Beijing XINHUA in English 0700 GMT 14 Nov 80 OW]

CSO: 4020

PRC ECONOMIC JOURNAL ON REFORMING TAXATION SYSTEM

HK080931 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 80 pp 23-26, 62

[Article by Liu Zhicheng [0491 1807 1004]: "On the Reform of Industrial and Commercial Taxation System of Our Country"]

[Text]

I

Since the founding of our country, the industrial and commercial taxation system has undergone three major changes, which were effected by the political and economic developments at various times in history.

A new taxation system was instituted in 1950 after the taxation administration of our country had been unified. Upon the founding of the People's Republic of China in 1949, the earlier liberated areas saw different taxation systems being administered within various revolutionary bases while the newly liberated areas partly carried on with the old taxation system of the Nationalists. Categories of taxes, taxable items, tax rates and means of collecting taxes were all very different in various parts of the country. Thus the absence of uniformity in the taxation system made it unable to meet the demands of the country's political unity and rapid economic recovery and development. Because of this, article 14 of Chinese People's Political Consultative Conference common program stipulated: "State taxation policy should be based on the principles of guaranteeing material support for the revolutionary war, of taking care of the needs of recovering and developing production, and of national reconstruction. Moreover, the taxation system should be simplified and equity of tax burdens practiced." Therefore, the codes of national taxation administration were formulated according to the spirit as reflected in article 14, and the 14 tax categories devised accordingly were: 1) goods tax; 2) industrial and commercial tax (including business tax, revenue tax, hawker's license tax and provisional commercial tax); 3) salt tax; 4) customs duties; 5) personal income tax (not yet levied); 6) interest tax; 7) stamp duties; 8) inheritance tax (not yet levied); 9) transaction tax (including cotton, grains, handwoven cloth, herbs, livestock and various transactions); 10) tax on slaughtering animals; 11) property tax; 12) land tax; 13) special consumption tax; and 14) vehicle and ship licenses tax. In 1951, a tax on national marketed cotton yarn was levied. Thus tax policy and the tax system were basically unified. Unifying the tax administration was important to bringing finance and economics under unified control. It was also important to promoting economic recovery and development. Moreover, it played an important role in speedily reversing the difficult economic situation in the early days after liberation.

In 1953, a commodity distribution tax was imposed on a trial basis in order to simplify the collection of taxes. In the same year, our country entered into a period of socialist transformation. It was just at this turning point that the party Central Committee called for a national conference on finance and economics, which had historical significance. Moreover, the conference further required that the taxation system must be one that safeguards socialist and semisocialist economies; that utilizes, restricts and transforms capitalist economy; and that promotes collectivization. Consequently, the conference provided a clear direction for the implementation of the provisional tax measures. Under the new guiding principle, we made some adjustment in the taxation system, and adopted a policy of dealing separately with state-owned enterprises and privately owned enterprises. For instance, regarding income tax, private enterprises were required to pay it, cooperatives were given special tax allowances and state enterprises were exempted. With regard to business tax, a tax was imposed on private wholesale enterprises while state wholesale enterprises were exempted. Moreover, the state tightened its control over private industrial and commercial enterprises. Taxation during this period played an important role both in implementing the central authorities' guiding principle and in accumulating capital for the socialist construction.

In 1958, the socialist transformation with regard to ownership was basically completed, and, as a result, the internal economic structure underwent a fundamental change. In order to adapt to the new situation, a reform was carried out on the industrial and commercial taxation system, in which multiple tax with various rates was imposed on production and distribution cycles. Thus the taxation system was further simplified. Taxes—goods distribution tax, commodity tax, business tax and stamp duties--on volume goods sales were blended into a single category, namely, industrial and commercial unified tax, while in the industrial cycles and commercial retail cycles, taxes were levied only once. Later in 1959, due to a fall in the interest rate, tax on bank interest was revoked. In 1962, the State Council decided to impose a tax on country fair transactions in order to keep pace with the developing of the country fair trade. In 1966, the tax on cultural entertainment was revoked in an effort to expand propaganda work. Having carried out these reforms, the number of tax categories was reduced to only nine. They were: industrial and commercial unified tax, revenue tax, tax on slaughtering animals, tax on transactions of livestock, tax on country fair transactions, vehicle and ship licenses, real estate tax, custom duties, and salt tax.

In 1972, the taxation system was further simplified in accordance with the needs of the then existing situation. The industrial and commercial unified tax with its surtax, together with real estate tax, vehicle and ship licenses tax, salt tax and tax on slaughtering animals, were replaced by the present industrial and commercial tax. Moreover, tax on transactions of livestock and tax on country fair transactions were to be levied locally. Thus the number of categories of industrial and commercial taxes was reduced to six, that is, industrial and commercial tax, revenue tax, tax on slaughtering animals, real estate tax, vehicle and ship licenses tax, and tax on country fair transactions. In state enterprises there was only a single tax category, namely, industrial and commercial tax, while in collective enterprises two tax categories were imposed, namely, industrial and commercial tax and income tax. Real estate tax, vehicle and ship licenses, and tax on slaughtering animals were only imposed on some non-enterprise units and individuals.

The two reforms on industrial and commercial taxation system carried out in 1958 and 1972 respectively were aimed at the integration of taxes and the simplification of the taxation system. At that time, under the influence of ultraleftist thinking, it was erroneously thought that after the socialist transformation of the means of production was completed with the economic structure transformed into one of pure socialist public ownership, the role of commodity and that of the law of value were much reduced and that the economic regulating role of taxes basically disappeared. Moreover, the principal role of taxes was thought to be one of accumulating capital. At the time when the "gang of four" was on a rampage, acting in accordance with economic laws was deemed as either capitalism or revisionism and had to be criticized. Consequently, great confusion was caused in the people's thinking and what followed was that attention was only paid to the simplification of the taxation system with the number of taxes reduced and their role diminished. Some comrades went so far as to advocate the integration of taxes and profits, thus abolishing taxes altogether. Under the influence of this kind of thinking, it was only natural that both the economic leverage of taxes and the development of production were restricted.

The practice over the past 30 years proves that taxes had two roles to play at different times in history. It was not only a reliable means by which capital for public finance was obtained, it was also an economic lever with which government could intervene in production, distribution and consumption. The emphasis in taxation should be on how to bring the economic leverage of taxation into full play so as to develop production and stimulate consumption. We should not for a moment forget the experience for which we paid a great price.

II

Following a shift in the emphasis of our party's work, great changes in our economy have already taken place or are taking place. These changes pose new problems to taxation.

1. Our social economic structure has undergone great changes. With state ownership and collective ownership being our economic base, we now have individual business, joint venture, sole proprietorship, association and various other forms of economic ownership. With regard to production organization, we are now carrying out industrial reorganization and forging ahead toward cooperation with specialization in production. In the area of distribution, enterprises should be allowed to market their industrial products, thus making production directly linked to marketing. Meanwhile, agricultural-industrial-commercial form of joint enterprises are being experimented with in various places, and country fair trade is being developed. Besides these changes, there are also others, and together they pose new problems to taxation. All the new problems need to be carefully studied and new methods adopted.

2. Restructure economic management system and financial management system. Transfer power to local authorities and enterprises, and thereby expand their power. This is an important measure taken to properly deal with the relationship between the central and the local, and between the enterprise and the individual worker. The question of how to deal with the relationship between the central and the local, between the state and the enterprise in the area of fiscal power is one that requires an urgent solution. Taxation is an important means for distributing public revenue. It must be adaptable to the new conditions of a restructured financial management system and to the needs for expanding the decisionmaking rights of an enterprise so that the interests of the central and the local, the public finance and the enterprise, the state and the individual are guaranteed with each receiving its due portion. It must also work its way through distribution of public revenue to mobilize all positive factors, thus promoting the development of the four modernizations.

3. Hold firmly the policy of working in accordance with economic laws and practice economic management with economic methods. Moreover, raise management standard and make operations more successful. This is an important guiding principle in the development of production. Questions that concern with how to go about making taxation policy in the process of distribution better satisfy the demands of economic laws, and reflect the principles of economic management with economic methods, together with the question of how to utilize taxation as a tool to develop an enterprise and to stress economic accounting, need to be carefully studied along with economic theories. Moreover, viable means have to be devised to solve these questions.

4. Following increasing economic exchange with other countries, the import of advanced technology and equipment, the use of foreign capital and the employment of foreign specialists, we now have a situation in which profits are being made from foreign capital, interest charged on foreign capital, income derived from patents, high income given to some individuals and other sources of income found. The new situation makes it necessary to institute the appropriate taxation system, which should follow the principles of equity, mutual benefit, maintaining national sovereignty and economic interests.

5. Speedily develop productivity and at the same time raise people's material and cultural standards. Moreover, taxation should play a more effective role in the accumulation of capital. Owing to fewer tax categories, the existing taxation system cannot adapt itself to the above complicated economic situation. Moreover, it has no bearing on the business of an enterprise in many aspects such as the uses of capital, the formation of resources, cost management, distribution of profits and so forth. With regard to our country's taxation system dealing with foreign companies, we still do not have a complete set of rules. All of this makes it necessary to incorporate these elements into the taxation system and make necessary supplements. Let us take industrial and commercial tax and income tax for example. At present, the laws governing them are still provisional and have yet to be formally passed by the Standing Committee of the National People's Congress. This is obviously not in line with the policy of strengthening the legal system and fully developing the effects of tax laws. Therefore, the situation is such that the taxation system must be reformed.

III

In order to keep the taxation system paced with the objective economic development and further develop the economic leverage of tax, it is necessary to reform the existing taxation system. Below is a preliminary study of the questions concerned.

1. Question on the multiplicity and simplicity of a tax system. The multiplicity and simplicity of a tax must be viewed from the dialectic standpoint. The basic principle is to see whether or not it is beneficial to economic development, and not to be judged by personal will. During the historical stage of socialism, commodity production and monetary exchange still exist and the economic structure is complicated, especially when we are now expanding the experiment of increasing the decisionmaking rights of enterprises, which are beginning to assume sole responsibility for their own profits and losses. Under this situation, the historical role of taxation will be reduced if in instituting a tax system we only aim at simplicity. Therefore, we think in studying the tax system, procedures for collecting taxes should be simplified, thus reducing the taxing authorities and problems enterprises have in tax management. However, in considering the layout of a tax system, we absolutely should not aim at simplicity; we should, under the precondition of guaranteeing the full development of the economic leverage of taxation, retain whatever is necessary, and add whatever is necessary. Thus we allow each tax category to develop its role fully, which will effectively stimulate economic development.

2. Question on the combined role of taxation and price in regulating production and consumption. Price and taxation are the two important economic levers in a planned socialist economy. They are the tools with which socialist production, exchange and distribution are regulated and promoted. They should work together and supplement each other. Under the conditions of a socialist planned economy, it is necessary to adjust the relationship between demand and supply through the government price policy so that it can be properly dealt with. Working together with price, taxation is more flexible in regulating market demand. Therefore, in order to develop the role of price leverage, it is necessary to draw support from taxation leverage.

3. Question on regulating disparity in revenue and keeping profits of enterprises at a comparable level. At present, some enterprises producing the same goods, cause disparity in revenue. Undoubtedly, one of the causes lies in business management, yet differences in endowment of resources, equipment and other factors are also important causes. For the purpose of developing our socialist economy and expanding socialist production, all national resources of the country should be fully utilized and waste should be avoided whenever possible. However, we must be able to see, due to different endowment of resources, enterprises operating in areas with rich endowment of resources attain more profits with less processing labor and less productive labor. On the other hand, enterprises in areas with poor endowment of resources attain less profits with more processing labor and more productive labor. The disparity in revenue is very great. Therefore, the state should regulate the disparity in revenue caused by external factors through taxation—the economic lever, and channel the revenue from taxation into distribution, thus placing different enterprises in a

position where, with their own efforts, they are on the same comparable basis. Judging by preliminary considerations, it is appropriate to impose a tax on resources as a measure to regulate the disparity in revenue. There are two considerations contained in this measure. On the one hand, tapping national resources should be rewarded, while on the other hand, disparity in revenue due to different endowment of resources should be regulated. As for reward, all state enterprises, collective enterprises, joint ventures or enterprises set up with foreign capital, that utilize our national resources should be taxed. This should be a general tax. In other words, only units that tap areas with rich resources and cause a disparity in revenue should be taxed. Specific tax principles and methods will be made after some investigation and research have been carried out.

4. Question on the universality of taxation and the equity of tax burdens. Under the existing industrial and commercial taxation, different tax rates, which have bearing on price and accounting records, have been employed by the state for various products. This taxation reflects the universality of taxation and has played an important role in regulating the distribution of profits from production as well as in timely forming public revenue. However, it is lacking in the equity of tax burdens, which is mainly due to changes in the production structure. Multiple tax has occurred where products have many production links. Consequently, it hampers the development of specialization in production. Based on foreign experience, the solution to this question favored by most people is value added tax. That is to say, the value of already taxed raw materials and parts should be deducted from the value of a product and tax is levied on its residue value (the new value added by an enterprise). The advantages of this tax are:

a. It will basically solve the problem of multiple tax and the absence of equity of tax burdens as it exists at present in industrial and commercial taxation.

b. It will help to coordinate the economic interests of the state, the enterprise and the individual worker. From the viewpoint of taxation being involved in the distribution of national income, the proportion of tax levied after deduction of the value created by processing labor, is secure, while the proportion of profits retained by an enterprise is also secure. If an enterprise reduces material waste and increases the amount of added value, then the state will receive more proportionally, while the enterprise will retain more proportionally.

c. It will help to secure public revenue. Tax on added value has the advantage of possessing the quality of universality of taxation. All production units have to pay taxes if and when they receive revenue and have value added to their products. On the other hand, the universality of this tax not only can secure public revenue, it also can channel public revenue evenly, stage by stage into the treasury. On the other hand, the securing of public revenue can solve the problem of reduced revenue due to the development of associations by production units. From the standpoint of securing public revenue, reform of the taxation system is also considered to have positive significance.

d. It facilitates the securing of public revenue in various districts. As the industrial and commercial tax stipulates that some production units and those units that produce products jointly, though they secure revenue from their operations they do not pay tax locally. Thus public revenue of the locality concerned is effected. Consequently, disputes arise and the districts affected have a lot to complain about. When taxes paid according to added value, all production units that have value added to their products have to pay value added tax locally. In this way, local interests will be protected.

e. It helps to solve a series of complicated questions in the current taxation system. For instance, those questions related to taxes on simple processing, complicated processing, and further processing of a production item, on multiple cycle production and single cycle production, and on associated enterprises, can be more or less properly solved, thereby the taxation system is further simplified.

To sum up, the value added tax is one that levies tax at various stages of production, but does not create redundant taxation. Levying tax at various stages of production reflects the universality of taxation, in which taxation participates in the distribution of national income, while the absence of redundant taxation reflects the equity of taxation. The economic leverage of taxation is only effective through its participation in the distribution of national income. The broader and more appropriate its participation, the more effective an economic leverage it becomes.

5. Question on the form of the distribution of profits of state enterprises. At present, the distribution of the profits of state enterprises takes the form of national collecting and distributing. That is, all profits are turned over to the state, who redistributes them to those enterprises in need. Consequently, rights and duties are separated. We think it is necessary to replace the current measure of turning over to the state with that of paying enterprise income tax. The advantage being that the state obtains a certain proportion of an enterprise's profits, with the latter retaining the remainder. When this new measure takes force, then both the revenue of the state and the economic interests of enterprises will be legally protected. After the deduction from tax, profits will remain in the hands of the enterprise, which, because of knowing clearly its financial power, will be able to plan production and budget welfare expenditure. The more profits the enterprise attains, the more after-taxed profits it will retain. Moreover, its funds will be increased and workers' welfare improved. In this way, the interests of the state, the enterprise and the workers will become related, which will help to develop production and enhance the workers initiative. Owing to a uniform tax rate applied throughout the country, profits among enterprises will be made reasonably comparable to one another, which will facilitate the judging of enterprises' production and operation results. Moreover, enterprises will be stimulated to learn as well as to catch up with advanced enterprises, to explore potentials and to contribute more to the country.

6. Question on maintaining national sovereignty and dealing with matters concerning foreign countries. Following the introduction of the laws on Chinese-foreign joint ventures, foreign capital, equipment and technicians began to pour

into our country. Profits derived from foreign capital and high salaries of foreign personnel have to be appropriately regulated. According to international practices, the principles of equality and mutual benefit in business can only be implemented through taxation. This is acceptable to all. Under the present conditions, taxes can be imposed on revenue, personal income and business registration of joint ventures.

IV

At present, the urgent task facing us is the reform of the taxation system and further develop the economic leverage of taxation. Therefore, based on careful summing up of historical experience, learning from foreign experience and thorough study and research, we should gradually create a taxation system which will be able to meet the present conditions in our country. On the one hand, we should carry forward our heritage and fully acknowledge the results achieved in the current taxation system developed over the past 30 years. On the other hand, we cannot be conservative and remain stuck with the old system. The reform on the current taxation system should be carried out actively and properly in accordance with objective economic laws and the principle of practice is the only criterion for testing the truth. Under present conditions, we think there are two areas for reform. First, the current taxes, numbering a few, should be regulated and reformed in accordance with economic development. Secondly, in order to keep pace with economic changes and the development of foreign trade, some taxes should be brought back while introducing new taxes. Two assumptions can be made with regard to the layout of the taxation system. First, the current taxes should be regulated, reformed and summary reports be made on them. Moreover, laws should be introduced wherever and whenever necessary. With regard to the revoked taxes, those needed should be brought back while new ones are being introduced. The different roles of these new taxes in regulating production, marketing, the profits of an enterprise, personal income, the uses of capital and utilization of resources should be developed.

The conditions under which the reform of the taxation system is to be carried out are very complicated, which is especially true at a time when we are implementing the policy of readjustment, reforming, straightening out and uplifting our national economy. Many changes will take place in the structure of production. Moreover, there are still situations that we have not yet understood well. Therefore, our attitude toward the reform of the taxation system should be positive and our progress steady. At the present, the question that needs an urgent solution is the imposition of tax involving foreign countries. Laws should be quickly introduced so that the requirements of new developments can be met. The reform on other taxes should be based on thorough investigation and research. Moreover, it should be made through experiments and planning as well as be carried out step by step.

CSO: 4006

FINANCE AND BANKING

'JINGJI GUANLI': SICHUAN REFORMS BANK SYSTEM

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[Article by Cong Gan [7895 3927]: "Situation Concerning the Reform of Bank System in Sichuan Province"]

[Text] In order to better develop the role of banks as an economic lever, the People's Bank system in Sichuan has carried out pilot projects on reforming the bank system this year.

In the 30 years since the founding of the PRC, the People's Bank in China, which is our state bank, has attained marked results in socialist production and construction. However, it should be noted that the "backbone" role of the bank in regulating socialist economy as stressed by Lenin many times has not been fully developed.

Strictly speaking, the existing banks only calculate accounts and thus act as accountants, and have not really developed their role as banks. There are many reasons: One is that the present bank management system has not been reformed in response to developments in the economic situation. One of the main problems is that the scope of credit loans has remained very limited. The present system stipulates that the fixed working capital required for investment in basic construction and production circulation in an enterprise is allocated by the Finance Department. The bank only provides short-term loans to meet temporary and seasonal requirements exceeding the fixed working capital of an enterprise, it cannot assist an enterprise in tapping its reserves or renovating or reforming itself. This has prevented the bank from enlarging its role. The second problem is that bank credit loan is a "free supply system." This means that the bank is obligated to provide loan funds for enterprise operations as soon as approval has been granted. Regardless of whether the enterprise is run well or not, or whether the goods produced are in short supply or excessive supply, the bank has to provide loans "according to plans." It lacks autonomy in using its funds and can usually only play the role of a "treasury" and cannot genuinely play the leverage role with its credit loans. The third problem is that the internal management of the bank "eats from the same rice bowl." Now there is centralized accumulation and allocation of credit loan funds, and there is centralized revenue and expenditure in financial management. There are no links between the internal management of the bank and the interests of the staff and workers of the unit itself. There is lack of coordination between the interests of the state, the units and individuals; responsibility and interests are divorced from each other. This has hindered the making of any improvements in banking management.

The above-mentioned problems hamper the development of rational and effective organization and use of social funds by the state and dampens the enthusiasm of bank workers at all levels and are not conducive for developing the bank's role as a lever. Viewed from the present conditions in Sichuan Province in particular and following the in-depth implementation of the policies of readjustment, reform, regulation and improvement and the in-depth development of increasing the decisionmaking power of industrial and commercial enterprises within the whole province, the bank faces a series of new conditions and new problems which urgently must be dealt with.

The Main Contents of the Present Reform

The bank is a comprehensive department of the national economy and the pivot for capital turnover in the whole country. It covers a wide area and involves set policies. Thus in reforming the bank system, we should adopt a positive attitude and maintain a steady pace; this reform should be developed from studies and then gradually carried out in close coordination with the reform of the entire economic system. At present, the content of the pilot project of the reform of people's bank system in Sichuan consists mainly of the following items:

(1) Reform of the planned management system of credit loans. There was state centralized control and allocation of loan funds in the planned management of credit loans in the people's bank in the past. Loans were divided into various categories and directive targets were sent down from one level to another. The deposits in the branch banks were submitted upward to the main branch for unified planning. The branch banks were not allowed to use their deposits. In accepting loan applications submitted by the branch banks the main branch had to send down the targets item by item to the branches. The branch banks could not regulate the surplus or shortage in the various loan funds. This planned system of centralized collection and allocation by the whole country rigidly controlled the branch banks and obstructed the regulation of social funds. The pilot project reforms which began this year stipulated the implementation of the new method of "unified planning, management at each level, setting up links between deposits and loans and control of balance." The main branch only sets a control index for the overall balance between deposits and loans for the branch banks for the entire year. Under the prerequisite of guaranteeing the implementation of the control index for the overall balance approved by the upper level, branch banks in the province can give out the surplus deposits as loans. There is flexibility in the regulation and use of the various categories of loan funds. After allocation as loans for working capital required by the industrial and commercial enterprises, the surplus deposits and credit loans can be allocated for medium and short-term loans for equipment according to the amount fixed by the upper level. Under the prerequisite of exercising centralized control in banking undertakings, the implementation of this reform can increase the authority and responsibility of the branches by coordinating use of credit loans, so that these banks become independent management units which are adaptable to local conditions. This helps arouse the initiative and enthusiasm of banks at all levels in the organization and allows for flexible use of funds.

(2) Provide medium and short-term loans for equipment. In the past, people's banks could only provide loans for working capital, but "had no authority" in providing funds for adding production equipment, carrying out technological reforms and increased reproduction in state-run enterprises. This reform has shattered old conventions. While the bank continues to provide loans for working capital, it also provides medium and short-term loans for equipment in industrial and commercial enterprises. This is a major reform in our credit system. Judging from the preliminary practice of the past few months, in order to realistically develop the economic results of medium and short-term loans for equipment, an enterprise and bank should insist on accomplishing the following points in handling these loans: insist on using these funds mainly for tapping reserves, renovating, reforming old plants and preventing the use of loans to fill gaps in investment in capital construction and extending the capital construction front; uphold the principle of selecting and supporting the superior enterprises and give priority to loans for items with small expenditure, rapid results, great profits or revenue and avoid blind loans which are providing loans without thoroughly investigating the soundness of the borrower; and insist on repayment of loans on schedule. The time limit of loans is generally 1 to 2 years and the maximum is 3 years; insist on the bank's autonomy in the examination and approval of loans. The various departments can put forth the request for loans from the banks. However, the approval of the loan and the amount and period of the loan should be determined by the bank in accordance with the stipulated conditions of loans and rights of examination and approval. In arranging loans, the bank must study with the departments concerned in the local economic committees beforehand, so as to develop a rational plan and prevent duplicate construction and production and avoid wasting resources and extending the front. The people's bank authorization of medium and short-term loans and funds used for equipment in Sichuan have been gradually implemented this year and the funds are being gradually allocated for use at present. This plays an important role in supporting production of goods in short supply and bridging current gaps in the national economy.

(3) Improve the management of loans for working capital. The loans for working capital in industrial and commercial enterprises at present are still an important category of loans. The main problem in this aspect is that there are many funds involved or used and the turnover is slow. The reform stipulates that the principle of "differentiating between targets and selecting and supporting the superior" must be implemented in the bank loans in various places so that there are support and restrictions for economic regulation and enterprise adjustment. It is necessary to gradually promote loans according to economic contracts and market demands based on national planning, urge enterprises to carry out production according to demands and under the prerequisite of upholding planned regulation, realistically do a good job in market regulation and bring into better play the role of the bank in protecting competition and combining enterprises. Meanwhile, beginning on 1 April this year, the bank has, in accordance with state regulations, stipulated an additional interest of 20 percent on overdue loans, an additional interest of 30 percent on funds exceeding the total calculated working capital and on loans for accumulated material resources in enterprises which have not been verified and an additional interest of 50 percent on loans for deficit in capital construction or renovation and reforms, so as to urge the enterprises to strengthen economic calculation and reduce the use of

capital. This is a major reform in the interest system in the bank. It will play an important role in further using the lever of interest rate in the bank to urge enterprises to tap reserves properly, cut down the accumulation of material resources and exercise economy in the use of capital.

(4) Reform the method of commercial loans. Before 1958, the bank handled loans to commercial and industrial enterprises in the same way and implemented the method of separate management of deposits and loans. Loans were examined and allocated by the banks. In 1958, it was changed to the present method of "joint deposits and loans" which is actually the method of current deposits and overdraft. According to this method, the enterprise opens a current deposit and overdraft account with combined deposits and loans and ascertains an overdraft limit per quarter (which is the rectified and calculated index of the amount of expenditure exceeding income in the finance of the enterprise and deficit which has to be made up by bank loans). Within this overdraft limit, the enterprise can withdraw money whenever required and the loans need not be examined or supervised by the bank. This is not favorable for strengthening economic calculation and improving operation and management in the enterprise or strengthening credit control and developing the lever role of credit loans. As far as reforms in this aspect are concerned, we are prepared to adopt the method of separate management of deposits and loans which means that deposits should be allocated to deposits and loans should be allocated to loans. Separate accounts should be opened for deposits and loans, and loans are examined and allocated by the bank. This urges the enterprise to improve its operations and management, and develops the lever role of bank credit loans. In this year, a small number of enterprises have been selected respectively in the two cities of Chengtu and Chungking. This will be gradually popularized after the experiences have been summed up.

In addition, there are the following reforms: (1) Improve the management method and settling accounts. The method of settling accounts and of "taking up the commission to collect money on behalf of other places" in the whole province has been ascertained. The enterprise can entrust the bank with the relevant documents in order to collect money on its behalf and then deposit the money in its account. If the billed unit refuses to pay, the payer and payee should settle the problem themselves. This urges the enterprise to strengthen its understanding beforehand and promotes a contract system. (2) Improve the method of cash control. According to the actual local conditions, the bank can properly raise the limit or amount of cash which the unit is allowed to pay and carry. The enterprises and units can purchase agricultural sideline products on the market with cash according to the regulations. (3) Economic accounting is implemented in the internal management of the bank. Banks at all levels must declare that they have on hand a certain amount to be used for credit loans. When a branch bank deposits or borrows money from the main branch, it must collect and pay interest according to a set rate. There must be periodic examination of the five economic targets of the use of funds, the quality of work, work efficiency and expenses and profits in banks of all levels and the withdrawal of enterprise capital must be based on the stipulated conditions and proportion. (4) Reform the management system of bank cadres. Cadre management in the people's bank system approved by the state includes the appointment, promotion, transfer, reward and punishment of cadres in banks at all levels. The system of the dual management of the people's bank and local management is being implemented with the bank system management having a greater voice, so as to bring into better play the role of the bank.

Enable the Bank To Truly Become the Lever for Developing Economy

The People's Bank in Sichuan has ascertained the criteria for judging whether the reform of this system is good or bad. The six criteria are: One, to determine whether there are more funds accumulated now than in the past. Two, to determine whether there is greater flexibility in the use of funds. Three, to determine whether the economic results derived from loans are better than in the past. Four, to determine whether successful experiences have been accumulated. Five, to determine whether the management level of the bank has been raised. Six, to determine whether people have been adequately trained.

Although the reform of the bank system in Sichuan is only in the preliminary stage, it has involved various tasks in the bank and the various economic levers of currency, credit loans, interest and settlement of accounts in economic life. This is closely related to the various departments and various enterprises in the national economy. This reform will thus bring about some new changes in various aspects. Emphasis must be placed on negotiations and discussions in doing things in the departments concerned and in particular, it is necessary to start from the overall situation in the national economy and carry out in-depth investigations on the bank system, enterprises, trades and market. We must pay attention to "minute observation" and dissection as well as to "overall observation" and analysis. We must be the "barometer" of the national economy as well as the "weather station" of production and construction and strive to raise the level of bank management and thus turn banks into an important lever for economic development.

CSO: 4006

GUANGDONG TRUST COMPANY CHARTER ADOPTED

HK030500 Hong Kong TA KUNG PAO in Chinese 2 Dec 80 p 5

[Report: "Guangdong Trust and Investment Company Charter Adopted"]

[Text] Yesterday morning the Guangdong Trust and Investment Company called the first meeting of its board of directors and adopted the company charter.

It was learned that the Guangdong Trust and Investment Company is a new-type integrated economic organization under the leadership of the Guangdong People's Government with a total capital of 200 million yuan. The company and the enterprises under it have the power of making decisions about personnel, finances, property, production, supply, sales and other matters. They operate on their own and are responsible for their onw profits and losses. Guided by our country's relevant laws and regulations and by the needs of Guangdong Province, they attract in various forms funds from abroad and from Hong Kong and Macao, introduce advanced techniques and equipment, and invest in industrial, agricultural and other construction undertakings. They serve the object of accelerating the modernization of Guangdong Province. The company is situated in Guangzhou Municipality. Should the need arise it can set up branches or agencies at home and abroad.

According to the quarters concerned, the company's functions and its ways of attracting investment funds are as follows:

1. The company invests in specialized construction projects. Guided by the construction plans of the Guangdong People's Government, it issues special investment bonds. Concrete measures for the issuance of such bonds will be formulated in line with the principle of equality and mutual benefit.

Enterprises devoted to specialized construction projects will practice independent accounting and share profits or losses in proportion to the money invested. The profits realized for the investors and the original sum of money invested, which is to be returned after the expiration of a set period of investment, can be remitted abroad through the Bank of China in the foreign currency originally used for investment.

2. The company enters into business with investors from foreign countries, overseas Chinese and Hong Kong and Macao residents in the form of joint ventures, cooperation and compensation trade assembling. With the investment funds received,

it can set up independent enterprises, invest in various businesses at home, or work with the domestic units and enterprises concerned along the lines of jointly operated or cooperative ventures. The company undertakes the import or advanced techniques, equipment, raw materials, and gear for construction, and the export of products for sale abroad, as far as the enterprises under it are concerned. It also imports and exports goods in general. It further offers to make loans.

3. The company receives and gives credit. In light of the development of its operations and the needs of the province, the company will obtain credit from financial institutions and companies in foreign countries and in Hong Kong and Macao, or from individuals. The amount of credit, the interest rate, the term of maturity, the form of payment, and so forth are based on an agreement signed by the company and the party concerned.

4. The company issues bonds in both RMB and foreign currencies. Details are given as follows: 1) The period of investment is 10 years, with the bonds carrying an interest of 8 percent. The money from the redeemed bonds may be reinvested. With the approval of the Guangdong Provincial People's Government, interest on investments which are regarded as savings may be exempted from income tax. 2) Foreign currency bonds are of two types, one in Hong Kong dollars and one in U.S. dollars. The former is HK$2,000 a unit and the latter US$500 a unit, with no limit set on the number of units bought. Principal and interest will be paid in foreign currency in which the bond is issued. 3) RMB bonds are to be bought with foreign currencies. Each unit is 500 yuan with no limit put on the number bought. Redemption at maturity will be in the Chinese currency. Interest payments will be half in RMB and half in foreign currencies. 4) The bonds issued by the company can be registered in a person's name and are transferable. According to a Chinese law, the legitimate successor can arrange for transfer with the company.

5. The company undertakes to answer queries and execute commissions. It charges service fees for executing commissions for companies, enterprises and individuals at home and abroad and for handling import and export procedures.

The board of directors of the company is its highest authority. The board has one chairman and some vice chairmen, managing directors and directors. The chairman is appointed by the Guangdong People's Government. Vice chairmen, managing directors and directors are nominated by the chairman of the board of directors, subject to the approval of the board of directors and clearance with the Guangdong People's Government. The board of directors meets once or twice a year. When the board is not in session, the managing directors are in charge. If the need arises, the chairman of the board of directors may call a board of directors meeting at any time.

The powers of the board of directors concern chiefly the following four fields: 1) The formulation and revision of the company's charter; 2) the nomination of the company's general manager and assistant general managers by the chairman of the board of directors, subject to the approval of the board of directors; 3) deciding on the company's operations, guidelines and plans and checking the implementation of the relevant guidelines and plans; 4) examining accounts at the end of the year. Meanwhile the company is introducing the system of holding the general manager responsible under the leadership of the board of directors. The general manager is responsible for the overall operation and administration of the company and makes regular reports to the board of directors and the standing office of the board of directors. The assistant general managers help the general manager in his work.

CSO: 4006

FINANCE AND BANKING

STRENGTH OF U.S. MONOPOLY GROUPS DISCUSSED

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pp 23-30, 9

[Article by Zhang Jialin [4545 0502 3218]: "Some Changes of Strength and Combination of Monopoly Financial Groups in America"]

[Text] Along with the rapid development of science and technology in capitalist countries since the 1960's, the economic structure in the United States has also undergone great changes. While some new industrial departments arose, the industrial and commercial enterprises which were originally engaged in a single line of business expanded into conglomerates and diversified enterprises one after another. The widespread growth of a diversified economy led to a higher concentration of production and capital, thus bringing about new changes in the balance of power among the U.S. monopoly financial groups.

One of the important features of the current development of the U.S. monopoly financial groups is that the relations of the monopoly groups have become more complicated, mutual infiltration activities have become greatly intensified, and the distinctions between major monopoly groups are getting more obscure. Therefore, the postwar division of the top 10 financial groups cannot fully reflect the actual conditions of the American monopoly groups today. As a result of the changes in the balance of power, the American economy has been increasingly dominated by the eastern financial groups. Today, the powerful Wall Street financial groups in the east are still the supreme rulers of America.

1. Characteristics of Concentration of Production and Capital in America at Present Stage

The emergence of monopoly financial groups was a result of the concentration of production and capital. Apart from relying on enterprises which turned large sums of surplus value into capital and expanded their existing productive capacity, the concentration of production and capital was mainly accomplished through mergers. According to the views of American economic circles, the high tide of mergers appeared on three occasions in postwar American history. The first occasion was from the mid-1950's to the end of the 1950's when more than 3,000 enterprises merged; some 8,000 enterprises merged during the second period, namely from 1966 to 1970; and the third period started in 1978 and is still going on. In 1978, the number of mergers rose to 2,106 totaling more than $34 billion, and the merging of enterprises with assets of over $100 million numbered 80—twice as many as in 1977. In addition, conglomerate mergers--namely the merging of different trades and professions--became the major form of amalgamation, accounting for 53 percent of all such mergers carried out in the United States from 1952 to 1955, 72 percent in 1960 and 91 percent in 1971. All this brought about the growth of large enterprises which expanded and diversified their economies. Take Litton Industries as an example. Before 1954, it was only a small enterprise which produced electron tubes. Yet, after merging with other enterprises, it became a large conglomerate which now owns some 100 small companies with over 10,000 products ranging from aircraft carriers and electronic installations to medical apparatus, instruments and books. At present, most of the largest American industrial corporations, such as Exxon, General Motors, General Electric, ITT and Boeing have become conglomerates.

The rapid development of conglomerate mergers and diversified enterprises is one of the important features of the current concentration of production and capital in the United States. The reason is that in many industrial sectors, the monopolization of enterprises has intensified to such a high degree that the capitalists cannot compete with one another in the same department. As a result, they have to expand into other departments. Along with the development of science and technology, there is mutual infiltration with regard to designing, production and technology in various industrial departments. The monopoly capitalists realize that a diversified enterprise is more economical, more effective and more profitable than a single-product enterprise. Moreover, many monopoly capitalists find they would rather purchase the existing enterprises than invest in building new ones or repair the equipment because the former is much cheaper, more profitable and less risky than the latter.

At the present stage, another characteristic of concentration of production and capital in America is that financial capital has strengthened its control over industry and commerce. Financial institutions (the commercial banks in particular) are the core of the monopoly financial groups. Since the banking laws in America do not allow commercial banks to invest in nonfinancial enterprises, the commercial banks have tried every means to set up trust departments, handle trust funds (namely the assets entrusted by individuals or groups such as old-age pensions) and make use of other external funds to purchase shares of stock of commercial and industrial enterprises so as to expand their own operations. These trust funds have increased rapidly since World War II. In 1975, the trust funds controlled by the 300 largest financial institutions in America totaled $535 billion and rose sharply to $822 billion in 1976, corresponding to nearly 46 percent of the gross national product of the same year. The trust funds were so greatly concentrated that the 10 largest financial institutions in America accounted for more than one-fifth of the total volume of trust funds in the 300 financial institutions.

The monopoly financial groups take the buying and selling of shares in the stock market as an important means of exercising control over enterprises and corporations. Many financial institutions have used most of the trust funds to purchase the ordinary shares of stock of the corporations. (Generally speaking, each ordinary share carries the right to vote.) They can manage to control the corporations as soon as they succeed in collecting a considerable number of shares. As the shares of stocks in American corporations have been widely dispersed since World War II, hundreds of thousands or even millions of people have become shareholders of large corporations. Therefore, the financial institutions can exercise control over the industrial and commercial enterprises by holding a fairly small percentage of the shares. According to a monographic study made by the U.S. Senate in 1978, the financial institutions could exert a powerful influence on the policy of the corporation and personnel matters of the board of directors if they managed to control 1 or 2 percent of the shares which carried voting rights. In addition, the financial institutions could exercise further control over the corporations concerned by providing credits and sending their representatives to serve concurrently as members of the board of directors.

There is a strong tendency for financial institutions to spare no efforts to dominate the shares of American industrial and commercial enterprises. This means that more and more American industrial and commercial enterprises are in the hands of a handful of large monopoly groups. At the end of the 1940's, the financial institutions held over 14 percent of the total number of shares which were on sale in the stock market. By the mid-1960's the proportion increased to 23 percent and by the end of the 1960's, of all the American industrial and commercial enterprises, nearly half of the shares which carried voting rights were under the control of the financial institutions. The shares held by the 100 largest financial institutions were worth about $300 billion, accounting for four-fifths of the total number of shares owned by all the financial institutions. The commercial banks which hold the largest amount of shares (calculated according to the value of shares) are Morgan Guaranty Trust Company ($19.3 billion), First National Citibank ($13.7 billion), Bankers Trust Corporation ($14 billion), and Chase Manhattan Bank ($9 billion).

2. The Changes in Strength of U.S. Monopoly Groups

In the process of concentration of production and capital, owing to the emergence of the new phenomenon mentioned above, there are some changes with regard to the inner structure, interrelations and balance of power of U.S. monopoly groups. Of the former 10 largest financial groups, the strength of the Morgan Group and the First National City Bank Group is expanding rapidly, and their interests are mutually merged and infiltrated with those of the Rockefeller Group. These three large financial groups of Wall Street in the east are still playing the dominant role in the economy and political life of the United States. As for the rest of the groups in the east, such as Dupont and Mellon, and the Chicago Group of the central eastern region, they are, in varying degrees, subordinate to the large Wall Street financial groups. The other two major financial groups, Boston and Cleveland, are on the decline. Though the California Group in the west once had a powerful influence, it has been seriously infiltrated by the Wall Street groups in the recent years, thus becoming an appendage of the latter. Though the economy in the southern regions has developed by leaps and bounds, the major financial, industrial and commercial departments are controlled by the eastern monopoly groups. Comparatively speaking, weak as the southern monopoly groups are, they are intensifying their struggle with the eastern monopoly groups.

At present, it is hard to make an accurate estimate of the assets of the American monopoly groups. This is because: (1) The shareholders of many American corporations register their share certificates in the name of their consignee so as to conceal the real background of the monopoly groups. (2) The infiltration among the monopoly groups is very high, many enterprises are jointly controlled by two or more monopoly groups, and the members of the board of directors hail from different monopoly groups. Thus, the interrelationship of the groups is very complicated and it is very difficult to judge which monopoly groups a certain enterprise is subordinate to and to verify the accuracy of the actual strength of each monopoly group in a certain enterprise. (3) The U.S. Government has never published formal data concerning the relative strength of monopoly groups and the background of the enterprises. Herewith, we can only make a general introduction concerning the changes in the relative strength of the U.S. monopoly groups according to the investigative reports "On the Right To Vote of the Large Corporations" and "On the Composition of the Directorship of Large Corporations in the USA"--published by the Government Affairs Committee of the U.S. Senate in January and June 1978, respectively--and according to material from American newspapers and journals which reveal some information regarding the rivalry for dominating the corporations in the recent years.

(1) Large Wall Street Monopoly Groups in the Eastern Regions

The Morgan Group is a powerful and old financial group in the United States and its strength was once surpassed by the Rockefeller Group. However, the Morgan Group has made a rapid expansion in the areas of finance and trust and it has managed to control a large number of enterprises by using other people's funds. In addition, the growth of computers and other highly sophisticated technology in the past 10 years or so has strengthened the power of the Morgan Group. This is mainly because about 80 percent of the production of large-size electronic computers in the world are monopolized by IBM which is under the control of the group. As far as the competition for the domination of the enterprises--either in assets, numbers and influence--is concerned, the Morgan Group has now left the Rockefeller Group far behind.

Though the Morgan Guaranty Trust Company, the major enterprise of the group, has ranked fifth among the commercial banks in the United States and its bank savings are less than half those of Bank of America or First National Citibank, it still has the largest trust department in the country. By the end of 1976, it was the largest shareholder among the financial institutions in the country. According to an investigation made by the U.S. Senate, out of the 122 most influential enterprises, ranging from financial institutions to industries, retail enterprises, transportation and public utilities, Morgan Guaranty Trust Company had acquired the largest proportion of voting rights in 27 and ranked among the 5 largest voting-right holders in 56. Therefore, it is one of the most powerful financial corporations in the United States. What is more, Morgan Guaranty Trust Company has the largest proportion of voting rights in First National Citibank, accounting for 3.26 percent of the shares which carry voting rights. If all the shares of other financial institutions of the Morgan Group are included, it has a bit more than 10 percent of the shares in First National Citibank, thus playing a dominant role in the latter. At the same time, First National Citibank has acquired 2.63 percent of the shares which carry voting rights in Morgan Guaranty Trust Company, and there are 30 members of the board of directors holding posts concurrently in these two corporations. Therefore, we can hold the view that the Morgan and the First National Citibank groups are tending to merge with each other. In addition, these two financial groups have jointly controlled Bank of America, the largest commercial bank in the United States.

The Morgan Group has expanded its influence in several areas: In the financial circles, it has succeeded in gaining the largest proportion of voting rights in Chemical New York Bank and in the American Express and Travelers corporations, which were formerly owned by the Rockefeller Group. In the mining industry, the Westinghouse Electric Corporation, the major enterprise of the Mellon Group, came under the control of the Morgan Group after suffering an economic crisis in the early 1970's. As a result of the notorious scandal and financial crisis, the Lockheed Aircraft Corporation could not but accept the credit offered by Bankers Trust Corporation, thus falling into the hands of the Morgan Group. Textron Corporation, which was formerly owned by the Boston Group, has been jointly controlled by the Morgan and the First National Citibank groups. Besides, the Morgan Group has acquired a final say in the (Imber) Oil Corporation and Goodyear Tire and Rubber Corporation, dominating the United Aircraft Corporation, the biggest transportation corporation throughout the country, and Sears, Roebuck (formerly owned by the Chicago Group), the largest retail company in the United States.

Apart from the above-mentioned enterprises, the Morgan Group still controls some other major enterprises involved in different trades and professions (the financial groups with which the Morgan Group jointly controls the enterprise are shown in parentheses):

In financial trade, there are the following corporations: J. P. Morgan and Company, Manufacturers Hanover, Bankers Trust New York, Northwest Bank and Company (Dupont and Rockefeller groups), Prudential Life Insurance, New York Life Insurance, Connecticut General Insurance, Continental, Investors Diversified Savings (?) and so on.

In the mining industry, there are the following corporations: IBM (First National Citibank), General Electric (First National Citibank), ITT (Rockefeller, Chicago and Dupont), U.S. Steel, Union Carbide, Continental Oil, Union Oil of California, Coca-Cola, Pepsico, Chrysler (Rockefeller) and so on.

In transportation, there are the following corporations: United Airlines, PAN AM, Burlington Northern, Santa Fe Industrial, Southern Railway, Norfolk and Western Railway, and so forth.

In public utilities, there are the following corporations: American Telephone and Telegraph (Rockefeller and First National Citibank), Southern, Pacific Gas and Electric (California), Public Service Electric and Gas, Virginia Electric and Power, Columbia Natural Gas System (California) and so on.

In retail trade, the Morgan Group has exercised control over the K-Mart, the Union Department Store (First National Citibank) and so forth.

In recent years the economic strength of the Rockefeller Group has been on the decline. According to the value of its assets, Chase Manhattan Bank, the key enterprise of the group, is the third largest bank in the United States. However, in the case of trust business, Chase Bank is left far behind by the Morgan

Guaranty Trust Company. The Petroleum Industry was originally the pillar of the Rockefeller Group, but in recent years, some controlling rights of major petroleum companies attached to the group have been taken over by the Morgan and First National Citibank groups. In controlling the industrial and commercial enterprises, the Rockefeller Group has lagged behind the Morgan Group.

However, Chase Manhattan Bank has abundant funds and can manage to control the enterprises by providing commercial and industrial loans. Owing to the need for competition and expansion, many large corporations in the United States are seeking more and more funds. To this end, they have to rely on credit provided by the financial institutions. While issuing credit to a certain enterprise, though, they do not enjoy the right to vote in the debtor's enterprise. The financial institutions may ask the enterprise to provide confidential information with regard to its finances and assign some of its own members to serve concurrently as members of the board of directors of the enterprise. In so doing, they can exert great influence on the policies of the enterprise and manage to have a final say. According to an investigation made by the U.S. Civil Aviation Committee, by the end of 1976, the creditor's rights enjoyed by Chase Manhattan Bank in the 25 American airline companies were about twice as much as those enjoyed by the other banks. Through creditor's rights, it gained complete control of Eastern Airlines and played an important role in Northwest Airlines, both of which were attached to the Morgan Group.

The major corporations controlled by the Rockefeller Group are:

Chase Manhattan Bank, First Chicago (Morgan, First National Citibank and Chicago), New York Bank, First Boston (Mellon), Metropolitan Life Insurance Company, Equitable Life Insurance Company, Exxon, Standard Oil of Indiana (Morgan and Chicago), Raytheon, American Electric Power, Eastern Airlines, Commonwealth Edison, Texas Utilities (Chicago and Boston) and some others.

In recent years, the Rockefeller and the Morgan groups have further infiltrated each other. Chase Manhattan Bank held 1.43 percent of the shares which carry voting rights of Morgan Guaranty Trust Company, ranking second among all the shareholders. At the same time, the latter obtained 1,090 shares carrying voting rights in Exxon. Through different channels, such as sending representatives to serve concurrently as members of the board of directors, both the Rockefeller and Morgan groups are closely related and have succeeded in jointly dominating a number of important enterprises--American Telephone and Telegraph, which has the largest assets in the United States, ITT, Chrysler and so on.

Historically, First National Citibank Group was closely connected with the Rockefeller Group and has been under the control of the Steerman-Rockefeller families for a long time. Many American scholars hold the view that it is not an independent financial group but a bank attached to the Rockefeller Group. According to an analysis of various data available at present, First National Citibank should be taken as a group jointly controlled by the Rockefeller and Morgan groups or rather as a financial group closely connected with these two powerful groups.

At present, there are many representatives of the Rockefeller Group on the board of directors of First National Citibank. For instance, two representatives from Exxon (one of them is Calvin, chairman of the board of directors) were sent directly, and the other five indirectly, to serve concurrently as members of the board of directors. From the Metropolitan Life Insurance Company there is one representative (vice chairman of the board of directors) directly holding a concurrent position and 22 indirectly. From Chase Manhattan Bank there are 18 representatives indirectly serving concurrently as members of the board of directors. On the board of directors of First National Citibank, there are also representatives from Equitable Life Insurance Company, New York Life Insurance Company and First Chicago Bank.

First National Citibank is also connected with the Morgan Group. This is mainly because First National Citibank and Morgan Guaranty Trust Company have merged, and these two groups have jointly controlled a large number of financial institutions, commercial and industrial corporations, such as Bank of America, Atlantic Richfield, Phillips Petroleum, Eastman Kodak, Caterpillar Tractor and J. C. Penney.

The trust business of First National Citibank has developed rapidly. Calculated according to trust assets, First National Citibank leaped to first place in the United States in 1976 from fourth place in 1974. By the end of 1976, the trust assets of the bank totaled $26.1 billion, half of which were invested in the ordinary shares of industrial and commercial enterprises. Thus, a large number of major enterprises were under the control of First National Citibank.

The major corporations controlled by First National Citibank Group are:

First National Citibank, the First Bank System, Atlantic Richfield (Morgan), Caterpillar Tractor (Morgan and Dupont), Eastman Kodak, Phillips Petroleum (Morgan), United Technologies, Xerox, Boeing Aircraft, Minnesota Mining and Manufacturing, Bendix, Grumman Aircraft, J. C. Penney (Morgan) and so forth.

Of the three large Wall Street financial groups mentioned above, the Morgan Group has the most powerful influence in various economic sectors, followed by the Rockefeller Group and First National Citibank successively. Comparatively speaking, however, the Morgan Group is loosely organized and its political influence is not as large as its economic influence. What is more, in the Morgan family, "political stars" such as Nelson Rockefeller and David Rockefeller have never emerged. Therefore, the Morgan Group has to draw support from the political strength of the Rockefellers. Considering that the interests and the sphere of influence of these two monopoly groups are about the same, there is not much difference with regard to their policies. Patterson, chairman of the board of Morgan Guaranty Trust Company, is a member of the Foreign Relations Committee headed by David Rockefeller. Since the days of the Kennedy administration, the Morgan and the Rockefeller groups have exercised control over the presidential elections. In 1974, they launched a campaign to drive Nixon out of office. There is a tendency for the Morgan and the Rockefeller groups to ally themselves with First National Citibank, which is closely related with these two groups, and form a united Wall Street Group. They often coordinate their policies and actions to influence the American political situation and are united as one in entering into rivalry with the newly rising financial groups in the western and southern regions.

(2) Financial Groups in the Eastern and Central Western Regions

Though the Dupont and the Mellon groups in the eastern regions and the Chicago groups in the central southern regions still control part of the major industrial enterprises, their strength has expanded rather slowly. What is more, in the matter of finance the Dupont, Mellon and Chicago groups have relied, to varying degrees, on the large Wall Street groups and have actually become an appendage of the latter. This is an inevitable outcome of the further concentration of the production and capital in the United States.

At present, the Dupont Group is still exercising control over General Motors, the industrial corporation which has the largest sales volume in the United States and the Dupont Corporation, the largest chemical corporation. Thus, it plays, to some degree, an important role in the American economy. However, its finance capital is very weak and it has relied on support from the Morgan Group for a long time. The banks of the Morgan Group often deal with the negotiable securities of the enterprises owned by the Dupont Group and provide the trust services. In addition, the Morgan Group has held about 4 percent of the shares which carry voting rights in General Motors (second only to the Dupont Group, holding 7 percent of the shares) and has sent three representatives to be members of the board of directors.

The major corporations controlled by the Dupont Group are:

Security Pacific, Detroit National, General Motors, Dupont, Middle South Public Utilities, Detroit Edison and so on.

In recent years, having been squeezed out by the large Wall Street groups, the Chicago Group has been more or less crippled. The Illinois Continental National Bank, the key enterprise of the group, was infiltrated by the Morgan Group, and the other important bank, First Chicago National Bank, came under the control of the Rockefeller Group. At present, the Chicago Group is actually subordinate to the Morgan and the Rockefeller groups.

Some major enterprises controlled by the Chicago Group are:

Illinois Continental National Bank (Morgan), Texaco (Dupont, Morgan and First National Citibank), Standard Oil of Indiana (Rockefeller), Bethlehem Steel (Morgan), Florida Power and Light and so forth.

The Mellon Group is one of the monopoly groups which keeps the family characteristics, and there is not much change with regard to the strength of this group in recent years. The Mellon National Bank, the key enterprise of the group, ranked 16th among the commercial banks in the United States in 1978. However, it was very active in expanding trust business. By the end of 1976, it owned trust assets of $14.4 billion, surpassing its own bank assets, and ranked 6th among American financial institutions. Of the industrial mining enterprises controlled by the Mellon Group, the most important one is Gulf Oil (ranking 9th among the 500 large American industrial enterprises). Since World War II, the Mellon Group has increasingly relied on the financial support of the Rockefeller Group. The Rockefeller's banks issued the negotiable securities for the Mellon's enterprises, assigned representatives holding concurrent posts as members of the board of directors in the enterprises and jointly controlled a large number of enterprises.

In recent years, there have been few changes in the industrial and mining enterprises controlled by the Mellons. It was only in 1978 that the Mellon Carborundum Corporation was swallowed up by the Morgan Kennecott Copper Corporation at the expense of $0.6 billion.

In addition, on Wall Street in New York, some small financial groups which are mainly engaged in banking investments are currently developing at a high speed. Among them, the most outstanding are the Lehman Brothers and Goldman-Sachs. Both of these are controlled by Jews. Though their assets are not enormous, they hold a considerable amount of trust assets (by the end of 1976, the Lehman Brothers Corporation acquired trust assets of $1.7 billion), often underwrite negotiable securities for large companies, poke their nose into the merging of large companies, or issue long-term bonds for foreign governments. Therefore, their economic strength cannot be overlooked. Meanwhile, they have an important impact on American political life through the Jewish circles.

Other eastern and central western financial groups, such as Boston, Cleveland and some local financial groups, have further declined in recent years. They no longer play an important role in the political and economic life in the United States.

(3) Western and Southern Financial Groups

Since the 1950's, the economy in the western and southern regions has developed by leaps and bounds, thus giving rise to a large number of new industrial centers and billionaires well-known all over the country. With their powerful economic strength, the agents of the western and southern financial groups have spared no efforts to become the master of the White House, and these groups were once the eastern financial groups' rivals who could not be underestimated. Some American scholars even hold that the power of America is shifting to the western and southern regions.

However, the allegation of "power shifting" is inaccurate. According to the analysis of various data and materials, the western and southern financial groups by and large have to hang onto the coattails of the eastern financial groups, and American political and economic power is still under the control of the latter. There are two reasons. One is that though there are some large financial institutions in the western and southern regions, they are far from being able to control all economic activities in these regions. Take Bank of America as an example. It has large assets and enormous deposits. However, it is mainly engaged in the savings business and has few trust assets. In these two regions, there are no large insurance companies or investment banks as in the eastern region, and trust business is very poor. Thus, the financial institutions there can hardly put the large industrial and commercial enterprises under their control. Very often they run short of capital and have to seek aid from the eastern financial groups. Therefore, they are restricted and controlled by the latter. The other reason is that most of the large industrial and commercial enterprises in the western and southern regions, such as Atlantic Richfield and Boeing, belong to the eastern financial groups. One of the important reasons for the rapid economic development in these regions is that a large number of enterprises owned by the eastern financial groups have increasingly been shifted to these areas. Of the 500 largest American corporations, only 84 corporations' headquarters were located in the western and southern regions in 1970, but they increased to 117 in 1976. From 1970 to 1976, headquarters or main bodies of 450 corporations were moved to Tennessee and 180 transferred into the Houston area. Take Georgia as another example. Some large banks in that state are under the control of the Dupont Group. The two largest enterprises in the state--the Coca-Cola and Lockheed Corporation plants--are attached to the Morgan Group. Since the 1960's, the Rockefeller Group has vigorously infiltrated Georgia. Atlanta, the state's capital, is called "the Southern Rockefeller Center." Therefore, the eastern financial groups still hold a dominant position in the economy of the western and southern regions.

The California Group is currently suffering blows and infiltration from the eastern financial groups. The largest controlling rights of Bank of America, its key enterprise, have been dominated by the Morgan and the First National Citibank groups (which hold respectively 2.88 percent and 2.47 percent of the shares carrying voting rights, thus achieving absolute superiority over the bank while Bank of America itself and the other banks attached to the California Group have acquired only 1.27 percent of the shares). A large number of corporations attached to the group, such as Security Pacific National Bank, Georgia Pacific and Lockheed Aircraft have been in the hands of the eastern financial groups. At present, the major industrial and mining corporations controlled by the California Group are Standard Oil of California, Getty Oil, Western Oil and Litton Industries.

The economic strength of the Texas Financial Group has expanded substantially. Currently, the major financial, industrial and mining corporations controlled by the group are Dallas First National Bank, Dallas Republican National Bank, Houston First National City Bank, Tenneco, International Harvester, LTV, Safeway Shops, and Texas Instruments. It is noteworthy that the assets of the three banks owned by the group mentioned above are growing very rapidly. Along with the expansion of the economy of Texas, the group is becoming a force which can withstand the eastern financial groups.

3. New Characteristics of the Changes and Development of the Monopoly Financial Groups

The growth of productive forces and the intensification of concentration and monopolization have brought the monopoly financial groups not only changes in strength and combination but also some new characteristics.

(1) The Business of the Financial Groups Is Diversified

The concentration of postwar American monopoly capital is accomplished to a great extent through comprehensive mergers. As a result, the management and operation of the financial groups are becoming more and more diversified with each passing day. In a certain long period before and after World War II, the American monopoly groups emphasized certain areas in their management and operations. The Rockefeller Group had the oil industry as its mainstay for a long time; the emphasis of management and operations of the Morgan Group was on the iron and steel industry and the railway; the Mellon Group laid stress on the oil and aluminum industries; the Dupont Group on the chemical industry; and the Chicago Group on trade and professions concerning agriculture. Now the emphasis of the management and operations of the Morgan Group is no longer placed on the iron and steel industry and railways. Since the 1960's, apart from expanding the oil industry, the Morgan Group has had vital interests in such fields as electronics and electric appliances, automobiles, chemical products, conventional and sophisticated weapons, aviation and the domestic retail trade, thus becoming a comprehensive large financial group involving almost all kinds of production.

By using its powerful financial strength after World War II, the Rockefeller Group, which made its family fortune by relying on oil, penetrated rapidly into other economic sectors. At present, its sphere of influence has reached such departments as chemicals, electronics, aviation, ammunition, atomic energy, food and public utilities. The assets of the Dupont Group in automobiles and public utilities have greatly surpassed those of its traditionally run chemical industry.

(2) The Overseas Interests Are Widely Dispersed

It was an allegation in the past that the overseas interests of the Morgan Group seemed to be in Western Europe, while those of the Rockefeller Group were in Asia, Africa and Latin America. However, this allegation is considered to be far from the truth. In seeking cheap raw materials and manpower, the monopoly groups are shifting more and more production and marketing links to foreign countries and their overseas interests are widely dispersed. Viewing the layout of the multinational corporations, the manufacturing industry of the Morgan Financial Group is dispersed mainly over Western Europe, Japan and Southeast Asia, while its oil industries in the Middle East and Africa (the Continental Oil Corporation has in recent years invested considerably in Asia). The overseas interests of First National Citibank are dispersed over Western Europe, Canada, Asia, Africa and Latin America as well as Oceania. There is not much difference between the overseas interests of the Morgan Group. The Rockefeller is also a financial group whose interests are widely dispersed. At present, the Middle East and Latin America are used as its bases for extracting oil, and Western Europe, Latin America, Oceania and Canada are the bases for its oil refineries and the chief market for its oil products. The Rockefeller Financial Group has also invested in the manufacturing industry in Western Europe. Its large manufacturing companies have practically set up subsidiary companies in Europe. In a word, the overseas interests of the major American financial groups are overlapping and crisscrossed. They are all multinational and transregional financial groups.

(3) The Infiltration Within the Financial Groups Has Intensified

The existing American companies have already been carved up. To continue to compete, the monopoly financial groups have no other alternative but to infiltrate into the enterprises of the other party. In recent years, the financial strength of various large financial groups has increased considerably. The capital (the trust assets in particular) which can be allocated is larger than at any time in the past. This enables the financial groups to buy the shares of other enterprises or to provide loans, thus gaining partial controlling rights of the enterprises attached to the other financial groups. With the exception of some companies which are solely run by the financial groups bearing a strong family tint, the great majority of the large American corporations are jointly controlled by more than two financial groups. For instance, IBM traditionally belonged to the Morgan Group, but the Watson family, the boss of the corporation, has intimate connections with the Rockefeller Group and often depends on the financial support of the Chase Manhattan Bank. So the Rockefeller Group has fairly large controlling rights over IBM.

Besides, with the management and operations as well as production being diversified, the emphasis of management and operations and the distribution of interests of the major financial groups are becoming more and more similar and they increasingly overlap. An investigative report issued by the American Senate in June 1978 pointed out that, owing to the emergence of mutual concurrent membership on the board of directors in large numbers, the large American companies were, to varying degrees, related to one another. By analyzing the conditions of 130 large American corporations, the report held that there were a thousand and one links between these companies. Among these, the most outstanding are 13 companies (including Morgan Guaranty Trust Company, First National Citibank, Chase Manhattan Bank and Bank of America). As far as their relations with other companies are concerned, 240 people were directly appointed as concurrent members of the board of directors, and 5,547 were indirectly appointed. This means that under the conditions of fierce competition, financial groups can exchange information and achieve, to a certain extent, coordination in formulating financial and pricing policies at the expense of the interests of the small and medium-sized enterprises. In so doing, the American economy will further develop into higher concentration and monopoly.

The intensification of infiltration among the financial groups has brought about structural changes within the financial groups. The multi-interest groups have emerged in different economic sectors, inner control has become looser, and a unified authoritative guiding center will no longer exist. Therefore, the American monopoly groups are facing a process of disintegration and reorganization.

4. Some Manifestations of Contradictions Among the Monopoly Groups

The intensification of infiltration among the monopoly groups cannot ease the contradictions and competition among them. The manifestations and struggles are somewhat different from those in the past.

At present, except for the traditional contradictions between some of the eastern financial groups and the newly rising western and southern groups, more contradictions exist among transregional and transfinancial groups. The contradictions are reflected in the conflicts within the same departments or among various departments of different financial groups. Three contradictions are as follows:

(1) Contradiction Between the Large Multinational Corporations Which Give Priority to the Overseas Market and the Monopoly Groups Which Stress the Domestic Market:

These multinational corporations include the large-sized oil, automobile, electronics, electric, chemical and food industrial and mining corporations, which are attached to First National Citibank, Rockefeller, Mellon, Chicago and the western and southern financial groups, as well as the commercial and investment banks which provide funds for multinational corporations. On the one hand, they advocate strongly that all restrictions on free trade and direct investments abroad be abolished. In order to make the products of their subsidiary companies abroad enter the American market, they call for reduction of tariffs and the abolition of all restrictions on imported goods. In their domestic economic policy, they stand for the policy of deficit financing and dollar devaluation so as to serve their expansionism. On the other hand, the industrial and mining corporations and local financial institutions--including steel, textile, domestic oil extraction and some small and medium-sized enterprises of the Morgan, Rockefeller, Chicago, Boston and western and southern financial groups--which are unable to expand abroad, have to lay emphasis on the domestic market. They call for the implementation of the policy of protectionism and restrictions on the free circulation of commodities and capital. In their domestic economic policy, they are in favor of the policy of a balanced budget and are against deficit financing.

(2) The Contradictions Between the Regions and Departments Related to the Production of Munitions and the Production of Products for Civilian Use:

Many large corporations of the eastern financial groups, such as General Motors, General Dynamics, Lockheed, Boeing, Goodyear Tire and Rubber, United Technologies, McDonnell Douglas, Raytheon, and Grumman are all well-known large enterprises engaged in the production of munitions. Some western and southern regions also depend on the production of munitions and military services to stimulate their economies. The contradictions between those corporations on the one hand, and the civilian industrial departments which mainly produce consumer goods, the service departments, the public utilities and transportation and communication departments on the other, are reflected in the competition for federal government expenditures. At present, of the expenditures of the American Federal Government, military expenditures and social welfare expenditures are the key items (they constitute over three-fourths of the general financial expenditures). If military expenditures go up, social welfare expenditures will be cut back and vice versa. The chief beneficiaries of military expenditures are the departments of munitions production and the regions involved in the production of munitions. So they call for armaments expansion and war preparations as well as the increase of military expenditures. The funds for social welfare expenditures flow mainly into the consumer market. Therefore, the departments not involved in munitions production of the aforesaid financial groups advocate the expansion of social welfare and oppose any increase of military expenditures.

(3) Contradictions Between Energy Industrial Departments and Nonenergy Industrial Departments:

In recent years, due to the increasing demand for petroleum and the policies of the successive American governments who favor the oil industry, the profits of the oil industrial departments have drastically increased. This has aroused dissatisfaction among the monopoly groups of other industrial departments. On the one hand, large oil corporations have consistently sought the increase of domestic oil prices, the abolition of price controls and the reduction of tariffs. On the other hand, the other industrial departments demand that domestic oil prices should be kept at a low level and tariffs on oil increased, thus restricting the profits of large oil corporations. The second phase of the energy plan put forward by President Carter in July 1979 demanded that taxes on windfall profits should be levied on the large oil corporations. The bosses of the large oil corporations of Exxon, Mobil, Standard Oil of Indiana, Getty and so on, rose in opposition to the plan immediately. On the contrary, the chiefs of General Electric and other industrial enterprises had no objection to it.

The inner contradictions among the monopoly groups have naturally affected both the foreign and domestic policies of the American ruling circles. In recent years, some important events in American political life, such as the resignation of Nixon, the debates on military strategy and policies toward Russia and "the Lance scandal" after Carter took office, and so on, are related to the conflict of interests among the monopoly groups. Owing to the role of the law of uneven development of capitalism, the balance of power of the monopoly groups is bound to change further. Their struggle for maximum profits and the fight for control of the nation's political machinery will increasingly become more acute and complicated with each passing day.

CSO: 4006

SHANGHAI FACTORY GETS BANKS' HELP IN COLLECTING DEBT

Shanghai JIEFANG RIBAO in Chinese 25 Nov 80 p 1

[Article by Wang Jiefa [3769 7132 4099]: "Discipline in Economic Affairs Strictly Enforced by People's Bank Branches in Shanghai and Hegang Assisting the Limin Machinery Plant in Collecting 1.26 Million Yuan Debt"]

[Text] Comrades of the Shanghai branch and the Hegang branch in Heilongjiang Province of the People's Bank fully asserted their role as finance and property committee personnel by firm action in the interest of discipline in economic matters; they actively assisted the Limin Machinery Plant of Shanghai in recovering 1.26 million yuan of outstanding payments and in addition collected a penalty due in this case, thus promoting production and winning the praises of the factory.

In March 1979, the Limin Machinery Plant of Shanghai had signed a supply contract and in fulfillment supplied seven sets of 800 HP adjustable conveyer belts for coal exploitation to a certain unit in Hegang in Heilongjiang Province. The seven sets of machinery were to cost 2.66 million yuan. After their punctual delivery, the Limin Machinery Plant commissioned the People's Bank in Hegang to collect the purchase price as stipulated. Up to the end of December 1979, the said unit made three payments of a total of 1.4 million yuan to the Limin Machinery Plant but defaulted on the balance of 1.26 million yuan.

The Limin Machinery Plant is a small factory with an allotted working capital of only 1.55 million yuan. To ensure reproduction at the factory, it was forced to borrow 1.1 million yuan from the bank. Inspite of many letters, many telegrams and the dispatch of a special emissary to the Hegang unit to urge payment, nothing could be achieved.

After gaining a full understanding of the situation, the Shanghai Branch of the People's Bank, at the beginning of last September, sent someone to Hegang to get in touch with the economic committee and the local branch of the People's Bank to enlist their effective support. The Hegang unit made two excuses for delaying their payments, one was that the quality of the delivered machinery was defective, and the second, that they lacked sufficient capital. The Shanghai People's Bank representative, assisted by the relevant local agencies, investigated the matter and confirmation was obtained that the machinery supplied by Lemin had already been properly installed and had shown no signs of defects. The Hegang People's Bank also found out from the financial records at the local Bureau of Mining that the

Hegang unit in question was not at all short of capital. On the basis of these findings, the Hegang People's Bank became convinced that what had occurred was a violation of the discipline that is to prevail in state financial settlements. To safeguard the just interests of both sides of the purchase contract and to strictly enforce the system of state financial settlements, they exercised the powers vested in them as a financial management agency to order the said unit to pay the outstanding amount of 1.26 million yuan, and furthermore imposed a penalty at the rate of 3 pro mille per day, amounting to 190,000 yuan, according to the relevant regulations of the People's Bank of China Head Office, thus bringing this case of a 501-day delay of payment to a satisfactory conclusion.

8453
CSO: 4006

FINANCE AND BANKING

BRIEFS

URBAN BANK DEPOSITS UP--Beijing, 12 Dec (XINHUA)--China's urban bank deposits reached 27,500 million yuan by the end of November this year, 7,200 million yuan more than at the end of 1979, the People's Bank of China announced today. The deposits average 230 yuan per capita for the 120 million city dwellers, the bank said. Meanwhile, the total volume of retail sales was up 15.8 percent in cities and towns from January to November this year compared with the same period of 1979. The bank said that more than 30 percent of the total deposits are fixed for six-month, one-hear, three-year and five-year periods. Urban savings deposits have increased year by year. A 10.6 per cent increase was registered in 1977 over 1976 while this year's deposits are expected to be 34 per cent more than last year's. Li Shutian, director of the deposit department of the bank said that savings deposits have become the most stable funds in the Chinese bank. [Text] [OW121336 Beijing XINHUA in English 1254 GMT 12 Dec 80]

FINANCIAL THEORISTS VIEW NATIONAL ECONOMY--Kunming, 15 Dec (XINHUA)--China must cut back on capital construction to balance the budget during her ongoing national economic readjustment, a national meeting of financial theorists proposed in Kunming, capital of Yunnan Province, southwest China. Some 200 specialists at the fourth national forum on financial theory attributed China's deficit of the past two years to over-extended capital construction in violation of the basic rules of socialist economy. To change this situation, the maintained, the state must curtail capital construction. They pointed out that, at present, capital construction was virtually out of control because of a lack of coordination between authorities at various levels who had the right to approve capital projects. The economists said the state must draw up unified regulations governing financing of capital construction throughout China. The meeting also discussed financial and tax reforms and relations between the economic infrastructure and distribution systems. [Text] [OW150710 Beijing XINHUA in English 0701 GMT 15 Dec 80]

CSO: 4020

'AFP' REPORTS HONG KONG'S INTEREST IN PRC OIL

OW091113 Hong Kong AFP in English 0916 GMT 9 Dec 80

[By David Lan]

[Text] Hong Kong, 9 Dec (AFP)--Hong Kong is gearing up for the likely oil boom that is shaping up in the South China Sea right on the city's doorsteps.

After a French firm signed with China for drilling in the Tonkin Bay, six American firms did the seismic surveys and 42 international firms tendered for drilling rights off South China, the black gold seems gushing from wells in the mind's eyes of businessmen and government officials alike.

They see two ways in which Hong Kong may contribute to China's development of its offshore oil wealth--by acting as a rear base for support and logistic supplies and by setting up an oil refinery.

The American Chamber of Commerce here has already set up an energy committee to focus on Hong Kong's contribution to the development of energy resources in South China. It is charied by Mr W. Gage McAfee.

Mr McAfee said as a support base, Hong Kong may assist in offshore survey and drilling by flying in equipment, supplies and crew to work boats and providing shore accommodation and, of course, rest and recreation.

This was further boosted enthusiasm first stirred up by earlier reports that China has already struck oil in several [word indistinct] noticeably in the Pearl River estuary, neighbouring Hong Kong.

The powerful Hong Kong and Shanghai Banking Corporation acted through its Merchant Bank subsidiary, Wardley Ltd, has set up a joint venture, Cluff Oil (Hong Kong) Ltd, with London-based Cluff Oil.

Other Hong Kong partners in the venture are said to include Rubus Co Ltd, Inchcape Far East, Ltd, Granill Trust Ltd, John Swire and Sones (Hong Kong) Ltd and shipping magnate Sir Y. K. Pao's Holbrook Investments Ltd.

Nor is the Hong Kong Government far behind. Its advisory committee on (economic) diversification urged the development of a supply base in Hong Kong and promptly appointed London's Pasco Engineering Ltd to study oil exploration support activities for Hong Kong with preliminary reports already handed in.

Fresh from his successful talks with the Guangdong (Provincial) Power Company on the feasibility study of building a nuclear power plant in the province north of Hong Kong, Sir Lawrence Kadoori, chairman of Hong Kong's China Light and Power Company Ltd injected more enthusiasm.

"Hong Kong may well become the logistic base and even refinery centre for China oil," he said.

There are, however, dampers to Hong Kong's hopes. Sir Lawrence said himself that China is now planning oil support bases near Hainan Island and elsewhere in which foreign firms are likely to be involved.

Mr McAfee also said his committee members would like to visit some potential support bases in South China, including a base in Zhanjiang near Hainan Island, Shehou in South China across Deep Bay from north of Hong King [as received] and Shenzhen, just across the border from Hong Kong.

Observers here believed that it was in China's own interests to refine its own crude oil before exporting it so as to maximize its earnings of foreign exchange.

The same reasoning went for support bases inside China who would earn more foreign exchange rather than spending it at bases in Hong Kong.

Positive and optimistic, Mr Michael Morrow, publisher of Hong Kong's petroleum news magazine, gave three reasons for Hong Kong's role in China's development of offshore oil:

First, its efficient infrastructure of international communications and transport, second, its facilities of comfortable accommodation, and recreation and schools for oil executives and their families and, third, its entrepreneurial talents, technical skills and financial capability.

His argument finally boiled down to one word--efficiency. "Oil exploration is highly specialized and incredibly expensive, with the rig rental alone running at 40,000 U.S. dollars a day and logistics support must be maintained on 24-hour basis and any in efficiency would be very costly."

According to him, the oil fever is spreading there, following positive efforts of foreign oil firms in the South China Sea.

Total, the drilling arm of Compagnie Francaise de Petroles, which has signed with China for a 10,000-square-kilometer field in the Tonkin Bay should start drilling this month and big U.S. oil firms (Amoco, Arno, Exxon, Phillips, Standard of California and Texaco) have made seismic surveys in 1979-80 [words indistinct]. Total Chine, S.A. has already set up an office in Hong Kong and has taken 30 luxury partments in the Newrodl complex as the first indication of the move to Hong Kong by foreign firms, he added.
CSO: 4020

ENERGY

BRIEFS

YU QIULI ON OIL SHORTFALL--Beijing, 5 Dec (KYODO)--China will be unable to meet its oil production target of 106 million tons next year, Vice Premier Yu Qiuli said Thursday. Yu made this disclosure in a meeting with Japanese Minister of International Trade and Industry Rokusuke Tanaka, Japanese Government sources said. China has already made it known that it cannot increase oil output until 1987, but this is the first time China has said it will cut production next year. [Text] [OW050045 Tokyo KYODO in English 0034 GMT 5 Dec 80]

CSO: 4020

MINERAL RESOURCES

GOLD, COPPER-NICKEL, CHROMIUM FOUND IN XINJIANG

Beijing GUANGMING RIBAO in Chinese 13 Oct 80 p 2

[Article: "Mineral Resources of Gold, Copper-Nickel, Chromium Verified and Found in Xinjiang"]

[Text] Our reporter Huang Dongyuan [7806 0392 0337] reports: The Geological Bureau of Xinjiang Uighur Autonomous Region, based on available forces and conditions, has shortened the front line of geological prospecting and concentrated forces on prospecting for mineral resources urgently needed by the state and occupying a predominant position in Xinjiang. In the first 9 months of this year, they verified and discovered mineral resources of gold, copper-nickel and chromium. The field geological prospecting tasks assigned by the state have either been fulfilled or have nearly been fulfilled.

In recent years, the Geological Bureau has sent geological personnel to find gold ores but in the geological prospecting work there was never a breakthrough. This time the 7th geological brigade with stronger technical forces was assigned to the job. During April and May they found outcrops of large gold ores. Accordingly, the 5th geological brigade and part of the 1st geological brigade were sent to step up prospecting there. Soon they found several tens of outcrops of quartz containing gold and initially verified several medium gold ore areas. This opened up great prospects of ore finds and filled the gap of gold ore reserves in Xinjiang. The industrial departments concerned have started extraction work there. In June and July of this year, the 4th geological prospecting brigade discovered rich copper-nickel ore areas with good prospects in the Altai Mountain area. From an ore deposit already verified it is inferred that the prospective reserves of copper and nickel are up to the scope of medium and large ore deposits. The average grades of copper and nickel contained in rich ore layers are respectively up to 4.9 percent and 4 percent. Further, the geological workers of this Geological Bureau have verified chromium ores which form a compact whole with the chromium ores previously found in Tuoli County, forming large chromium ore groups with more than 1 million ton reserves.

So far, the Xinjiang Geological Bureau, having cut down general survey items and shortened the front line, has saved prospecting expenses by more than 700,000 yuan compared with the corresponding period of last year.

9780
CSO: 4006

BEIJING MEETING DISCUSSES CONSTRUCTION, DEVELOPMENT OF CAPITAL

OW280754 Beijing XINHUA in English 0729 GMT 28 Nov 80

[Text] Beijing, 28 Nov (XINHUA)--Beijing's development should be based on regional planning that includes Hebei Province, Tianjin and Tangshan, in the view of engineer Wang Huabin, vice president of the Chinese Architectural Society.

"While making Beijing's municipal construction plans," Wang Huabin said, "the whole region around Beijing should be taken into consideration."

He made the proposal at the end of a three-day discussion among scientists, scholars and professors on a draft construction program for the chinese capital. The meeting started November 24.

Participants discussed a draft plan for Beijing, which emphasizes scientific, cultural and educational undertakings. Under this plan, the city will not develop noisy and polluting industries, and heavy industry will be kept at the present level. The old city will be reconstructed step by step, the layout or near suburbs will be readjusted and greater efforts will be made to develop the further suburbs. The program envisions that by 2000, the city's population, now eight million, will be stabilized at around 10 million.

Seventy-five experts in city planning, communications, geology, water suppy, energy, systems engineering, geography, landscaping, environmental protection, economy, population and protection of historical relics participated in the meeting and raised proposals.

The experts also moved to promulgate a law on municipal construction to ensure that a final plan is strictly implemented.

Zheng Xiaoxie, chief engineer of the State Administration of Urban Construction, called for efforts to preserve characteristics of Beijing as an ancient capital.

Zhang Kaiji, chief engineer of the Beijing Municipal Construction Designing Institute, and Zhu Zixuan, associate professor Qinghua University, held that the old city's symetrical pattern with the building complex of the forbidden city (now the palace museum) as the central axis should be maintained, and appealed for careful protection of historical relics.

This is the second wave of discussions on the reconstruction of Beijing. The first one took place right after the secretariat of the Central Committee of the Chinese Communist Party laid down guidelines for Beijing's municipal construction in early May.

The draft program will be further revised according to proposals made at the discussion, and the revised version will be submitted for further discussion and finalized some time next year.

CSO: 4020

NATIONAL MEETING ON HOUSING HELD IN FUZHOU

OW161230 Beijing XINHUA in English 1212 GMT 16 Dec 80

[Text] Fuzhou, 16 Dec (XINHUA)--A housing credit plan run by the Guangzhou (Canton) Sewing Machine Factory has been cited at a national meeting as an example of what can be done to ease China's acute housing shortage.

Housing officials were told at the meeting in Fuzhou, capital of Fujian Province, that the factory credit plan has provided housing loans totalling 55,000 yuan for 80 families since last November.

Workers pay monthly instalments to the fund administered by the factory management and are entitled to borrow up to 2,000 yuan each.

The Fuzhou meeting agreed to urge factories throughout China to follow the example of the leaders of the Guangzhou Sewing Machine Facotry who used money from the company's welfare fund to get the housing scheme started.

The ban on private house building, imposed throughout China in the late 50's was lifted in Fuzhou in June last year, setting the pace for the whole country.

The Fuzhou meeting was told that families in 110 Chinese cities and towns had contributed to the national housing drive in the past two years, by building housing with a total floor space of 3.3 million square meters. Roughly in the same period, government builders completed apartments with a floor space or 90 million square meters and work is underway on another 80 million square meters.

In Nanyang City, Henan Province, 500 families have built homes on three sites requisitioned for the purpose by the municipal government. The houses are built on a plan supplied by the city construction bureau, and the municipality has undertaken to build shops and service facilities on the estates.

In other cities, local governments have supplied private householders with building materials and transport.

As yet, no private building is being done in the capital, Beijing, but officials of Beijing's trade union council said today that factories and other major work units had built housing for their workers with a total floor area of 1.08 million square meters by the end of September this year. A few days ago, Beijing Municipal Government announced it had completed 42,000 apartments as far this year and expected to build a total of 60,000 by year's end.

CSO: 4020

BEIJING CAPITAL CONSTRUCTION TO BE KEPT WITHIN RESOURCES LIMIT

Beijing BEIJING RIBAO in Chinese 26 Oct 80 pp 1, 4

[Article: "Capital Construction in the Capital Must Be Kept Within the Limit of Resources"]

[Text] In the course of readjusting the national economy, while the whole country is cutting down the scale of construction, capital construction in Beijing is increasing at an unprecedented rate. More and more large-scale, high-standard, and demanding construction projects are being put forward. Municipal building tasks for 1980 have already reached 20.35 million square meters. According to preliminary estimates by the responsible department, the total next year will exceed 30 million square meters. At the time Beijing was liberated in 1949, the total floor space of all houses in the city proper and suburbs did not exceed 20 million square meters. Under no circumstances is it possible to build one and a half times the number of houses in old Beijing in 1 or 2 years.

The key to undertaking capital construction according to resources lies in honestly "estimating our resources." It is essential to have a correct idea of how great our "resources" really are. We must proceed realistically in arranging the scale of construction. The present large-scale capital construction tasks far exceed the practical capabilities of Beijing urban construction and are running into contradictions difficult to resolve. The main reasons are:

1. It is very difficult to arrange for land for construction purposes.

Beijing city is already very large. Within the 750 square kilometers from Shijingshan in the west to Dingfuzhuang in the east, and from Qinghe in the north to Nanyuan in the south, except the districts already built, the rural houses, ditches, roads that have to be kept, the farmland and vegetable plots that must be kept, the railroads, highways and traffic yards and stations that must be built, the rivers and lakes to be dredged and the public parks and green areas to be expanded, remaining land available for building houses is less than 40 square kilometers. This area of less than 40 square kilometers is already insufficient to accommodate the cultural, sports, and health facilities, as well as the commercial and badly needed services, and other such everyday facilities which will be needed by newly constructed housing, so there is simply no surplus land available for building other new construction projects.

Even if it is handled this way, the density of housing construction will still be very high and the area of farmland, vegetable plots and green areas to be kept will obviously be too small. Further, it will be very difficult to arrange livelihoods for those peasants whose land has been taken over by the state. Under the circumstances, it is already very difficult to take over farmland for housing construction.

Yet, the constructive projects various parties want to be built in Beijing are ever on the increase. They want about 80 percent of these projects to be built in the urban districts, and, for various reasons, they refuse to build them in other localities. If arrangements are made for these projects, inevitably they will take up the land to be used for building residences, commercial, cultural, educational and health facilities and public utility facilities to redress the imbalance between "the bone" and "the flesh," inevitably take up the urban greenery belts, high-yield farmland and vegetable plots that must be kept. The central area of the city and some 10 industrial areas in the periphery will soon form an "airtight" whole and the layout of community-style urban districts will be upset. It will adversely affect planned construction of residential housing with necessary domestic facilities and aggravate the contradiction concerning the supply of vegetables to the city. Nor will it meet the war preparation and antiseismic requirements.

2. Municipal public utilities are falling further and further behind.

Beijing public utilities including urban roads, water, heating power, public traffic and telecommunications and electric supply are increasingly strained. Some public utility services are far behind what is needed and others have all along been operating at overload volume. For example, urban water sources are inadequate. The volume of surface water and ground water that can be opened up is not enough to meet the needs of industrial and agricultural production and domestic needs. With ground water excessively tapped to meet needs, the water table has sharply fallen at the rate of half to one meter a year, and some wells are already dry. The sewage daily produced in the city has in the main been drained without treatment into rivers and ditches and in some districts there are no sewage conduits at all. The increase of urban roads is far behind the increase of vehicles and the roads are increasingly congested.

Owing to lack of municipal public utilities, many houses already built cannot be put to use, causing a great waste. Although the state has increased allocation of special investments and materials in recent years, owing to sharp increase in housing construction, the municipal public utilities are unable to meet the needs of the houses completed each year. Not only do we have shortages from the past, there are now new shortages as well.

3. Far exceeding the limit of manpower and material resources.

Capital construction contingents in Beijing District have nearly 300,000 staff and workers. The 4.66 million square meters floor space completed under the 1979 capital construction plan was the peak level reached so far. Considering the increase of medium, large and high-standards projects, the increase of investments and the increase of the amount of labor for construction tasks, from now on the floor space of the projects completed each year will not show much increase, if any. Apart from this, we must discontinue the practice of transferring construction contingents from other areas to Beijing. The reasons are that before their transfer to Beijing the problem of their working and living arrangements must be solved, and that for several years to come they will not be able to work independently. At the same time their transfer to Beijing will increase the population of the capital. To recruit large numbers of unemployed youths in the municipality to swell the ranks of construction contingents is the normal way of replacing and reinforcing the contingents of construction workers in this municipality. But it will be necessary to go through a process of building a rear base, including job training and construction of structural parts plants and processing plants. No buildings can be erected simply by relying on huge crowds of people and adopting a "human wave strategy." To be sure, the construction units should do everything possible to tap their potential and increase their labor productivity and rate of projects completed.

At present, the overall supply of local building materials may roughly satisfy the needs of 5 million square meters of general building projects to be completed a year but do not meet the needs of tall buildings and high-standard construction projects.

Such is the present state of urban construction in Beijing. This suffices to show that urban construction in Beijing is confronted with a serious problem of readjustment. If construction tasks are arranged beyond the practical limit, the consequences will be quite serious: 1. The planned layout of urban districts will be upset and the urban district will grow larger and larger. We shall follow the same disastrous road of lopsided development witnessed in certain capitalist cities. 2. It will be impossible to fulfill such enormous construction tasks. To concentrate the extremely valuable and limited capital construction investments of the state in Beijing will adversely affect the great cause of national construction. 3. Even if some houses are completed, they cannot be put to use for want of public utilities, thus causing great waste. 4. The capital construction front will be further stretched, so much so that none of the construction projects can be completed and they are simply left there to fight a war of attrition. 5. Attempt and efforts to readjust the great imbalance between various aspects of urban construction are bound to come to nothing. In short, it will work against the implementation of the central secretariat's directive on the policy of capital construction in the capital. It is now time to make up our minds to exercise strict control over the scale of construction in the capital.

It is understood that with a view to solving this problem properly and gradually, the relevant departments of Beijing Municipality have conducted surveys and studies and have on many occasions put forward measures and proposals that should be adopted. But whether these measures and proposals can be implemented with success will depend on resolving three problems.

First, it is necessary to follow the correct ideological line, make a clean sweep of the influence of the ultraleft line and adopt an overall point of view. For a long time, under the ideological influence of "left" deviation the work of capital construction showed one great defect, that is, confining one's view to needs, disregarding possibilities, craving for greatness and success, and being overanxious for quick results; seeking high targets and high speed according to one's subjective will and disregarding objective conditions. It seemed that only those making such an approach were Marxist-Leninists and promoters of progress and that those who proposed realistic targets and speed were criticized as opportunists, right deviationists and promoters of "retrogression," and as one's lacking in revolutionary drive. It is this idea of making rash advances in the face of objective reality that has caused our people to endure untold sufferings. Further, some comrades always laid stress on the needs of their departments and units. "In your case, it is necessary to keep within the limit of resources; in ours, it is necessary to consider our needs." And so forth. In the final analysis, it is a matter of departmental selfishness--confining one's view to the part and overlooking the whole. They pay lip service to the "eight-character policy" of readjusting the national economy; actually, they oppose it. Without solving these ideological problems the policy of keeping within the limit of resources cannot be implemented.

Second, there should be comprehensive planning and capital construction departments that do have authority and respect science. There are comprehensive departments in charge of planning and capital construction both at the center and in localities. But why do they fail to guard the pass and bring their due part into play? While the reasons are many-sided, an important one is that some leading comrades do not approve requests or decide on projects according to capital construction procedures. Proceeding from their own needs, some construction units neither get together experts from the relevant sides to conduct exploration and study of possibilities, nor achieve overall balance through the comprehensive departments. While objectively they have not acquired conditions for capital construction, they send reports directly to their highest leading body responsible for the work. And some leaders often give more consideration to the needs of the side under their charge and less condition to objective possibilities. They simply draw a circle and make the final decision. Under such circumstances the comprehensive department finds it hard to bring up the matter even if they have objections. There are also comrades who see the impossibility but dare not offend others. They do not uphold principle, and they rush things through by drawing a circle and okaying proposals, contending to be nice to everybody. There are some leaders who are fond of having what they say be the final word, and they lose their temper and reprimand those who hold differing views. How can there be overall balance under such circumstances? How can there be planned, proportionate development? Things go to such an extent that the subordinates can neither stand up against decisions, nor accomplish their tasks, thus placing themselves in a passive position in their work. In April 1978, the State Council set up a leadership group for urban construction in the capital. Its main task is to exercise strict control over the urban development scale in the capital and to examine and revise comprehensive construction plans for the Beijing district. We hope this leadership group will be able to bring their role into full play and, on the principle of keeping within the limit of resources, examine and revise projects and achieve an overall balance. At the same time, we call upon the relevant sides to give this leadership group strong support in exercising their functions and power conferred by the State Council.

Third, it is necessary to pay close attention to the legislation relevant to urban construction and administration, to manifest socialist democracy and to strengthen mass supervision. Urban construction is an important part of national economic development. In strengthening economic legislation we should place the legislative work relevant to urban construction and administration in an important position and proceed with thorough investigation and research. At the same time, we must insure that "laws are abided by, strictly enforced, and violations are punished." We must uphold the dignity of law. Under mass supervision, things must be done strictly according to capital construction procedures and the relevant laws and decrees, and no one may approve requests and projects without authority. In the case of construction projects that have produced serious consequences as a result of violating state laws and provisions, the administrative and legal responsibility of those who originally submitted reports and gave approval should be investigated and affixed.

9780
CSO: 4006

BRIEFS

ENTERPRISES EXPANDING CONTRACTS--Shanghai, 24 Nov (XINHUA)--A number of research units in applied science in Shanghai now have direct contacts with factories in many areas and trades since more enterprises manage their own financial affairs at present. The Shanghai Organic Flouride Research Institute has signed a number of contracts with factories making plastic products in Shanghai and Jiangsu and Zhejiang provinces. The institute provides new samples of flouride materials, processing technology and technical services. Both share the profits. The Shanghai Leather Industry Research Institute has given some factories run by neighbourhood communities and communes technical instructions for running a pilot workshop. The institute receives products in return for payment of production costs. One Shanghai electronic institute could not do intermediate experiments in making new products. A factory was put under its administration this year and now it can solve the problem. [Text] [OW241228 Beijing XINHUA in English 1209 GMT 24 Nov 80]

CSO: 4020

FOREIGN TRADE

BRIEFS

1981 FOREIGN TRADE FAIRS ANNOUNCED--Beijing, 7 Dec (XINHUA)--Chinese import and export corporations plan to sponsor 24 specialized export commodities mini-fairs in ten cities next year, a spokesman of the Ministry of Foreign Trade said today. Some fairs will feature textiles, from ctoon cloth to synthetics, woolens and silks, as well as ready-made garments. Others will have down products; fur-lined and leather garments, carpets, medicinal herbs and dried fruits and nuts. Others will feature stationery, sports goods, musical instruments, household electrical appliances, building materials and cloth shoes. Others will have chemicals and medicine. There have been 28 such mini-fairs so far this year, and the total volume of their business transactions was double that for similar fairs of 1979. [Text] [OW070840 Beijing XINHUA in English 0813 GMT 7 Dec 80]

CSO: 4020

BEIJING EXPERIENCING FEWER TRAFFIC ACCIDENTS

OW151220 Beijing XINHUA in English 1208 GMT 15 Dec 80

[Text] Beijing, 15 Dec (XINHUA)--The number of traffic accidents in Beijing has dropped this year, although traffic volume increased 10 to 20 percent, according to the traffic division of the Beijing Public Security Bureau today.

There were 9,436 accidents from January 1 to the end of November, 8.4 percent less than in the same period last year, and the number of deaths--460--showed a 12.2 percent decline.

November's figures were the highest for the whole 11 months, with 976 accidents involving 59 deaths and 720 people hurt, said Zhao Jiaying, head of the traffic division. He said 17 of those killed were peasants, visiting from the countryside, and school children represented 64.4 percent of the death toll, he said.

Zhao Jiaying complained that some drivers and cyclists do not obey regulations and are driving too fast, while some pedestrians, especially school children, do not have proper road sense.

Surprisingly, said Zhao Jiaying, the snow which fell in Beijing on December 10 caused only 22 traffic accidents the next day, with 11 injuries and one death, as against 30 accidents on a normal day. Zhao Jiaying explained that the security bureau sent out an extra 700 policemen to clear away the snow and spread cinders and sand and to control traffic on major roads and junctions. Drivers were also more cautious, he said.

Beijing now has 160,000 motor vehicles and 2.81 million bicycles.

The city has widened some major streets to improve traffic flow and introduced bicycle lanes on busy thoroughfares.

Beijing municipal authorities called two meetings recently, to discuss traffic management and called on 250 work units to stagger work-hours so as to relieve rush hour congestion. Now that winter has set in, all the city's 2,900 buses are packed at peak periods.

CSO: 4020

FAKING OF BRAND NAME GOODS CRITICIZED

OW071047 Beijing XINHUA Domestic Service in Chinese 0309 GMT 6 Dec 80

[Letter from XINHUA correspondent Shi Baohua: "The Evil Practice of Faking Brand Name Products Must Be Stopped"]

[Excerpts] Beijing, 6 Dec (XINHUA)--Recently, fake brand name products have been found, one after another, in the markets in some places. In Anyang Prefecture, Henan, 11 grassroots level supply and marketing cooperatives in six countries have sold fake Feige-brand bicycles. The fake products are of very poor quality. Some of the bicycles have no ball bearings for the revolving parts, but use wire washers instead. Some have no inner tubes, but fill tires with straw ropes. Many of the bicycles are basically unfit for use. It is known that the fake Feige-brand bicycles are made by some commune and brigade farm machinery plants or even individuals in Xingtai Prefecture, Hebei Province. Nearly 1,000 of these bicycles have been found in Anyang Prefecture, Henan, causing great losses to the masses.

It should be noted that the evil practice of making and selling fake goods is occuring in quite a number of places. According to the findings by concerned departments, at present no less than several dozen fake brand name products have already been found, such as Yongjiu-brand bicycles, Haiou-brand wristwatches, Three-Five-brand clocks [Mu Zhong 2606 6988] and many kinds of brand-name cigarettes, wines, drugs and articles of everyday use.

Concerned departments and the broad masses strongly call for resolute measures to halt the practice of seeking exorbitant profits by fraud or any means at the expense of the masses. To check this evil trend, it is imperative to strengthen socialist rule of law in the economic field. Industry and commerce administrative departments must strengthen market and trademark supervision. Enterprises and individuals that make and sell fake goods should be tracked down and disciplined and, in serious cases, punished according to law. It is necessary to quickly establish and perfect laws and systems for trademark administration and to strictly implement the system of trademark registration and the exclusive use of specific brand names by specific factories. Enterprises and individuals who illegally use trademarks must be seriously dealt with. Industrial enterprises must also strengthen management of packing materials and trademarks. Defective, discarded and outdated trademarks and packing materials must be promptly destroyed under supervision to prevent them from being stolen and sold or used without permission.

CSO: 4006

GENERAL

BRIEFS

SHANDONG SILK COMPANY--Shandong Province recently decided to reform the system on the management of concoons and silk production and marketing. Silk companies will be established in Yantai, Changwei, Linyi and Jining prefectures and Zibo Municipality. Silk administrative offices will be established in Huimin, Liaocheng, Heze, Dezhou and Taian prefectures. County silk companies will be established in 24 counties throughout the province. These silk companies and offices will open business in January 1981 and will engage in cocoon and silk production and marketing. [SK282250 Jinan Shandong Provincial Service in Mandarin 2300 GMT 26 Nov 80]

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END

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China Report

ECONOMIC AFFAIRS

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14 January 1981

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NATIONAL POLICY AND ISSUES

PROMISING FUTURE FOR INTEGRATED ENTERPRISES ENVISAGED

Beijing JINGJI GUANLI in Chinese No 11, 15 Nov 80 pp 29-32

[Article by Qiu Weigang [6726 4850 4854] of First Ministry of Machine Building: "A Beneficial Attempt--Competition as an Impetus to Integration as Viewed from the National Machinery and Power Products Trade Fair"]

[Text] The National Machinery and Power Products Trade Fair was held in Changsha from 10 to 30 August 1980.

The Trade Fair was guided by the principle of "bringing into play the strong points, protecting competition and promoting integration." It brought production and demand into direct contact with each other; reduced the intermediary links; enabled the consumers to select their purchases on a national scale; helped the enterprises develop their horizontal contacts in the form of direct contractual obligations; and legalized these contracts by incorporating them into state plans. More than 100,000 contracts were signed at the fair and the total volume of transactions reached 2.3 billion yuan. Seventy-four percent of these transactions were in the form of direct sales to consumer units, and 26 percent were sold to sales agencies. Of the contracts signed, 15 percent are binding in the current year while 85 percent concern obligations in 1981. Since the fair offered the choice of varieties. qualities, delivery dates, prices, technical services and so forth, the purchasing units were greatly impressed by its "simple procedures, convenience to consumers, and satisfactory solution of problems." For 3 years, the Jingba Sugar Refinery in Longchuan County of Dehong Prefecture in the frontier region of Yunnan Province had unsuccessfully tried to obtain a one-thousandth precision weighing scale produced in Shanghai. Now, the problem was solved within half an hour. The Light Industry Bureau of Tongling County, Anhui Province, ordered at the fair one "Liberation" car, several dozens of cameras and some refrigerators. Its representative said excitedly: "We welcome this trade fair, because the consumers can directly purchase what they choose."

Nationwide Competition in the Machinery and Power Trade

The trade fair smashed the old conventions of state monopoly for the purchase and marketing of private products and of unified distribution, and broke through the regional and departmental blockades. It has faithfully implemented the principle of buying the best choice and launched a nationwide competition in the machinery and power trade. Because of the fine quality of its goods, the First Machinery

Tool Plant of Shenyang sold 344 sets of CA6140 and C620 lathes within 3 hours on the first day of the fair, although many other plants producing the same products all over the country could sell only a few. Thus fine quality counts heavily in competition. Brand-name products of well-known plants won high prestige among the consumers, while goods of inferior quality could not be competitive and therefore were difficult to sell. The comrades from Anhui felt rather uncomfortable at the thought of the orders, totalling 5 million yuan in value, being placed by the Maanshan Iron and Steel Company, and the orders totalling 600,000 yuan being placed by the Provincial Electronic Bureau with other provinces. From this, they learned that unless their own products could really stand the test, they were in no position to compete with others. Some of their own products were not bad at all according to their own provincial or municipal standards; but compared with the national products, they could no longer be competitive. As some comrades from Sichuan said, sales of electric wires and electric cables at a trade fair held in Sichuan Province were quite brisk, and they felt that the quality of their products were not bad at all. "When there are no tigers in the mountain, monkeys call themselves kings," as the old saying goes. At the National Trade Fair, however, the "kings" have again become "monkeys," because of their very poor sales. Even though their products might be competitive, the plants and regions doing good business still could not afford to be complacent in view of the fierce competition. Shanghai had always been in the lead because of the fine quality of its goods and the large number of brand-name products. However, the quality of its bulldozers did not compare favorably with that of Xuanhua Engineering Machinery Plant. Even though Shanghai's price was 10,000 yuan lower, its sales were still poor. This experience gave the Shanghai comrades much food for thought and now they know that complacency and over-reliance on brand-name products would retard their progress. The comrades of Hangzhou Machine Tool Plant said that they were greatly moved at the sight of the comrades of other plants holding pamphlets in hand and trying hard to attract customers by shouting and sweating. This was a warning signal for them: If they did not continue their efforts to bring their products to perfection, they would also have a hard time selling their products.

Aside from the question of quality, competitions also arose over the question of varieties, prices, delivery dates, technical services, and so forth. The poor service of a certain plant in Liaoning had been the cause of complaints from many customers. This time, this plant sold only some 6,000 pieces, while some 600 million pieces of similar products from Shanghai were sold.

Competition provides good education for the producing enterprises by improving their business mentality. Many plant directors, machinery bureau chiefs, engineers, technicians and even workshop chiefs now join the clerks behind counters so that they could personally observe the importance of good services. Shanghai, Jiangsu and other provinces and municipalities are now deploying their forces in three different directions: to carry out transactions in the exhibition halls; to call on customers; and to conduct social investigations in the market. Deputy Director Yang of Nanjing Micro-electric Machinery Plant led his team to visit more than 70 customers in meetings or outside meetings, day and night, and thus strengthened their ties with the old customers besides getting 14 new ones. Some 1,500 sets of machines totalling more than 1.2 million yuan in value were sold. This sale was second only to that of the Shanghai Micro-Electric Machinery Plant. Many factory representatives pledged that after their return, they would build a sales force which should be technically competent and have good market experiences.

Competition has opened people's eyes and enterprises are now mindful of their competitors. Therefore, they feel the need to know more about their competitors, to collect more economic information and technical data on products, to learn from the advanced units, to discover the discrepancies and to work out the strategy suitable for the condiitons of competition.

Trade Fair, According to Its Nature, Is a Component of Unified Social Market

With the entry of capital goods into circulation as commodities, the unified socialist market handles not only consumer goods but also the means of production. From this trade fair, we can see that as a component of the unified socialist market, the machinery and power products market has the following features:

1. The nature of commodity. The trade fair is a good medium for exchanging commodities according to the law of value.

When supply and demand are brought face to face and the specifications of products are accurately met, the customer's requirements can be fully met and the relationship between supply and demand is one of eqaulity and mutual benefits on a voluntary basis.

Controlled price fluctuations are permitted.

The links of circulation and the circulation expenses are reduced, and the time of circulation is shortened. Therefore, good economic effects can be obtained in the process of circulation.

Circulation should guarantee the smooth progress of expanded reproduction and should be advantageous to production development. A close horizontal relationship between production and demand will provide such a guarantee. Gone are the days when there was on the one hand serious stagnation of goods and, on the other hand, difficulty to buy anything. The situation in the past would obstruct the progress of reproduction and seriously hamper the development of productive forces.

2. The nature of planning. The trade fair's function in planning is shown by the fact that transactions between supply and demand were carried out according to plans. As a matter of principle, the results of these transactions and the contracts signed were all included in the state plan. Furthermore, the transactions themselves were controlled and guided with due regard for some important requirements according to relevent principles and policies. Therefore, it can be said that the trade fair's activities were helpful in bringing about an overall balance in the national economy according to the laws of planned and proportionate development.

3. Variety. Machinery and power products are of many varieties with different technical characteristics and directions of operation. Therefore, the circulation of machinery and power products should take a variety of forms. In some cases, retail departments or commission agencies can be established; in other cases, trans-provincial/municipal integrated sales organizations can be formed; and in still other cases, the products can be consigned to material or commercial departments to be sold on a commission basis. Trade fairs are one of the many forms of circulation, and a very important one too. However, they should not function exclusively.

4. Unification. For a unified socialist market, there should not be any feudal separatist tendency as suggested by the regional or departmental blockades. The National Machinery and Power Products Trade Fair has begun to break through these blockades (though its impact on the departmental blockades is not so powerful). Thus the trade fair played a useful role in promoting the formation of a unified market for materials produced in the whole country.

Trade Fair Prompted the Reorganization of the Machinery Industry While Competition Promotes Integration

Through competition, the trade fair has prompted the reorganization and integration of the machinery industry. This is a good way of economic administration according to the objective economic laws and with economic methods. The trade fair helped many enterprises and departments in charge to give conscientious thoughts to their immediate economic benefits and then to the question of their survival and future development. As some comrades aptly put it: "In the past, readjustments were carried out by administrative orders which the enterprises were unwilling to accept. They even showed their resentment and voiced their complaints. Since they lost the competition in the trade fair and failed to do much business and are forced to carry out readjustments and with a firm resolve, they are now thoroughly convinced." Every enterprise has learned a real lesson in this trade fair, and because of the great importance attached to readjustment, very good sings have emerged:

First, readjustment of the orientation of service in the machinery industry. Many plants have taken advantage of their own strong points and are actively serving the light and textile industries in technical transformation, in serving agriculture, and in continually opening new markets. Nanjing Machine Tool Plant has designed the N-035 and N-036 special automatic lathes for a bicycle plant. These products were warmly welcomed. Before the trade fair opened, an order had already been placed for 80 sets of these lathes. At the trade fair, orders for another 150 sets were signed. Nanjing Machine Tool Plant has imporved a vertical cutter of Model CG1107. Later at the fair, an order for 200 such cutters was received.

Secondly, competition promotes integration. In the trade fair, there were frequent discussions on the question of integration among various enterprises. Some of them have already reached preliminary agreements, and others have planned to discuss further after the fair.

Integration for the sake of raising the level of complete sets of equipment. The supply of complete sets of machinery and power equipment is only consistent with the orientation of machinery industrial development. To be more competitive, the enterprises earnestly hoped to organize the supply of complete sets through their integration in order to satisfy the needs of the customers. Xian Power Machinery Manufacturing Company is now vigorously developing complete sets of power transmission and transformation equipment, but on two occasions in the past, this company had to purchase what it needed from outside. In the trade fair, its representatives conducted many discussions on this subject with the representatives of Changcheng Electric Appliance Company and Xuchang Electric Appliance Plant of Gansu, and the Kunming Electric Wire Plant in order to bring about closer cooperation in the production of complete sets of equipment.

Integration for the sake of expanding export. Exporting machinery and power products is an important strategic task. Mindong Electric Machinery Plant and Xiangtan Electric Machinery Plant have already begun discussions on integration.

Integration for the sake of making up products in short supply. Formerly, the usual way to make up for goods in short supply was to increase investment and equipment. Now the way is integration which will enable each member enterprise to bring into play its strong points for improving the products. Nanjing motor tricycle was one of the products in short supply. The Nanjing Municipal Machinery Bureau invited three plants to discuss the question of integration, and, as a result, they received at the trade fair an order for 3,000 motor tricycles.

Integration between coastal and remote areas and between old plants and those newly moved is taking place inland. Although the quality of products produced by factories in remote areas or the factories which have newly moved into the interior may be good, their business cannot be satisfactory because of their location. To improve their business by developing their strong points and avoiding their weaknesses, they held talks with the coastal area plants and old plants about forming joint undertakings. For example, the Third Machine Tool Plant of Xinjiang produced fairly good shapers, but had poor sales. On the other hand, Hundong Machinery Tool Plant of Shanghai had brisk sales of their shapers, but its productive capacity was limited. These two plants then began talks about a joint undertaking. The products of Yongan Electric Machinery Plant, which had newly moved from Shanghai to Guizhou, was quite good, but the sales were limited. At the time of the trade fair, Shanghai Electric Machinery Company approached this company too on forming some joint undertaking.

There were nine trans-provincial/municipal integrated sales organizations formed before the trade fair was held, and these organizations further developed their strong points in the fair. They established the system of unified acceptance of orders, and some of them arranged for income orders to be handled collectively and outgoing orders to be handled separately. This type of joint undertaking can better publicize their products, more effectively ascertain market demands, more efficiently serve their customers and offer better after-sale technical services.

The Trade Fair Has Posed New Tasks and Explored New Avenues For Economic Restructuring

As an important form of circulation, the trade fair naturally affected the systems of various quarters and pose many new tasks.

First, the trade fair smashed the old material control system and provided the orientation for a new system.

In the past, the system of material control called for state monopoly for the purchase and marketing of the products of private enterprises and unified distribution. Under this system, the enterprises of porduction need not be concerned with social demands and had only to produce by following the "plan" blindly, resulting in serious stockpiling. On the other hand, the consumer had to wait many years for something they needed, and then discovered that what they finally got was unfit for their use. This trade fair attracted some 180 types of heavy machinery and power products from all over the country into the market and brought supply and demand face to face so that people could freely choose what they wanted. The consumers were fully satisfied with the quality, varieties, specifications, delivery dates and prices of the products. A consumer in Yantai Municipality needed 9 kilometers of electric cable for delivery in September. Qingdao Electric Wire Plant guaranteed the delivery of the required quantity at the required date, and the consumer was fully satisfied. In the past, orders for 3 x 185 electric cable and 14 x 1.5 armored cable must be for a minimum of 200 meters. In the trade fair, some consumer wanted only 20 and 50 meters respectively, and the contract was signed.

In taking care of next year's requirements for key projects, the trade fair also achieved remarkable success in controlling and planning for some brand-name products, which are in short supply, so that part of them could be reserved for the key projects.

Some important questions were raised in practice. As a means of production, should machinery and power products be all allowed to enter the market? How will the requirements of state planning or the requirements of key projects be met? Practice has proved that after setting aside a certain amount for the key projects according to plan, all the rest can be sold in the market.

There are now two different views on reforming the system of material control:

First, classification of the products. The first part is under the category of unified distribution; the second part can be sold in the market after selective purchasing; and the third part can be totally sold in the market. This way of classification is likely to stifle market economy, because if one of the millions of types of capital goods--take rare metal for instance--comes under the category of unified distribution, the machinery industry enterprises using this type of metal will have to suffer, because in organizing production, they may be entirely helpless if they encounter the same difficulty as they did under the old system. Certainly, earmaking one type of machinery and power product (such as lathe) for unified distribution will also make it difficult for the units using these lathes. Second, classification of products according to different projects for which they are intended. After reserving the products for capital construction and major technical projects, all remaining means of production can be sold in the market. This was what happened in the trade fair and a good way to enliven economic work as well as a good orientation of restructuring the material control system.

Furthermore, the trade fair raised the problem of restructuring the planning system.

Based on consumer requirements, the machinery industry enterprises at the fair not only worked out plans to increase production for the current year, but also signed contracts for the next year as planned. State plans were also worked out for the next year as planned. State plans were also worked out for the next year on the basis of the contracts signed by the enterprises. Therefore, in the trade fair, the decision-making power of the enterprises in planning has actually been increased. At the same time, many new problems were brought to light concerning the restructuring of the planning system. For example:

1. Should state planning be classified as mandatory or serving the purpose of guidance? What are the differences between the two? How can plans to serve the purpose of guidance be worked out? How are the annual plans and the long-range plans reconciled?

2. Can the enterprises' plans be based on contracts and forecast? How will forecast be made?

3. How will the higher authorities assess the plans of the enterprises? What are the criteria for assessment? This and so forth.

The trade fair also provided new experiences and new information for restructuring the financial system.

In the trade fair, when contracts were to be signed, some production enterprises noted the financial difficulties of their prospective customers and accepted the terms of installment payments or payment after delivery. This created a new financial aspect.

The question of supporting industry in poor regions was brought into sharp relief at the trade fair. In addition to problems with poor management and insufficient publicity for their products, industry in poor regions also has real difficulties with transportation and other objective factors. How to support it financially has become an urgent problem for the departments concerned.

Finally, the trade fair provided new information and raised new questions on the restructuring of pricing.

Although the trade fair only permitted the downward fluctuation of prices to a certain extent, practice has proved that it helped promote competition among enterprises. Some enterprises even used "flexible prices," meaning the grant of quantity discounts, such as one price for the purchase of 5 sets and another price for the purchase of 10 sets. This will help stimulate the demand and increase sales.

Since the trade fair was a moving force in a nationwide competition, the prices of machinery and power products as reflected in the market will attract the attention of enterprises engaged in the same trade or producing related products. Thus the trade fair supplied a new source of information for an overall study of the price problem. How can prices be brought to a level approaching the amount of socially necessary labor actually spent? How to utilize the law of value then? Study of these problems will help adjust prices in a planned and orderly way and then solve the problem of restructuring the system of pricing.

At present, there is an urgent need to study the method of implementing the policy of good price for good quality in the market. In my opinion, market prices should be permitted to fluctuate to a certain extent.

After all, this is the first instance of a trade fair serving as a means to draw capital goods into the market. Despite its gratifying success already achieved, there are still many problems--particularly the problem of the form of circulation for the means of production--to be further studied in practice as well as in theory.

Also, precisely because this was the first instance, there will be repercussions and comments from many quarters. This should not occasion any surprise. The correct approach is to sum up experiences conscientiously and to continue the advance.

(From "Selected Speeches" in ECONOMIC PROBLEMS FORUM FORTNIGHTLY No 38, 12 Sep 80)

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CSO: 4006

ECONOMIC PLANNING

RESPONSIBILITY FOR PROFITS, LOSSES DISCUSSED

Beiging JINGJI GUANLI in Chinese No 11, 15 Nov 80 pp 26-88

["Restructuring of Management" forum article by Huang Jinzhao [7806 0093 2507]: "Some Problems in Assuming Responsibility for Profits and Losses Among Collective Industrial Enterprises in Cities and Towns"]

[Text] To suit the development of productive forces in urban collective industry and to accelerate the growth of collective economy, unified responsibility for all profits and losses has been replaced by the individual responsibility of the urban collective industrial enterprises for their own profits and losses after some experiments. The new system has aroused the enthusiasm of the enterprises and the workers and staff members as shown by the remarkable economic results. As investigations have revealed, since 42 enterprises of the second light industry system in a certain city assumed responsibility for their own profits and losses, their profits have increased every month, and their profits for the first half of 1980 increased by 86 percent over those of the same period in 1979. To make this system an even greater success and to further promote the development of collective industry, the following problems should be studied and solved.

I. How to Organize Production According to Demand

Collective enterprises assuming sole responsibility for their own profits and losses enjoy relatively greater independence and more leeway. Except for certain products related to the national economy and the people's livelihood, which must be included in the unified state plan, these enterprises are free to determine the quantities and types of goods to be produced according to the market situation of supply and demand and according to their own capability. They can take advantage of the "maneuverability of a small boat" to enliven the collective economy and promote production. However, since some enterprises fail to study the situation of social production and know nothing about market demands, they are still continuing to produce at full blast what has already been overproduced. The main tendency now is toward:

(1) Blind production. Some enterprises are producing blindly and giving no thought to whether their products are saleable and whether the expected value can be realized. Some factories of a metal industry company in a certain city are producing cigarette lighters, padlocks, pliers and tools for carpentry and masonry. The commercial departments are already flooded with these goods and yet the factories are continuing to increase their production and adding to the stockpile. Since the

over-stocking is holding up a huge amount of funds, reproduction cannot be carried out. According to information received, the circulating funds used by these enterprises were increased from some 800,000 yuan by the end of 1979 to 1.57 million yuan by the end of April 1980--nearly a 100 percent increase.

(2) Reckless production of new goods. Some enterprises regard the goods in temporary short supply as being in permanent short supply and treat the present minor demands as major demands. They are producing whatever is in demand and do not care whether their products can eventually be sold. A certain factory discovered the shortage of electric irons in the market and jumped to the conclusion that this is the item in short supply. It concentrated its resources on this line of production, but by the time their products were ready for sale, electric irons had already poured into the market from outside and what had been in short supply for a while was now in excessive supply. The newly produced electric irons had to be sold at a high price but were poor in quality. Since they could not compete with the outside products, their production had to be discontinued. The enterprise then changed to the production of laundry machines. Through tremendous efforts, laundry machines were finally off the production line. Since there was then no big demand for laundry machines in the market, it had to change its line of production again. Because of the wrong choices and the frequent changes, the means of production and labor power were aimlessly shifted from one line to another resulting in a tremendous waste of materials and manpower with no ultimate products being turned out in quantity. The enterprise had to sustain losses for some time.

Duplicate factories and duplicate production. According to investigations, there is in a certain city an electroplating plant having a fairly high productive capacity but not always fully occupied. Some enterprises thought that electroplating was highly profitable and hastily went into this business. According to incomplete statistics, there are now more than 10 electroplating factories in the same city causing great waste and serious environmental pollution. Again, glass is in short supply and not easily available in the market. Many units in various localities are now straining their resources to produce glass. In a certain city, a glass factory is now unable to produce sufficient glass to meet the local demand. However, it will be able to do so in 1 year provided 1 million yuan is invested to increase its productive capacity. Now four different units are building glass factories from scratch, and according to their designed capacity, their combined output will be more than 20 times the city's annual requirement.

The products of collective industry are many and varied. Because of their complex nature, market regulation is in most cases necessary. Therefore, one of the problems to be studied and solved after the use of market regulation is with the way to guide enterprises in their market activities, to regulate the deployment of social labor among various sectors in a rational and proportionate way, and to supplement planned regulation with market regulation. We may consider the following measures:

1. Strengthening planning for guidance. In our country, planning is carried out for the purpose of guidance. To strengthen this type of planning, one of the important links is to form a national economic information center for the dissemination of information on the number of enterprises producing the same type of goods, their productive capacity, the trends of their development, social needs and the possible changes, so that the enterprises can keep abreast of the situation of

social production and demand and organize their production to meet the changes. At the same time, the local planning departments should adapt their work to current economic conditions, conscientiously study the new situation and carefully solve any problem that may crop up after the use of the market's regulative role. They will then be able to coordinate planned regulation with market regulation and promote social production.

2. The enterprises themselves should also surmount the old barriers of state monopoly for the purchase and marketing of private enterprises' products and adapt themselves to the new economic conditions which are subject to the regulative role of the market. They should be good at market forecast, go deep into the market for investigations, work out plans to develop production, organize production according to the demand, and bring up a new generation of products in a planned way. They should also be able to "take one step and watch out for another," or "doing one job physically and attending to another mentally" so as to avoid any rash action.

II. How to Handle the Problem of Collective Enterprises Being Approached by the Departments in Charge in Fund Raising

At present, some departments in charge of the second light industry system are collecting fees for the use of fixed assets and interests on the circulating capitals from the collective enterprises now assuming sole responsibility for their own profits and losses. Part of the funds thus raised are intended for some key projects for developing collective industry. According to a preliminary estimate by 42 enterprises of the second light industry system in a certain city, the amount of fees and interests handed over to the higher authorities amounted to one-third of the profits after paying the annual tax. Some departments in charge in the same system even raised the ratio of their own shares of the remaining profits after paying tax, and the portion which should be retained by the enterprises, had to go to the departments in charge.

We feel that collective enterprises assuming responsibility for their own profits and losses should take care of their own financial affairs. After paying tax, the remaining profits should be retained to be used for expanded reproduction. If any enterprise is short of funds, assistance can be obtained from banks in the form of loans. However, the method adopted by the departments in charge for raising funds as mentioned above is tantamount to that of equalitarianism and indiscriminate requisition. This is an infringement on the rights of collective ownership. The fixed assets and circulating capital of an enterprises are formed through a rather complex process, but they generally consist of three different portions: The first portion comes from accumulation by the enterprise itself; the second portion was partly or wholly derived from the departments in charge when the system of unified responsibility for all profits and losses was in force; and the third part was built up by the departments in charge with funds from state investments. The first two portions are owned by the majority of enterprises, because the fixed assets and circulating capital are basically built up through the enterprises' own accumulations. Even though a portion of them was supplied to the enterprises by the departments in charge when the system of unified responsibility for all profits and losses was in force, the enterprises had to hand over their profits to the departments both before and after the supply of this portion. Judging from the overall situation, we can see that the amount handed over to the higher authorities has always been more than the amount returned. Therefore, each case should be treated on its own merit. In other words, for enterprises whose fixed assets and circulating capital have come from their own accumulations, or from the departments in charge when the system of unified responsibility for all profits and losses was inforce, no more fees or interests should be collected. As for those whose fixed assets and circulating capitals have been obtained from state investments through the departments in charge, fees and interests can be collected at a reasonable rate. Moreover, if the departments in charge want to build up funds to be used on key projects, they can make use of loans. The departments in charge or the banks can open special accounts for this purpose and set reasonable interest rates. In this way, the surplus funds temporarily unused by some enterprises can be pooled to develop production.

III. How to Support Collective Enterprises Producing Minor Commodities

Since the change of unified responsibility to individual responsibility for profits and losses, some collective enterprises have been unwilling to produce minor commodities. When 231 enterprises of the second light industry system in a certain province had assumed responsibility for their own profits and losses, the production of more than 40 varieties of minor commodities was discontinued. The main reasons were as follows:

(1) Minor commodities generally bring little or no profit. When the prices of some raw and subsidiary materials are increased and the ex-factory prices of these minor commodities remain unchanged, the value of these commodities becomes higher than their prices and the enterprises have to suffer losses. According to investigations, 18 collective enterprises in a certain city have suffered losses on 24 different varieties of these minor commodities. These 24 varieties amounted to 15 percent of their total production in the first half of the current year.

(2) Prices for some minor commodities were originally set too low and have remained unchanged for many years. For some minor commodities, the price parity is irrational: The prices for large specifications, which can be easily processed, are set quite high while those for small specifications and for consumption in large quantities are set too low. In the case of nails, for example, the price for small specifications requiring complex processing and being consumed in large quantities, are low. The enterprises were unwilling to do this kind of business even under the system of unified responsibility for all profits and losses--whereby the losses incurred would be made good by the departments in charge. After the change to the system of individual responsibility for profits and losses, under which the enterprises had to take all the losses, they are even more unwilling to produce "lose-money" goods, and many of them are trying to change to other profitable lines of business. To my knowledge, there are 13 such varieties of minor commodities which amount to 8 percent of the total production of the same 18 enterprises in the first half of the current year.

(3) Taxation is repeated. Some minor commodities need coordinating parts from external sources. Yet no matter whether these parts are from internal or external sources, all products out of the specialized spare-part factory have to be taxed. They are to be taxed again later in ready-made goods. Thus the same spare part has to be taxed twice and this repeated taxation adds to the cost of production for minor commodities.

Minor commodities, though small, are closely related to people's livelihood. Therefore, active measures should be taken to support collective enterprises in developing the production of minor commodities. The following factors may be considered: (1) Some overall planning can be made for the enterprises to produce minor commodities along with some other profitable items. Thus in addition to offsetting possible losses, these enterprises can count on some profits. (2) Aside from the portion for local consumption, all products can be sold through direct factory-store contacts. For procurement, it is also possible to change second level centers to third level centers, and the commercial units should transfer part of the savings from the intermediary expenses to the industrial units. (3) No tax should be levied on the coordinating parts, except for those purchased by the commercial units from the spare-part producing plants. (4) The departments concerned should reasonably adjust commodity prices according to established price policy.

IV. How to Take Care of State, Enterprise and Individual Interests Simultaneously

Since assuming responsibility for profits and losses, some collective enterprises are anxious to retain more enterprise funds and obtain more bonus. Thus in dealing with the relationship between the state and the enterprise, some of them have appropriated the bonus funds before paying tax. Others with a poorly organized fixed production quota have practiced the piece-work system without setting any limit. As a result, the payroll became doubled with no appreciable rise of labor productivity. In dealing with the relationship between the enterprise and the individual, some enterprises, hoping to arouse the workers' enthusiasm with the grant of bonus, have set their own bonus rates and increased the amounts of cash awards.

We all know that given a fixed amount of profits after paying tax, any increase in the bonus fund will be accompanied by a corresponding reduction of funds required for expanded reproduction. Some enterprises have failed to correctly handle the relationship between state, enterprise and individual interests and one-sidedly stressed individual and enterprise interests at the expense of state interests. This practice must be corrected. However, the popular impression of collective enterprises at present is that the tax rate is too high and the nontaxable portion too small. Since they have to hand over too much to the state and their financial burden is too heavy, the enterprises are unable to add to their accumulations and to expand their production. This is specially true of some enterprises producing low-profit goods or selling them at cost. After paying tax to the state and handling over the administration fees to the departments in charge, they have not much left as a reward for their toil throughout the year. They are not only short of funds to renovate their equipment or to increase their productive capacity, but also unable to solve the problems of fringe benefits for their workers and staff members. This dampened the spirit of the workers and staff members and they have requested to be transferred to other enterprises which can make more profits. In accelerating the growth of collective industry, we must first treasure our wealth among the enterprises so that they can have more funds to increase their accumulations and to expand their production. Therefore, we should consider increasing the nontaxable portion and lowering the tax rate. Secondly, we should adopt more flexible policies. At present, no distinction is made among different enterprises in the payment of administration fees or in handing over to the departments in charge portions of remaining profits after paying tax, because there is only one standard for collecting such payments. Therefore, we should take the same attitude as shown to the poor production teams in the countryside so that those enterprises producing less profitable or nonprofitable goods should pay less or no administration fees, or be allowed to hand in less or no remaining profits after paying tax. These measures will help them renovate their equipment and expand their production.

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BRIEFS

GUANGZHOU NATIONAL ADVERTISEMENT CONFERENCE--From 28 November to 5 December, the second national conference on advertisement work in some large and medium-sized cities was held in Guangzhou Municipality. The conference discussed how to strengthen the management of advertisement work. Attending were delegates of advertisement companies from 21 large and medium-size cities, including Beijing, Shanghai, Tianjin and Guangzhou, and people from Hong Kong and Macao advertisement circles. The conference discussed and adopted the draft regulations on the organization of the Chinese Advertisement Joint Company and the draft regulations of the Chinese Advertisement Association. The Chinese Advertisement Association will be set up in Shanghai and all places can set up branch associations if their conditions permit. [HK200600 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 6 Dec 80 HK]

HUBEI TOURISM FORUM--The National Forum on Tourism was held in Wuhan for 1 week. (Hong Jiao), deputy director of State General Touriso spoke at the forum, saying that it was necessary to educate people on tourism in order to promote tourism and that all departments concerned should pay attention to and support tourism. Tourism not only helps to speed up friendly relations between other countries but helps to create remittances to balance expenditures and provide more opportunities for employment. Tourism has greatly developed after the smashing of the "gang of four." [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 3 Dec 80 HK]

BEIJING TOURIST ECONOMY SOCIETY--Beijing, December 19 (XINHUA)--The Beijing Society for Tourist Economy, a popular organization set up to research tourism in China was inaugurated at a ceremony here today. The society's charter says its task is to carry out investigation and theoretical research into tourist economy in a spirit of "Letting a Hundred Schools of Thought Contend" so as to promote the development of tourism in the Chinese capital. With noted scholar Liao Mosha as its president, the society has an advisory committee and a 61-member council of tourist workers, economists, and well-known figures in the art and cultural fields. The society plans to publish a magazine. Speaking at a ceremony, Vice-Premier Chen Muhua said that as a comprehensive undertaking, the tourist industry should promote the development of the economy and culture. She urged that more tourist guides be trained and tourist services further improved. [Text] [OW191318 Beijing XINHUA in English 1242 GMT 19 Dec 80]

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FINANCE AND BANKING

STIPULATIONS ON FOREIGN EXCHANGE INCOME PUBLISHED

OW290820 Beijing XINHUA in English 0734 GMT 29 Dec 80

[Text] Beijing, December 29 (XINHUA)--The Chinese government stipulates that all Chinese and foreign organizations and individuals in the People's Republic of China must sell their foreign exchange proceeds to the Bank of China. The stipulation is laid down in the "Provisional Regulations for Exchange Control of the People's Republic of China" promulgated by the State Council on December 18, 1980 and published today. However, this does not apply to the cases otherwise stipulated by law or decree or in these regulations.

Under the regulations, any foreign exchange required by Chinese and foreign organizations and individuals that sell their foreign exchange to the Bank of China is to be sold to them by the Bank of China in accordance with the quotas approved by the state or with relevant regulations.

The regulations stipulate that the circulation, use and mortgage of foreign currency in the People's Republic of China are prohibited. Unauthorized sales and purchases of foreign exchange and unlawfully seizing possession of foreign exchange in whatever ways and by whatever means are prohibited.

Foreign exchange remitted from foreign countries or from the Hong Kong and Macao regions to Chinese or foreign nationals or stateless persons residing in China must be sold to the Bank of China, except the portion retained as permitted by the state. Chinese and foreign nationals or stateless persons residing in China are permitted to keep in their own possession foreign exchange already in China. But if they wish to sell the foreign exchange, they must sell it to the Bank of China.

Foreign exchange remitted or brought into China from foreign countries or from Hong Kong and Macao regions by foreign nationals coming to China, by overseas Chinese and Hong Kong and Macao compatriots returning for a short stay, by foreign experts, technicians, staff members and workers engaged to work in domestic organizations, and by foreign students and trainees, may be kept in their own possession, or sold to or deposited with the Bank of China, or remitted or taken out of China.

The regulations stipulate that Chinese and foreign nationals and stateless persons residing in China may apply to the local branch offices of the State General

Administration of Exchange Control (SGAEC) for the purchase of foreign exchange to be remitted or taken out of China. When approved, the required foreign exchange will be sold to the applicants by the Bank of China.

When foreign experts, technicians, staff members and workers engaged to work in domestic organizations require foreign exchange to be remitted or taken out of China, the Bank of China will deal with their applications in accordance with the stipulations in the contracts or agreements.

Foreign exchange remitted or brought into China from foreign countries or from the Hong Kong and Macao regions by foreign diplomatic missions, consulates, official commercial offices, offices of international organizations and non-governmental bodies resident in China, diplomatic officials and consuls as well as members of the permanent staff of the above units, may be kept in their own possession, or sold to or deposited with the Bank of China, or remitted or taken out of China.

No restriction as to the amount is imposed on the carrying into China of foreign exchange, precious metals and objects made from them, but declaration to the customs is required at the place of entry.

To carry foreign exchange out of China or to carry out of China the foreign exchange previously brought in shall be permitted by the customs against certifiration by the Bank of China or against the original declaration form at the time of entry.

To carry out of China precious metals and objects made from them or to carry out of China precious metals and objects made from them previously brought in shall be permitted by the customs according to the specific circumstances as prescribed by government regulations or against the original declaration form at the time of entry.

Under the regulations, the carrying or sending out of China of Renmin bi checks, drafts, passbooks, deposit certificates and other Renmin bi instruments held by Chinese or foreign nationals or stateless persons residing in China, is not permitted, either in person or by others or by post.

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INTERVIEW WITH BUREAU DIRECTOR ON EXCHANGE CONTROL REGULATION

OW311828 Beijing XINHUA Domestic Service in Chinese 1213 GMT 29 Dec 80

[Interview with Bu Ming, director of the State General Administration of Exchange Control, by XINHUA reporter--date and place not given]

[Text] Beijing, 29 Dec (XINHUA)--Bu Ming, director of the State General Administration of Exchange Control, talked with this XINHUA reporter concerning the "PRC's Provisional Regulations for Exchange Control" issued by the State Council.

He said: For a long time China has lacked an overall, systematic law for controlling exchanges and China's exchange control work has been relatively loose. But in recent years, because of China's developing national economy and increasing economic contacts with foreign countries, China has felt the need to strengthen its exchange control measures. The Provisional Regulations for Exchange Control currently issued by the State Council has met the needs of China's socialist modernization program and the requirements of its legal system. Centralized state control and management has always been a principle guiding China's exchange control policy. With centralized control over a limited exchange resource, the state can effectively keep expenditures within this limit and use it on endeavors that are most needed in developing the national economy, improving the people's livelihood and promoting social construction. Practice has proved the validity of this principle. A majority of nations--particularly developing nations--have exercised control over their foreign exchange. Since China is still backward in production and needs a great deal of foreign capital to acquire advanced foreign technology and equipment for its modernization program, it is even more important for China to control its foreign exchange well and use it wisely for a long time to come. Thus, the "regulation" stipulates that the principle of centralized state control and management of foreign exchange is commensurate with its legal system and is in the interest of the four modernizations.

Regarding exchange control over state organs and enterprises and other units, he said: China is a socialist nation, all unit revenues and expenditures in foreign exchange must be included in state planning in order to strengthen the state's control over foreign exchange, insure the fulfillment of state economic plans and achieve a balance in payments in foreign exchange. Foreign loans to any localities, organs or enterprises comprise a part of the state's total foreign debts and have a bearing on the balance of state exchange revenues and expenditures and on the state's international prestige as well. Besides, the international money market situation is very complex and unpredictable. A little carelessness can often result in losses. Therefore, the "regulation" stipulates that in accepting foreign loans, a domestic unit must first go through prescribed procedures for examination and approval.

Regarding exchange controls over state organs and enterprises and other units, the "regulation" also prescribes four restrictive clauses, namely, no private keeping of foreign exchange by state organs or units; no deposits of foreign exchange in foreign countries; no direct use of exchange revenues as payments for expenditure in foreign exchange; and no borrowing or transferring of exchanges from agencies set up by the state in foreign countries or from enterprises and other units set up by the state in foreign countries, Hong Kong and Macao. These measures are necessary in order that the state can dictate the use of foreign exchange. Of course, if a special case arises where foreign exchange is really needed, it can be obtained with approval.

Bu Ming said further: At present many people in industrial and commercial circles in foreign countries are very concerned about measures for exchange control concerning joint ventures established with both foreign and Chinese capital. This is only natural, and the "regulation" has provisions in this regard. To encourage foreign investments, relatively flexible measures have been adopted in dealing with exchange revenues and expenditures of these enterprises so long as these foreign exchange activities are legal, but they must be subject to the supervision and inspection of exchange control departments. If the foreign investors of these enterprises wish to send abroad the net profit they have earned after taxes, they can do so by following prescriptions in the exchange control regulation and making a request at the Bank of China.

[OW311830] Regarding the control over foreign exchange owned by individuals, Bu Ming said: Foreign exchange owned by individuals and kept inside China may be kept by the individuals as their personal possession. As for those Chinese now residing in China who had foreign exchange deposited in a foreign country, Hong Kong or Macao prior to the founding of the PRC, as well as for those returned overseas Chinese or compatriots from Hong Kong and Macao who had foreign exchange deposited in a foreign country, Hong Kong or Macao before their return to China, if they transfer their foreign exchange to China, they will be allowed to keep a greater portion of their transferred money in foreign exchange than previously permitted. Regarding foreign exchange remittances from abroad for individuals such as author's remunerations, monetary rewards, retirement payments and lecture fees, the recipient will be allowed to keep a certain portion of their remittance in foreign exchange. Specifics in this regard will be listed in the details for implementation.

Bu Ming added: The regulation will come into effect March 1981. There are still 2 months left to allow the various localities, departments and enterprises to make ample ideological and organizational preparations. At the same time, to facilitate the implementation of the "regulation," the State General Administration of Exchange Control will work out and publish the details for implementation prior to 1 March.

Bu Ming pointed out in conclusion: The circulation and use of foreign currencies in China will be strictly banned in order to maintain a unified Renmin bi market. No unauthorized agencies or individuals will be allowed to engage in trading of foreign currencies. No forms of unauthorized selling or buying of foreign exchange or evasion of foreign exchange settlements will be allowed. Any violation of the provisions of the "regulation" will be subject to punishment according to the seriousness of the offense.

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HONG KONG PAPER ON PRC CURRENCY DEVALUATION

HK130303 Hong Kong HSIN WAN PAO in Chinese 12 Dec 80 p 2

["New Talk" column by Yang Chu: "Will the Renminbi Be Devalued"?]

[Text] Beginning 1 January, when domestic enterprises in China calculate prices in foreign currency they will use the exchange rate of 2.8 yuan to the U.S. dollar. Some people think that this means that the renminbi will be devalued, but that is a misunderstanding.

China's foreign exchange is handled in a unified way by the Bank of China. On the one hand, the Bank of China uses the exchange rate of around 1.5 yuan to the dollar in business transactions with foreign countries. On the other, domestic enterprises use a different rate when exchanging foreign currency with the Bank of China; that rate is determined by foreign currency supply and demand. There is no direct connection between the internal conversion rate and the official foreign currency exchange rate.

China's enterprises gain foreign exchange through the production and export of goods; at the same time they import foreign machinery and equipment for which they pay in foreign exchange. In the past the Bank of China mainly used price regulation in its overall handling of these transactions, so as to balance foreign exchange supply and demand. In order to encourage exports, the prices of products were fixed lower than their production costs, and the government provided subsidies to make up the deficit.

In the wake of the reform of China's economic system, more local enterprises have acquired decisionmaking powers in gaining, retaining and using foreign exchange, so it is still more urgent to apply a relatively uniform exchange rate to calculate prices for each enterprise or for each product, instead of calculating this according to the amount of foreign exchange.

To have the domestic conversion rate of the renminbi at one half of the international rate is of course aimed at encouraging the enterprises to increase exports and to go in for more careful calculation and strict budgeting regarding imports. In future the conversion into renminbi of the foreign exchange received in payment for each commodity will yield double the profit on domestic sale of that commodity.

Has this situation arisen because China has an unfavorable foreign trade balance, and should one draw from this the conclusion that the renminbi should be devalued? Not so, because apart from commodity exports, foreign exchange income also comes in various invisible forms such as tourism, remittances from overseas Chinese, services and so on. According to the report delivered by Vice Premier Yao Yilin at the NPC session in August, total foreign trade value in the first half of this year showed an increase of more than 20 percent compared with the same period of last year, while foreign exchange income from sources other than trade also rose relatively rapidly.

As far as the domestic purchasing power of the renminbi is concerned, there is no pressure at all for devaluation. Since the state finances are in the red, prices of some commodities have increased, and so there is inflation. The Chinese Government currently hopes to reduce expenditure by cutting down on capital construction and to vigorously keep prices down in order to overcome the inflation problem.

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GOLD RESERVES OF $5-6 BILLION CLAIMED

Hong Kong TA KUNG PAO in Chinese 10 Nov 80 p 1

[Report: "Yao Yilin Tells Japanese Economic Reporters: China's Gold and Foreign Exchange Reserves Now Amount to U.S.$ 5-6 Billion; Says There Is No Need for Concern About Rumor on Possible Devaluation of People's Currency From Such a Figure. China Is Contemplating Formulation of Anti-monopoly Law, Rationalization of Enterprises, and Carrying Out of Worker Dismissal System"]

[Text] According to a dispatch of the KYODO NEWS AGENCY from Beijing dated the 7th, Vice Premier and concurrently Chairman of the State Planning Commission Yao Yilin received a delegation of economic reporters from the KYODO NEWS AGENCY at the Great Hall of the People in the evening of the 7th; during the conversation, he revealed:

1. China's gold and foreign exchange reserves currently amount to about U.S.$ 5-6 billion.

2. Along with the promotion of competition between enterprises, China is considering formulation of an anti-monopoly law.

When he discussed foreign exchange reserves, Yao Yilin said: "Recently our gold and foreign exchange reserves have amounted to U.S.$ 5-6 billion." He stressed that, in his opinion, as far as one could see from such foreign exchange reserves, concern about possible devaluation of the People's Currency was not called for.

The Chinese Government never publicly announced the figure of its foreign exchange reserves in the past. It was extraordinary, therefore, that Yao Yilin publicized a concrete figure this time.

On the other hand, Yao Yilin also indicated that, "along with China's effort to carry out reforms in the enterprises, improve enterprise efficiency, vitalize management, and promote competition, it naturally is inclined at present to protect competition between the enterprises; but when competition reaches a certain degree, there would be need to impose certain limitations on large-scale enterprises." China is considering the formulation of an anti-monopoly law; this indicates that China's policy is to allow a considerable amount of competition to take place between the enterprises. This is a point worthy of note.

Besides, Yao Yilin also said: during the present period of economic readjustment, enterprises with low efficiency would close down or become absorbed by other enterprises as offspring companies.

This is indicative of China's positive posture in developing the rationalization of the enterprises.

Concerning the workers, Yao Yilin said: "As for certain workers whose work results turn out to be rather bad, after the approval of the staff and workers congress at the given enterprise, they would be dismissed. This regulation was already carried out 2 years ago." This indicates that China has already begun to adopt the dismissal approach.

9255
CSO: 4006

'TA KUNG PAO' REPORTS ON REFORMING BANKING SYSTEM, STATE MINISTRIES

HK200546 Hong Kong TA KUNG PAO in English 18 Dec 80 p 3

["Economic Reform: The Structural Base of Modernizations"]

[Excerpts] In the present stage of China's modernization, the emphasis is still very much on "readjustment, restructuring, consolidation and reform" as stated by Vice Premier Yao Yilin at the National People's Congress. In fact, it is now probable that the period of readjustment, originally planned to run through to the end of 1981, will last until 1983.

On the surface, this may appear somewhat disappointing, and indeed, it would be desirable from the viewpoint of foreign trade to maintain some of the projects which have had to be postponed or even sacrified.

On the other hand, to proceed full speed ahead would exacerbate existing difficulties in the economy and sabotage efforts at achieving fundamental reform. As Finance Minister Wang Bingqian pointed out, a great deal of damage had been done to the economy of China by Lin Biao and the gang of four. This damage was in part responsible for a budget deficit of RMB 17 billion last year. The need to phase out this deficit requires certain reductions in expenditure. Yao Yilin also pointed out that the percentage China is spending on accumulation is going down, a sign that the people's livelihood is being served by increased consumption. Furthermore, while heavy industry must continue to grow, more emphasis is being placed on light industry and agriculture, which had been neglected for a long time.

At the heart of the economic reform is the concept of decentralization. A number of industrial enterprises in each province have been allowed a considerable degree of autonomy. Previously, they received appropriations from the state to conduct their operations; any profits realized would revert to the state, while losses were made up by government subsidies. Under the new system, an individual enterprise is to be responsible for its own profits and losses. Profits are taxed at a reasonable rate, and the balance left to enterprise for reinvestment. On the other hand, losses must be absorbed by the unit itself. So far,the method appears to be enjoying a good deal of success where it has been put into effect.

Reform also means change in the banking system. Indeed, changes have already begun to take place. A few years ago, China had only one bank, the People's Bank of China. Even the Bank of China, which operates internationally, fell under its aegis. However, the Bank of China has been made an independent body, and the People's Bank has given birth to the People's Construction Bank of China and the Agricultural Bank of China. For the future, an export-import bank and an industrial and commercial bank are planned. When the structuring is completed, the People's Bank will have reduced its role to that of a central bank.

The part played by the other banks will also be different. Instead of acting as mere conduits for allocation of state funds, the bodies will become full-fledged lending institutions. This transformation from administrative unit to independent management unit will take place in the case of the People's Construction Bank in 1981. Already the bank has started setting up the machinery for feasibility studies of projects. Specialists and or departments will conduct the studies--and bear the responsibility for their evaluations.

All of these reforms bear the imprint of firm, decisive and imaginative State Council leadership under Premier Zhao Ziyang, and even the State Council itself is not exempt from reform. The current 38 ministries have become unwieldy. In order to remedy the situation, it has been proposed that some of the ministries be converted into commissions, which will be added to those which already exist as "super-ministries." The commissions will take on administrative functions, while below them the ministries will become enterprises engaging in economic tasks.

CSO: 4020

BANKING REFORMS INITIATED IN SICHUAN

Beijing GONGREN RIBAO in Chinese 18 Oct 80 p 1

[Report by correspondents Shi Shenhang [2457 4164 5300] and Tang Daiqing [0781 0108 3237]: "Sichuan Banking System Initiates Institutional Reforms at Selected Points for Experiment--Banks Are Changed From Public Institutions Into Entrepreneurial Institutions With the Right To Use and Adjust Deposits and Loans; Branch Banks Are Allowed To Draw Entrepreneurial Funds and Retain Portion of Profits; Situation of Eating From "the Common Pot" Is Changed, and Banking Work Is Rendered Flexible"]

[Text] In order to adapt to the needs of industrial, commercial and resource departments in carrying out economic and management institutional reforms, the Sichuan branch of the People's Bank of China has initiated institutional reforms at selected points for experiment throughout the provincial banking sysetm and achieved good results; banking work has been rendered flexible.

The management system of our current banking is a system relying mainly on the administrative approach and exercising its controls too rigidly; it no longer accords with the new situation of our four modernizations construction and the readjustment of our national economy.

At the selected points for experiment, the Sichuan Provincial People's Bank has expanded their autonomy in respect to the planning and management of credit loans, the issuing of medium-term and short-term equipment loans, etc. For instance, in the past, basic level banks in various facilities had no right to use the deposits they absorbed, nor the right to adjust the surpluses and deficiencies between various loan funds. This year, a change was made to institute the new approach of "uniform planning, management by the individual level, a link-up between deposits and loans, and control over the differentials," so that, under the premise of not exceeding the total differentials between deposits and loans approved by the bank at the superior level, banks in various localities may exercise the right of making use of the deposits received and thereby issue more loans if more deposits are absorbed; these banks therefore now enjoy the right to adjust various loan funds and are able to adjust their use flexibly according to their respective local needs.

In carrying out such institutional reforms at these selected points for experiment, the Sichuan Provincial People's Bank, in response to the ill practice of eating from "the common pot" in management in the past, also made a change to manage the banks by economic methods by turning them from public institutions into entrepreneurial institutions. After realizing the relevant targets of economic auditing, the basic-level banks can now draw entrepreneurial funds. At the same time, branch banks can also retain a portion of the profits earned according to the ratio approved by the head bank and use it on banking business construction, collective welfare and rewards for staff and workers at their respective levels, so as to connect management achievements closely to the economic interests of their staff and workers.

At these selected points for experiment in carrying out such institutional reforms, the Sichuan Provincial People's Bank has achieved eminent results. Banks at various levels now enjoy a definite extent of autonomy in management; their enthusiasm in organizing and making use of loan funds has been greatly improved in comparison to the past; accumulated funds have increased, and working funds are now subject to more flexible use. From January to August this year, deposits absorbed by banks throughout the province increased by 20 times over those of the corresponding period last year. This year, banks throughout the province have arranged altogether more than 300 million yuan of medium-term and short-term equipment loan funds to support the enterprises in the carrying out of 980 of their resource-tapping, renovation and transformation projects; among these projects, key support was supplied to 755 short-line ones such as light and textile industry and energy. Many projects supported by such loans have already achieved results in a short period. The Chengdu textile mill, while attempting to put out a new wool fabric with striped patterns, needed to transform its equipment; the bank issued a timely equipment loan of 220,000 yuan. After only slightly more than 1 month, the equipment was launched into production according to a schedule, and before long 190,000 meters of that wool fabric with striped patterns were produced and supplied to the market. The mill increased the value of its output by 420,000 yuan, and profit by 260,000 yuan, and thus speedily repaid the loan in its entirety.

9255
CSO: 4006

REGULATIONS ON EXCHANGE CONTROL IN JOINT VENTURES

OW290710 Beijing XINHUA in English 0700 GMT 29 Dec 80 OW

[Text] Beijing, December 29 (XINHUA)--The Chinese government stipulates that all foreign exchange receipts of enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures, must be deposited with the Bank of China, and all their foreign exchange disbursements must be paid from their foreign exchange deposit accounts.

The stipulation is laid down in the "Provisional Regulations for Exchange Control of the People's Republic of China" promulgated by the State Council on December 18, 1980 and published today.

The provisional regulations say that, except where otherwise approved by the State General Administration of Exchange Control or its branch offices, Renmin bi should in all cases be used in the settlement of accounts between the above enterprises and other enterprises and individuals residing in the People's Republic of China.

Under the regulations, enterprises with overseas Chinese capital, enterprises with foreign capital and foreign partners in Chinese and foreign joint ventures may apply to the Bank of China for remitting abroad their net profits after tax as well as other legitimate earnings by debiting the foreign exchange deposit accounts of the enterprises concerned.

The regulations also stipulate that staff members and workers of foreign nationality and those from the Hong Kong and Macao regions employed by these enterprises may remit or take out of China an amount of foreign currency not exceeding 50 percent of their net wages and other legitimate earnings after paying taxes.

CSO: 4020

BRIEFS

ANHUI FINANCIAL REVENUE--Financial revenue has been gradually increased since September this year. Financial revenue reached 1.87 billion yuan in Anhui Province in the first 11 months of 1981, fulfilling 94.02 percent of the annual revenue, or an increase of 0.73 percent over the corresponding period of 1979. Anqing and Fuyang prefectures overfulfilled the 1980 financial revenue by 6.29 and 7.83 percent respectively about 1 month ahead of time. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 10 Dec 80 OW]

RURAL SAVINGS DEPOSIT--Beijing, 13 Dec (XINHUA)--China's rural savings deposit has continued to increase this year. As of the end of November, the balance of rural savings deposit was 10.4 billion yuan, topping the same period last year by 4.1 billion yuan, averaging 12.8 yuan of deposit per person in the rural areas. Time deposit accounted for 70 percent of the total, up 10 percent from last year. [Beijing Xinhua Domestic Service in Chinese 1245 GMT 13 Dec 80 OW]

PRICE SOCIETY INAUGURATED--Beijing, 24 Dec (XINHUA)--The China Price Society was inaugurated in Beijing on 23 December. The guiding principle for the Price Society is: Organize and encourage members to actively study socialist price theories as well as Chinese and foreign commodity price systems, management systems and price structures so as to promote theoretical research of prices and the actual work of commodity prices in China and to accomplish the four socialist modernizations. The society elected Xue Muqiao as honorary president and Yu Guangyuan, Sun Yefang and Xu Dixin as advisers. Liu Zhuofu is the president and Li Cengxin and Peng Cheng are vice presidents. [Text] [OW251720 Beijing Xinhua Domestic Service in Chinese 1211 GMT 24 Dec 80]

HUBEI FINANCIAL REVENUE--Hubei Province has overfulfilled the year's financial revenue quotas 1 month ahead of time. By the end of November, the province had already fulfilled 101.67 percent of the year's plan, showing an increase of 11.34 percent over the same period last year. The province's industrial output has also increased. From January to November; the province's total production value increased by 18.9 percent over the same period last year. The amount of profits submitted to the state by the provincial state enterprises was increased by 13.9 percent over the same period last year. All areas throughout the province have worked hard to provide more opportunities for financial revenue. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 7 Dec 80 HK]

JIANGSU BANKING SOCIETY--The Jiangsu Provincial Banking Society has been established in Nanjing Municipality. Some 100 representatives attended the society's first meeting which was held in Nanjing from 6 to 10 December. This society will play an effective role in organizing as well as mobilizing all local banks in Jiangsu Province to better serve the needs of the four modernizations. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 10 Dec 80 OW]

SHAANXI FINANCIAL DISCIPLINE--The Shaanxi Provincial People's Government has demanded that all departments seriously study the State Council's circular on financial work in the last 2 months of the year, fully understand the importance of reducing deficits for stabilizing the national economy, and launch the masses to increase production and practice economy and boost output and revenue. Revenue departments must carry out a major inspection of tax collection. The Provincial Government will carry out no more expenditures this year except for disaster relief funds and other emergency spending. It is essential to observe financial and economic discipline. The following actions are forbidden: 1) Misappropriating state funds; 2) exceeding the stipulated jurisdiction in reducing or waiving tax; 3) boosting production costs and expenses; 4) arbitrarily increasing the scope of retaining profit; 5) misappropriating loans; 6) arbitrarily increasing business expenditure; 7) indiscriminately paying out bonuses and subsidies; 8) expanding the scope and level of expenditure; 9) failing to account for expenses; 10) spending money in bursts at the end of the year. [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 8 Dec 80]

SHANDONG CONSUMER CREDIT--In Shandong, the Jinan Municipal Trust and Investment Company under the Chinese People's Bank recently began to grant loans to workers to buy Taishan brand television sets from Shandong Television Set Plant. Enterprises or organizations will apply for the loans for their workers. Anyone who wishes to buy television sets will have to pay only 30 percent of the price and then have the rest deducted from his wages in 20 yuan monthly installments. [SK151416 Jinan Shandong Provincial Service in Mandarin 2300 GMT 12 Dec 80 SK]

EXCHANGE CONTROL LAWS--Beijing, December 29 (XINHUA)--The Chinese government today published the "Provisional Regulations for Exchange Control of the People's Republic of China." The regulations, promulgated by the State Council on December 18, 1980, are formulated for the purpose of increasing China's national foreign exchange income so as to safeguard the rights and interests of the country. [Text] [OW290150 Beijing XINHUA in English 0138 GMT 29 Dec 80]

NOTARIAL ACCOUNTANTS' OFFICE--Shanghai, January 1 (XINHUA)—China's first Notarial Accountants' office was officially inaugurated in Shanghai today. The office undertakes to provide advice and guidance to Chinese enterprises and joint ventures set up by China and foreign countries by helping them analyze their economic activities and work out measures to reduce cost and increase accumulation. At the same time, it is authorized to serve as the notary public in economic affairs, while overseeing the declaration of dutiable goods and handling registration of trademarks and patents on behalf of the government departments concerned. Mandated by government departments of finance, enterprises and the people's courts, the office will also undertake to examine the accounts of parties involved in economic disputes to raise suggestions for arbitration. The office's 18 full-time and 12 part-time notarial accountants were appointed by the Shanghai Municipal Bureau of Finance, an organ directly under the municipal government. They work under a board of directors, of which 88-year-old Pan Xulun, a nationally-renowned expert of bookkeeping, is chairman. [Text] [Beijing XINHUA in English 1204 GMT 1 Jan 81 OW]

CSO: 4020

ENERGY

ANALYSIS, COMPOSITION OF CHINESE CRUDE OIL

Beijing SHIYOU XUEBAO [ACTA PETROLEI SINICA] in Chinese No 1 Jan 80 pp 92-105

[Article by Lu Wanzhen [7120 1238 3791] and Zhang Shouzeng [1728 1108 1073] of the Research Academy of Petrochemical Processing Science: "Characteristics of the Composition of Chinese Crude Oil"]

[Text] The numerous differences in the properties of petroleum from various parts of the world are mainly attributed to the differences existing in the structures and proportions of hydrocarbons, sulfur contents, nitrogen contents and metallic derivatives. Thus, the composition of petroleum is the most essential and most basic factor determining the properties of various petroleum fractions. This article summarizes the characteristics of the composition of Chinese petroleum, and it is hoped that it will serve as a useful reference for finding out about the oil refinery technologies and properties of oil products in our country. In order to give the reader a better idea of the results obtained through analyses, a brief description of the methods employed in analyses is presented, and several world crude oils are compared.

I. The Specific Gravities of Chinese Crude Oils and the Distribution of Various Direct-Distilled Fractions

Specific gravity is a relatively important property of crude oil, and is often used to indicate whether a particular petroleum is light or heavy. But different kinds of hydrocarbons have different specific gravities, and even if crude oils with different compositions have the same specific gravity, their direct-distilled fraction contents or real boiling point curves may differ greatly. Thus, besides specific gravity, the distribution of fractions in crude oil is another important property of petroleum. The distribution data of various direct-distilled fractions are often obtained by conducting the distillation in three separate stages with a distillation column which has approximately 15 theoretical trays and a reflux ratio of approximately 5:1. The first stage is known as normal pressure distillation (first cut--200 degrees Centigrade); the second stage consists of vacuum distillation at pressures below 10 mm Hg; the third is vacuum distillation below 2 mm Hg without the use of a feed tower. Throughout the entire process, the temperature inside the distillation still is not allowed to exceed 350 degrees Centigrade so as to prevent cracking.

Table 1 shows the specific gravities and percentages of various direct-distilled fractions in 21 Chinese crude oils. For comparison, the fractions are divided into 4 categories: gasoline, first cut--180 degrees Centigrade; diesel oil, 180-350 degrees Centigrade; vacuum distilled oils, 350-500 degrees Centigrade; residuum, >500 degrees Centigrade. From the data in the table, it can be seen that the specific gravities of Chinese crudes are over 0.86. According to the world oil guide published in the 1976-1978 issues of YOUQI ZAZHI [OIL AND GAS JOURNAL], 44 out of 102 exported crudes have specific gravities over 0.86. Thus, as far as specific gravity is concerned, Chinese crude oils tend to be heavy, but not the heaviest.

Due to their high contents of paraffin hydrocarbons [alkanes] and low contents of aromatic hydrocarbons, Chinese crudes are also characterized by relatively high contents of residuum and relatively low contents of gasoline as compared with foreign crudes of approximately the same specific gravity. At present, most of the crude oils in our country contain between 35 to 50 percent residuum, e.g. Daqing's crude oil contains approximately 40 percent residuum, Shengli's crude oil contains 45-50 percent residuum, crude oils produced in north China contain approximately 40 percent residuum, Dagang crude contains less than 28 percent residuum. The table also includes the specific gravities and direct-distilled fraction contents of crude oils from four different foreign countries; as Minas petroleum is also paraffin-base crude, it can be readily seen from the table that its composition is very similar to that of Chinese crude oil as far as gasoline and disel oil fractions are concerned. But due to its relatively small specific gravity, Minas crude has relatively low residuum content but slightly higher gasoline content. Although the specific gravities of Kuwait and Chinese crudes are very close, Kuwait's gasoline/diesel yield is more than 15 percent higher than Daqing's, and its residuum content is below 12 percent. The specific gravity of crude oil from California's Wilmington Oilfield (0.913) is 0.012 greater than that of Shengli's mixed-base crude (0.901), but its gasoline yield exceeds that of Shengli crude.

II. Composition of Gasoline

In recent years, the chromatographic method is commonly used in analyzing the composition of gasoline fractions in crude oils (1). Table 2 shows the hydrocarbon compositions of gasoline fractions distilled from chief Chinese crudes. From the data in Table 2, it can be seen that the direct-distilled gasoline fractions in the chief crudes are not only high in normal paraffins, most of them also contain more than 40 percent naphthenes [cycloparaffins] (with the exception of Yumen's direct-distilled gasoline which only has 29 percent). Table 3 shows the results of quantitative tests determining the monomer hydrocarbon composition of several kinds of direct-distilled gasoline fractions. From the results of monomer hydrocarbon analysis, it can be further seen that Chinese direct-distilled gasoline fractions not only contain relatively high contents of naphthenes, their cyclohexane/cyclopentane ratios are well over 1 (Table 4). It is conceivable that the cyclohexane content would become even greater as the gasoline's boiling point rises. Thus, it is easier to procure aromatic hydrocarbons when the gasoline is reformed. From the data in Table 3, it is obvious that besides the common types of paraffin hydrocarbons, naphthenes and aromatic hydrocarbons, Chinese gasolines also contain several kinds of dicycloalkanes, such as dicyclo [3,3,0] octane, transdicyclo [4,3,0] noname, etc. In recent years, such dicycloalkanes have also been found in foreign crude oils. As shown in the second row of Table 4, direct-distilled gasolines are high in isoalkanes (isoparaffins) with only one methyl radical branched chain, which also seems to be the universal pattern of monomer hydrocarbon distribution in gasolines. Thus, in computing the various proportions of naphthenes in Table 4 with the data provided in Table 3, whenever naphthenes and isoalkanes could not be differentiated in a given group, the results were totally calculated in terms of naphthenes on the assumption that there was only a minimal amount of multiple branched chain isoalkanes.

III. Composition of Kerosene and Diesel Oil Fractions

Generally, the mass spectography method is used in analyzing the composition of diesel oil fractions (4). Prior to mass spectrographic analysis, the oil sample is first subjected to column chromatography which separates the sample into aromatic hydrocarbons and saturated hydrocarbons, using silica gel as absorbent. Table 5 shows the results of mass spectrographic analyses of kerosene and diesel oil fractions in all kinds of crude oils; the normal paraffins were obtained through gas spectrography. Table 5 also shows the group compositions of diesel oil fractions in crude oils from Minas and California. By comparing the group compositions of Chinese and Californian diesel oil fractions (200-342 degrees Centigrade), it can be seen that the diesel oil fractions in Chinese crude oils are very high in paraffins, of which 23-41 percent are normal paraffins (slightly less normal paraffins in Daqing's diesel oil), but Chinese crudes contain relatively low contents of aromatics and naphthenes. The paraffin hydrocarbon contents in the diesel oil fractions of Chinese crudes are still relatively high even when compared against the diesel oil fractions of Minas crude (177-343 degrees Centigrade).

Table 6 compares the n-paraffin hydrocarbon contents in diesel oil fractions, crude gel points and crude wax contents. As indicated by the data in Table 6, due to the fact that crude oils from both Shaangan No 1 and South Xinjiang's Kalpin No 1 Key Well contain large quantities of light fractions. Nonetheless, they still contain extremely high contents of normal paraffins in spite of the relatively low gelation points and high wax contents (Shaangan No 1 crude oil contains nearly 30 percent normal paraffins; the crude oil from Kalpin No 1 Key Well contains more than 50 percent normal paraffins). Moreover, at temperatures below 300 degrees Centigrade, Shengli's diesel oil contains slightly less normal paraffins, whereas at the temperatures of 300-350 degrees Centigrade, its normal paraffins reaches as high as 36 percent.

In the course of diesel oil composition analyses, it was also discovered that north China's crude oils were very rich in pristane (2, 6, 6, 10, 14-tetramethyl pentadecane) and phytane (3, 7, 11, 15-tetramethylhexadecane), especially the latter. Table 7 shows the contents of these 2 kinds of saturated polyisoprenes in 250-300 degrees and 300-350 degrees Centigrade fractions of several kinds of crude oils. In Yaling crude oil, the contents of such compounds as phytane alone account for as much as 2.3 percent (of the crude); moreover, phytane accounts for nearly one-fifth of 300-350 degrees Centigrade fractions. Although the crude oil flowing in the Ren-Cang pipeline is not purely Renqiu crude, the latter actually accounts for a relatively large proportion. Based on the fact that the phytane content of the crude oil running through the Ren-Cang pipeline is as high as 1.8 percent, it is quite possible that Renqiu crude is also very high in phytane. From reference materials and reports, it is found that the pristane and phytane contents of crude oils from other parts of the world are equivalent to those of Daqing oil, i.e. roughly between 0.1-0.5 percent.

As Chinese crudes contain a lot of normal paraffins, they are also rich in monomer n-paraffins. For example, in Yanling crude, both C_{22} and C_{23} normal paraffins account for approximately 1.0 percent (of the crude); in Daqing crude, C_{17} and C_{18} normal paraffins account for roughly 1 percent of the crude. In Kalpin Key Well No 1 crude, both C_{12} and C_{13} normal paraffins account for approximately 3 percent. In Shaangan No 1 crude, the C_{19} n-paraffin content accounts for less than only 1 percent. Thus, one of the chief characteristics of our country's crudes lie in the relatively high percentages of such monomer hydrocarbons in the crudes.

IV. Composition of Vacuum Distillate Oils

Vacuum distillate oils can be used as cracking stock. Table 8 shows the properties and compositions of cracking stocks from various kinds of crude oils. The structural group compositions in Table 8 were obtained through refractive index--specific gravity--molecular weight computation. The wax contents came from solvent dewaxing, and contained small quantities of oil. For comparison against the results of foreign analyses, Table 9 provides the results of mass spectrographic analyses, and includes data on vacuum distillate oils from Minas and California. From the group composition data in Tables 8 and 9, it is evident that with the exception of Gudao crude, China's crude oils generally yield 350-500 degrees Centigrade fractions characterized by rich wax contents, low specific gravities, low sulfur contents, low aromatic hydrocarbon contents and rich contents of saturated hydrocarbons. Comparatively speaking, the corresponding fractions of Minas crude are quite close to the composition of Chinese crudes. Conversely, the composition of Californian crude is vastly different from the common types of Chinese crude oils, but it could be slightly closer to Gudao crude. At present, due to discrepancies in analytical methods, it is still difficult to come up with any definite comparisons.

V. Composition of Residuums

Due to their complicated composition, it is even more difficult to conduct composition analysis. Moreover, the contents of various residuum components are also linked to the depth of distillation. For a given crude oil, increases in distillation temperature and depth not only cut down saturated hydrocarbons in residuums, but also cause corresponding rises in resin and asphaltene contents. For comparison, Table 10 shows the results of analysis on the saturated hydrocarbons, aromatic hydrocarbons, resin and asphaltene contents of residuums above

500 degrees Centigrade which had been distilled from crude oils produced in major Chinese oilfields. In the course of analysis, emphasis was placed on making widest possible use of international common methods. For instance, in determining the asphaltene contents, analysis was based on the International Standardization Organization's (ISO) explanation: "wax-free components unsoluble in normal heptane but soluble in benzene" by adding normal heptane approximately 30 times the oil sample, and allowing the asphaltene to precipitate before determining the quantity of asphaltene. After separating the asphaltene components, the absorption chromatography method was used for analyzing saturated hydrocarbons, aromatic hydrocarbons and resins, using aluminum oxides containing 1 percent water as absorbent. The chromatographic column was kept warm by circulating water maintained at 50 degrees Centigrade, and the ratio between aluminum oxide and oil samples ranged from 40:1 to 100:1. First, petroleum ether was used to elute the saturated hydrocarbons; then, ethanol-benzene mixture was used to detach the resin. To compute the percentage of each fraction, it was necessary to remove the solutions by evaporation and drying the fractions.

From the data provided in Table 10, it can be seen that most of China's crude oils contain only very minimal amounts of asphaltene (normal heptane method). Gudao residuum is the only kind that contains 8 percent asphaltene; the other residuums contain less than 2 percent asphaltene. As compared with foreign residuums which approximate in resin content, Chinese residuums have very small asphaltene/resin ratios. The chief components of Chinese residuums are saturated hydrocarbons, aromatic hydrocarbons, and resin. In Daqing and Henan (Wenlin) residuums, the three components are almost equally distributed, each accounting for approximately one-third. Shengli and Renqiu residuums contain less saturated hydrocarbons than Daqing residuum, and Gudao residuum contains even less saturated hydrocarbons. Shengli, Renqiu and Gudao residuums are high in resin which account for nearly one-half. Shaangan No 1 residuum is characterized by the fact that it contains the most saturated hydrocarbons, but slightly less resin. Figure 1 is a schematic chart showing the contents of each component in various residuums.

In addition, based on the carbon content (C%), hydrogen content (H%) and carbon/hydrogen ratio, it appears that the residuums of China's major oilfields contain more hydrogen than foreign heavy residuums are low in C/H ratio and asphaltene. This characteristic may be conducive to indepth processing of Chinese crudes.

VI. Noncarbon and Nonhydrogen Contents in Chinese Crude Oils

Although carbon and hydrogen elements account for 95-99.5 percent of petroleum, and other elements such as sulfur, nitrogen, oxygen, and small quantities of phosphorus, arsenic, vanadium and nickel account for only 0.5-5 percent, the noncarbon and nonhydrogen elements all exist in petroleum in the form of hydrocarbon derivatives; thus compounds which carry such elements account for a much larger proportion. There is a relatively great difference between their properties and those of pure hydrocarbons, which greatly affects the nature and processing of petroleum. The noncarbon and nonhydrogen contents in petroleum have always been a problem of considerable interest to petroleum researchers.

Such classical wet-chemical methods as tubular furnace combustion for sulfur determination and the Kjeldahl method for nitrogen determination are chief means for determining noncarbon and nonhydrogen elements. But with the development of all sorts of processing technologies, there is need to come up with faster and more accurate ways of determining low-content noncarbon/hydrogen elements in oil products. There are quite a few circumstances under which the original wet-chemical methods become insufficient. At present, the microcoulomb method (for determining sulfur and nitrogen), atomic absorption or colorimetric method (for determining metallic contents) are more popular.

Table 11 shows the contents of noncarbon/hydrogen elements in Chinese crude oils, as well as the highest and lowest contents in crude oils from other parts of the world for comparison. From the data, it can be seen that most of the crude oils in our country are very low in sulfur--almost as low as crude oils with the lowest sulfur contents in the world. Even those Chinese crude oils which are relatively high in sulfur merely amount to two-fifths of the world's highest sulfur contents. According to reference materials (1), 20 out of 104 exportation crudes around the world have sulfur contents equal to or more than 2.0 percent. But Chinese crudes tend to be high in nitrogen. According to data on the nitrogen content of 210 crude samples (reference 7), there are only 31 crudes with nitrogen contents over 0.3 percent, which means that most of the crudes in our country contain more than 0.3 percent nitrogen.

Chinese crudes are all very low in vanadium, but slightly higher in nickel. As shown in Table 12, Chinese crudes have much higher nickel/vanadium ratios than foreign crudes, and nickel has greater influence than vanadium. Moreover, Daqing crude's arsenic content is approximately five times higher than Louisiana's (which probably contains the highest arsenic content in the world) which is quite rare.

VII. Characteristics of Chinese Crude Oils

Summing up the preceding data on various compositions, we find that most Chinese crude oils have the following characteristics:

1. Give relatively low yields of light oils but high yields of cracking feedstocks and residuums.

2. Rich in paraffins, especially normal paraffins, and therefore high in wax, low in aromatics, have high H/C ratios, and their gasoline fractions tend to be high in naphthenes.

3. Their residuums are low in asphaltene and have very low asphaltene resin ratios.

4. Low in sulfur but tend to be high in nitrogen.

5. Very low in vanadium, moderate in nickel, but high nickel/vanadium ratios.

Besides the preceding types of crudes, China also produces small quantities of crude oils with relatively unique properties and fall into the following two categories:

The first category consists of light crude oils, e.g. crudes from South Xinjiang's Kalpin Key Well No 1, Baxian, Shaangan No 1, Leng Hu [Cold Lake], and Henan (Wenliu).

The second category consists of crudes with low melting points, high specific gravities, and high in resin. For instance, Heishan and Karamay No 3 low melting point crudes, Dagang's Yangsanmu crude, and Shengli's Gudao crude are all suitable for producing low melting point products and bitumen. The curves in Figure 2 show the relations between the mid-boiling points and densities of the fractions distilled from the preceding crude oils. The relation between the mid-boiling points and melting points of the preceding crude fractions are shown in Figure 3, which also includes the relation curves of Daqing crudes' various fractions for comparison.

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Table 1. Specific Gravities and Direct-Distilled Fraction Contents of Crude Oils From Various Oilfields

No	Oilfield	Specific Gravity d_4^{20}	Gasoline fc ~180°C wt %	Light Diesel Oil 180~350°C wt %	Heavy Fraction Oil 350~500°C wt %	Residuum >500°C wt %
1	Daqing (Sa'ertu)	0.8615	8.0	20.8	27.1	44.1
2	Daqing (Lamadianzi)	0.8666	8.7	18.7	28.7	43.9
3	Fuyu	0.8555	7.7	20.6	31.9	39.8
4	Shengli (Mixed)	0.9005	6.1	19.0	27.5	47.4
5	Shengli (Binnan)	0.9[illegible]4	7.3	23.3	24 (350~480°C)	45.4 (>480°C)
6	Shengli (Gudao)	0.9640	1.9	14.0	28.9	55.2
7	North China (Renqiu)	0.8837	4.9	21.1	34.9	39.1
8	North China (Yanling)	0.8[illegible]2	1.5	21.3	33.9	43.3
9	North China (Baxian)	0.83[illegible]6	11.3	36.5	36.3	15.9
10	Dagang	0.8826	7.8	27.1	36.4	28.7
11	Northeast No 1	0.86[illegible]0	16.6	28.6	27.0	27.9
12	Karamay	0.8708	12.2	28.0	27.4 (350~480°C)	32.4 (>480°C)
13	Karamay low melting point oil	0.8773	9.1	26.2	27.0	37.7
14	Heiyoushan	0.9149	4.0	21.8	28.6 (350~480°C)	45.6 (>480°C)
15	Kalpin Key Well No 1, Southern Xinjiang	0.7727	34.9	49.2	8.4 (350~420°C)	7.6 (>420°C)
16	Wuqi (Five Seven)	0.8735	10.0	24.5	20.6	45.0
17	Yumen (Laojunmiao)	0.8662	12.3	29.2	25.2	33.2
18	Shaangan No 1 [Shaan=Shaanxi Gan=Gansu]	0.8456	16.6	30.9	30.7	21.9
19	Nanyang	0.8618	3.6	21.6	25.8 (350~480°C)	50.2 (>480°C)
20	Lenghu	0.8042	37.9	38.0	6.0 (350~380°C)	15.6 (>380°C)
21	Henan No 1	0.831	17.5	30.1	28.6	23.9
22	Kuwait [13]	0.8685 (d_{15}^{15})	18.1	25.3	21.1	32.2
23	Algeria (Hassi Messaoud)	0.8031 (d_{15}^{15})	31.0	30.2	27.3	9.6
24	Indonesia (Minas)	0.8483 (d_{15}^{15})	11.9	27.2	27.6	33.0
25	United States (Wilmington, California)	0.913	15.6 (fc ~200°C)	20.0 (200~350°C)	14.6 (350~423°C)	46.0 (>423°C)

fc = first cut

Note: The gross yields of foreign oils are less than 100 percent; the differences are C3 and C4 contents.

Table 2. Hydrocarbon Composition of Gasoline Fractions (wt percent)

<table>
<tr><th rowspan="2">Oilfields</th><th rowspan="2">Boiling Points (Centigrade)</th><th colspan="2">Paraffins</th><th rowspan="2">Naphthenes</th><th rowspan="2">Aromatics</th></tr>
<tr><th>n-</th><th>iso-</th></tr>
<tr><td>Daqing</td><td>60 - 145°C</td><td>38</td><td>15</td><td>43</td><td>4</td></tr>
<tr><td></td><td>IBP - 200°C</td><td colspan="2">57</td><td>39</td><td>4</td></tr>
<tr><td>Shengli</td><td>60 - 145°C</td><td>17.5</td><td>32.5</td><td>42</td><td>8</td></tr>
<tr><td></td><td>60 - 180°C</td><td colspan="2">49</td><td>42</td><td>9</td></tr>
<tr><td>Renqiu</td><td>IBP - 145°C</td><td colspan="2">56</td><td>42</td><td>2</td></tr>
<tr><td>Dagang</td><td>IBP - 145°C</td><td>18.5</td><td>22.5</td><td>47</td><td>12</td></tr>
<tr><td></td><td>60 - 180°C</td><td colspan="2">38</td><td>46</td><td>16</td></tr>
<tr><td>Liaoning No 1</td><td>IBP - 145°C</td><td colspan="2">35</td><td>54</td><td>11</td></tr>
<tr><td>Karamay</td><td>IBP - 200°C</td><td colspan="2">58</td><td>33</td><td>9</td></tr>
<tr><td>Yumen</td><td>IBP - 200°C</td><td colspan="2">62</td><td>29</td><td>9</td></tr>
<tr><td>Kalpin Key Well No 1 South Xinjiang</td><td>IBP - 200°C</td><td colspan="2">72.9</td><td>22.4</td><td>4.7</td></tr>
<tr><td>Kuwait</td><td>40 - 200°C</td><td colspan="2">70</td><td>21</td><td>9</td></tr>
<tr><td>Minas</td><td>16 - 204°C</td><td colspan="2">59</td><td>40</td><td>1</td></tr>
<tr><td>Wilmington, California, U.S.A.</td><td>50 - 210°C</td><td colspan="2">35</td><td>54</td><td>11</td></tr>
<tr><td>Pennsylvania, U.S.A.</td><td>40 - 200°C</td><td colspan="2">70</td><td>22</td><td>8</td></tr>
<tr><td>Iran</td><td>45 - 200°C</td><td colspan="2">70</td><td>21</td><td>9</td></tr>
</table>

Table 3. Results of Quantitative Tests Determining the Monomer Hydrocarbon Composition of Direct-Distilled Gasoline Fractions

[fc = first cut]

No.	Compound	Daqing	Dagang	Shengli	Renqiu	Shaangan No 1	Xinjiang
		60~145°C	60~153°C	60~145°C	fc~130°C	60~145°C	60~130°C
	propane & isobutane	—	—	—	0.56	—	0.03
1.	normal butane	—	—	—	1.79	0.82	0.21
2.	isopentane	0.02	0.18	0.39	3.55	1.76	1.54
3.	normal pentane	0.09	0.39	0.93	5.58	2.83	2.70
4.	2,2-dimethylbutane	0.47	0.05	—	0.16	0.06	0.08
5.	cyclopentane	0.29	0.25	0.47	0.96	0.41	0.44
6.	2,3-dimethylpentane	1.32	0.70		0.63	—	6.19
7.	2-methylpentane		0.77	2.56	6.08	3.14	
8.	3-methylpentane	0.76	0.67	1.69	3.13	1.63	1.48
9.	normal hexane	6.33	2.04	4.83	8.91	4.91	4.78
10.	2,2-dimethylpentane	2.72	2.08	—	0.11	—	—
11.	methylcyclopentane			4.04	4.26	3.00	2.69
12.	2,4-dimethylpentane	0.26	0.18	0.33	0.52	0.25	0.35
13.	benzene	0.16	0.80	0.66	0.46	0.35	0.37
14.	3,3-dimethylpentane	0.02	0.06	0.05	0.08	0.07	0.13
15.	cyclohexane	4.75	2.57	3.16	2.60	2.22	3.74
16.	2-methylhexane	1.40	1.09	2.14	2.57	1.97	1.86
17.	2,3-dimethylpentane	0.65	0.59	1.24	1.17	1.48	2.19
18.	1,1-dimethylcyclopentane	0.42	0.44	0.41	0.39	—	
19.	3-methylhexane	1.83	1.25	2.57	2.69	2.44	2.73
20.	1-cis-3-dimethylcyclopentane	0.70	0.81	1.18	1.02	1.54	0.76
21.	3-ethylpentane	0.82	0.88	1.31	1.24	1.65	0.90
22.	1-trans-3-dimethylcyclopentane						
23.	1-trans-2-dimethylcyclopentane	1.65	1.29	2.24	2.20	2.75	1.81
24.	normal heptane	13.93	4.42	7.21	8.34	6.85	7.48
25.	2,2-dimethylhexane	0.34	0.33	0.42	—	—	0.39
26.	1-cis-2-dimethylcyclopentane				0.34	0.51	
27.	1,1,3-trimethylcyclopentane	0.47	0.62	0.39	0.40	1.03	0.26
28.	methylcyclohexane	11.43	9.18	7.22	5.72	7.47	7.87
29.	(2,2,3,3,-tetrabutane)						
30.	2,5-dimethylhexane	0.18	0.26	0.28	0.43	0.27	0.34

31. 2,4-dimethylhexane
32. ethylpentane
33. 2,2,3-trimethylpentane
34. 1-trans-2-cis-4-trimethylcyclopentane
35. 3,3-dimethylhexane
36. toluene
37. 1-trans-2-cis-3-trimethlcyclopentane
38. 2,3,4-trimethylpentane
39. 2,3,3-trimethylpentane
40. 2,3-dimethylhexane
41. 2-methyl-3-ethylpentane
42. 1,1,2-trimethylcyclopentane
43. 2-methylheptane
44. 4-methylheptane
45. 3,4-dimethylhexane
46. 3-methylheptane (3-ethylhexane)
47. 2,2,4,4-tetramethylpentane
48. 1-cis-2-trans-4-trimethylcyclopentane
49. 3-methyl-3-ethylpentane
50. 2,2,5-trimethylhexane
51. 1-cis-2-trans-3-trimethylcyclopentane
52. 1-cis-3-dimethylcyclohexane
53. 1-trans-4-dimethylcyclohexane
54. 1,1-dimethylcyclohexane
55. 1-methyl-cis-3-ethylcyclopentane
56. 2,2,4-trimethylhexane
57. 1-methyl-trans-3-ethylcyclopentane
58. 1-methyl-trans-2-ethylcyclopentane
59. 1-methyl-1-ethylcyclopentane
60. normal octane
61. 1-trans-2-dimethylcyclohexane
62. 1-cis-2-cis-3-trimethylcyclopentane
63. 1-cis-4-dimethylcyclohexane
64. 1-trans-3-dimethylcyclohexane
65. 2,4,4-trimethylhexane
66. 8-carbon cycloalkanes
67. 2,3,5-trimethylhexane
68. isopropylcyclopentane
69. 8-carbon cycloalkanes
70. 2,2-dimethylheptane

No	Compound	Daqing	Dagang	Shengli	Renqiu	Shaangan No 1	Xinjiang
		60~145°C	60~153°C	60~145°C	fc~130°C	60~145°C	60~130°C
31	2, 4-二甲基己烷	0.19	0.32	0.36	0.34	0.34	0.26
32	乙基环戊烷	0.95	0.53	1.05	0.73	0.58	0.76
33	2, 2 ,3-三甲基戊烷	0.02	0.04	0.03	—	—	—
34	1-反-2-顺-4-三甲基环戊烷	0.44	0.60	0.65	0.37	1.15	0.62
35	3, 3-二甲基己烷	0.05	4.17	0.11	0.39	—	2.24
36	甲　苯	1.05		4.54	1.65	1.19	
37	1-反-2-顺-3-三甲基环戊烷	0.66	0.70	0.96	--	1.57	—
38	2, 3 ,4-三甲基戊烷	0.23	0.25	0.42	0.25	0.03	0.86
39	2, 3 ,3-三甲基戊烷	0.04	0.12	0.42	—	—	0.29
40	2, 3-二甲基己烷	0.22	0.34		0.25	0.35	
41	2-甲基-3-乙基戊烷	0.20	0.21	0.47	0.24	0.29	1.03
42	1, 1 ,2-三甲基环戊烷	0.26	0.29	0.26	0.15	0.35	0.78
43	2-甲基庚烷	2.75	2.38	3.05	3.58	3.36	6.72
44	4-甲基庚烷	0.62	0.60	0.58	0.54	0.72	1.18
45	3, 4-二甲基己烷	0.13	0.20	0.32	0.13	0.25	0.16
46	3-甲基庚烷(3-乙基己烷)	1.23	1.50	1.65	1.40	1.53	1.40
47	2, 2 , 4 ,4-四甲基戊烷	0.09	0.15	0.14	0.36	0.10	0.13
48	1-顺-2-反-4-三甲基环戊烷						
49	3-甲基-3-乙基戊烷						
50	2, 2 ,5-三甲基己烷	0.08	0.23	0.16		0.20	0.05
51	1-顺-2-反-3-三甲基环戊烷	0.18	0.23	0.26	0.25	—	0.22
52	1-顺-3-二甲基环己烷	3.66	4.62	2.80	2.69	4.30	3.36
53	1-反-4-二甲基环己烷				—		
54	1, 1-二甲基环己烷	0.58	0.75	0.37	0.45	0.36	1.18
55	1-甲基-顺-3-乙基环戊烷	0.31	0.35	0.52	0.46	0.34	0.50
56	2, 2 ,4-三甲基己烷	0.15	0.32	0.33	0.15	0.95	1.51
57	1-甲基-反-3-乙基环戊烷	0.77	0.65	1.12	0.97		
58	1-甲基-反-2-乙基环戊烷						
59	1-甲基-1-乙基环戊烷	0.70	0.18	0.56	0.28	0.15	0.16
60	正 辛 烷	15.39	8.69	5.98	5.66	6.48	6.95
61	1-反-2-二甲基环己烷	—	—	1.90	2.41	1.65	—
62	1-顺-2-顺-3-三甲基环戊烷						
63	1-顺-4-二甲基环己烷	0.63	1.02	0.49	0.46	0.81	0.58
64	1-反-3-二甲基环己烷						
65	2, 4 ,4-三甲基己烷	—	0.28	0.03	0.10	—	—
66	八碳环烷	—		0.05		—	0.06
67	2, 3 ,5-三甲基己烷	0.08		0.20		0.24	0.26
68	异丙基环戊烷						
69	八碳环烷	—	—	0.02		—	—
70	2,2-二甲基庚烷	0.13	0.28	0.15	0.10	0.24	0.21

71. 2,4-dimethylheptane
72. 2,2,3,4-tetramethylpentane
73. 1-methyl-cis-2-ethylcyclopentane
74. 2-methyl-4-ethylhexane
75. x2
76. 2,6-dimethylheptane
77. 1-cis-2-dimethylcyclohexane
78. normal propylcyclopentane
79. 2,5-dimethylheptane
80. ethylcyclohexane
81. (ethylbenzene, 3,5-dimethylheptane)
82. 3,3-dimethylheptane
83. 2,4-dimethyl-3-ethylpentane
84. 1,1,3-trimethylcyclohexane
85. 2,3,3-trimethylhexane
86. 1,1,4-trimethylcyclohexane
87. x3
88. 2-methyl-3-ethylhexane
89. 1-cis-3-cis-5-trimethylcyclohexane
90. 2,3,4-trimethylhexane
91. 9-carbon cycloalkanes (5-membered ring)
92. paraxylene
93. metaxylene
94. (3,3,4-trimethylhexane)
95. 3-methyl-4-ethylhexane
96. 2,3-dimethylheptane
97. x4
98. 4-ethylheptane
99. 3,4-dimethylheptane
100. dicyclo[3,3,0]octane
101. 1-trans-2-trans-4-trimethylcyclohexane
102. 1-cis-3-trans-5-trimethyl cyclohexane
103. 4-methyloctane
104. 2-methyloctane
105. 3-ethylheptane
106. 8-carbon dicycloalkanes
107. 3-methyloctane
108. orthoxylene
109. 2,2,4,5-tetramethylhexane
110. 2,2,6-trimethylheptane

No	Compound	Daqing	Dagang	Shengli	Renqiu	Shaangan No 1	Xinjiang
		60~145°C	60~153°C	60~145°C	fc~130°C	60~145°C	60~130°C
71	2,4-二甲基庚烷	0.38	0.53	0.36	0.22	0.34	0.29
72	2, 2 ,3,4-四甲基戊烷						
73	1-甲基-顺-2-乙基环戊烷						
74	2-甲基-4-乙基己烷	0.11	0.16	0.04	0.16	—	0.08
75	x_2	—	—	0.09	—	0.18	—
76	2,6-二甲基庚烷	0.68	0.78	0.93	0.71	1.12	2.81
77	1-顺-2-二甲基环己烷	0.38	0.47	0.23	0.18	0.25	0.35
78	正丙基环戊烷	0.57	0.32	0.47	0.25	0.27	0.25
79	2,5-二甲基庚烷	0.09	0.33	0.30	0.18	0.30	0.26
80	乙基环己烷	3.79	3.82	3.81	1.38	1.69	1.14
81	(乙苯, 3 ,5-二甲基庚烷)						
82	3,3-二甲基庚烷	0.16	0.13	0.12	0.17	0.13	—
83	2,4-二甲基-3-乙基戊烷						
84	1, 1 ,3-三甲基环己烷	2.21	2.54	2.57	2.38	2.55	4.62
85	2, 3 ,3-三甲基己烷						
86	1, 1 ,4-三甲基环己烷	0.42	0.65	0.34	0.49	0.42	0.23
87	x_3			—	—	—	—
88	2-甲基-3-乙基己烷	0.28	0.49	0.15	0.16	0.58	0.33
89	1-顺-3-顺-5 三甲基环己烷			0.37		—	
90	2, 3 ,4-三甲基己烷	—	0.04	0.07	—	0.40	0.25
91	九碳环烷(五员环)	0.24	0.28	0.27	—	0.30	—
92	对二甲苯	0.28	1.57	0.42	0.22	1.41	0.43
93	间二甲苯	0.92	5.21	1.46	trace	1.15	1.32
94	(3 , 3 ,4-三甲基己烷)				—		
96	3-甲基-4-乙基己烷	0.70	1.42	1.16	—	—	1.16
96	2,3-二甲基庚烷				0.21		
97	x_4			0.08	—	0.29	0.09
98	4-乙基庚烷	0.48	0.47	0.33	0.83	—	0.06
99	3,4-二甲基庚烷				0.12	—	
100	双环[3 , 3 , 0]辛烷		0.24			—	
101	1-反-2-反-4-三甲基环己烷	0.49	0.94	0.43	0.27	0.74	0.25
102	1-顺-3-反-5-三甲基环己烷				—		
103	4-甲基辛烷	0.35	0.51	0.33	0.13	0.39	0.24
104	2-甲基辛烷	0.51	0.80	0.77	0.33	0.70	0.44
105	3-乙基庚烷	0.07	0.08	0.14	—	0.12	0.05
106	八碳双环烷	—	0.12	—	—	—	—
107	3-甲基辛烷	0.61	2.04	1.04	0.32	1.17	0.42
108	邻二甲苯	0.47	0.86	0.81	0.15		0.59
109	2, 2 , 4 ,5-四甲基己烷				—		
110	2, 2 ,6-三甲基庚烷	—	0.15	0.15	—	—	—

111. 2,3-dimethyl-3-ethylpentane
112. 1-trans-2-cis-3-trimethylcyclohexane
113. 2,2,5-trimethylheptane
114. 1-trans-2-cis-3-trimethylcyclohexane
115. 1-cis-2-cis-4-trimethylcyclohexane
116. 1-cis-2-trans-4-trimethylcyclohexane
117. 9-carbon dicycle
118. x5
119. 9-carbon cycloalkanes
120. 2,4,4-trimethylheptane
121. 1-methyl-cis-3-ethylcyclohexane
122. 2,5,5-trimethylheptane
123. 1-methyl-trans-4-ethylcyclohexane
124. isopropylbenzene
125. 9-carbon dicycloalkanes
126. normal nonane
127. 1-methyl-trans-3-ethylcyclohexane
128. 1-cis-2-trans-3-trimethylcyclohexane
129. 1-cis-2-cis-3-trimethylcyclohexane
130. 1-methyl-trans-2-ethylcyclohexane
131. 1-methyl-cis-4-ethylcyclohexane
132. 1-methyl-1-ethylcyclohexane
133. trans-dicyclo[4,3,0]nonane
134. 2,3,5-trimethylheptane
135. 2,4-methyl-3-isopropylpentane
136. isopropylcyclohexane
137. normal propylbenzene
138. normal propylcyclohexane
139. 1-methyl-cis-2-ethylcyclohexane
140. 9-carbon cycloalkanes (6-membered ring)
141. 3,6-dimethyloctane
142. 3,4,4-trimethylheptane
143. 2,6-dimethyloctane
144. 3,3,4-trimethylheptane
145. 1-methyl-3-ethylbenzene
146. 1-methyl-4-ethylbenzene
147. 2,4-dimethyloctane
148. 4-methyl-4-ethylheptane

No	Compound	Daqing	Dagang	Shengli	Renqiu	Shaangan No 1	Xinjiang
		60~145°C	60~153°C	60~145°C	fc~130°C	60~145°C	60~130°C
111	2,3-二甲基-3-乙基戊烷	—	0.07	0.20	—	—	—
112	1-反-2-顺-4-三甲基环己烷	—	0.15	0.18	—	0.21	—
113	2,2,5-三甲基庚烷	—	—	0.09	—	—	—
114	1-反-2-顺-3-三甲基环己烷	0.22	0.34	0.15	0.15	—	0.11
115	1-顺-2-顺-4-三甲基环己烷	0.22	0.49	0.37	0.16	0.39	0.21
116	1-顺-2-反-4-三甲基环己烷	—	0.36	}0.18	—	}0.18	—
117	九碳双环	—	0.15		—		—
118	x_8	—	—	0.18	—	—	—
119	九碳环烷	—	}0.12	}0.11	—	—	—
120	2,4,4-三甲基庚烷	—			—	—	—
121	1-甲基-顺-3-乙基环己烷	}0.23	}0.82	}0.41	0.22	}0.50	}0.12
122	2,5,5-三甲基庚烷				—		
123	1-甲基-反-4-乙基环己烷	0.06	0.62	0.46	—	0.21	}0.10
124	异丙苯	—	0.22	0.29	—	0.20	
125	九碳双环烷	—	0.14	—	—	—	—
126	正壬烷	2.17	4.78	2.97	1.39	3.13	0.61
127	1-甲基-反-3-乙基环己烷	}0.06	}0.29	}0.14		}0.13	
128	1-顺-2-反-3三甲基环己烷						
129	1-顺-2-顺-3-三甲基环己烷	}0.05	}0.58	}0.31		}0.16	
130	1-甲基-反-2-乙基环己烷						
131	1-甲基-顺-4-乙基环己烷	—	}0.46	}0.11		0.13	
132	1-甲基-1-乙基环己烷	—				—	
133	反双环[4,3,0]壬烷		0.50	0.23		0.16	
134	2,3,5-三甲基庚烷		—	0.08		0.09	
135	2,4-甲基-3-异丙基戊烷		0.19	—		—	
136	异丙基环己烷		0.28	0.15		0.14	
137	正丙苯		0.33	0.24		0.27	
138	正丙基环己烷		}0.60	}0.20		—	
139	1-甲基-顺-2-乙基环己烷					—	
140	九碳环烷(六员环)		—	0.04		0.36	
141	3,6-二甲基辛烷		0.84			0.51	
142	3,4,4-三甲基庚烷		}0.84			0.12	
143	2,6-二甲基辛烷					0.12	
144	3,3,4-三甲基庚烷		}0.97	{		—	
145	1-甲基-3-乙基苯					—	
146	1-甲基-4-乙基苯		}0.35			0.05	
147	2,4-二甲基辛烷					—	
148	4-甲基-4-乙基庚烷					—	

Table 4. Distribution of Naphthenes & Isoparaffins in Various Direct-Distilled Gasolines

crude oils	Daqing 大 庆 60~145°C	Dagang 大 港 60~153°C	Shengli 胜 利 60~145°C	Renqiu 任 丘 fc~130°C	Shaangan No 1 陕甘一号 60~145°C	Xinjiang 新 疆 60~130°C
cyclohexanes/cyclopentanes	2.3	3.1	1.9	1.3	1.5	1.9
single methyl branched chain isoparaffins / isoparaffins	0.56	0.49	0.50	0.53	0.52	0.60

Table 5. Composition of diesel oil fractions

crude oils 原油名称 / fractions 馏分		Daqing 大 庆 145~350°C	Shengli 胜 利 145~350°C	Renqiu 任 丘 145~360°C	Shaangan No 1 Light Diesel 陕甘一号 轻 柴 油	Dagang 大 港 145~350°C	Yaling 雅 [illegible] 145~350°C	Minas 米 纳 斯 177~343°C	California 美 加 州 [5] 260~343°C
paraffins	烷 烃	62.6(wt%)	53.2(wt%)	65.4(wt%)	60.2(wt%)	44.4(wt%)	75.7(wt%)	49(v.%)	2(v.%)
normal	正 构	41	23	30	29		37		
isomeric	异 构	21.6	30.2	35.4	31.2		38.7		
cycloparaffins	环烷烃	24.2	28.0	23.8	26.7	34.4	18.6	34.1	54
1 ring	一 环	16.4	19.6	17.4	15.8	20.6	15.1	14.2	18
2 rings	二 环	5.6	7.0	5.4	9.4	10.4	3.0	12.9	15
3 or more rings	三环及多于三环	2.2	1.4	1.0	1.6	3.4	0.5	7.0	21
aromatics	芳 烃	13.2	18.8	10.8	13.1	21.2	5.7	17	44
1 ring	一 环	7.0	13.5	7.2	8.6	13.2	4.0	5.0	26
2 rings	二 环	5.3	5.0	3.4	4.3	7.3	1.6	10.0	16
3 rings	三 环	0.9	0.3	0.2	0.2	0.7	0.1	2.0	(噻吩类) 2 (thiophene)

fc = first cut   wt = weight   v = volume   C = Centigrade

Table 6. Normal Paraffin Contents in Diesel Oil Fractions and Wax Contents in Crude Oils

	a. 原油		d 柴油正构烷烃（重%）		
	b 凝点	c 含蜡量	200～250°C	250～300°C	300～350°C
(1) 大庆	31	25.8	38～39①	35～41②	42～43
(2) 胜利	28	14.6	12.9(200～240°C)	20.0(240～300°C)	35.0
(3) 任丘	36	22.8	26.6(180～250°C)	33.0(250～320°C)	—
(4) 雁翎	36	20.8	36.1	39.4	36.6
(5) 陕甘一号	17	10.2	28.1	23.6	34.8
(6) 南疆柯参1井	6	5.8	54.7	53.4	47.6
(7) 米纳斯	32	20	—	—	—
(8) 科威特	-17.8	—	—	—	—

① ② Determined through molecular sieve absorption method.

Key:
(1) Daqing
(2) Shengli
(3) Renqui
(4) Yanling
(5) Shaangan No 1
(6) South Xinjiang's Kalpin Key Well No 1
(7) Minas
(8) Kuwait

a. crude oil
b. melting point
c. wax content
d. n-paraffins in diesel oils (wt percent)

Table 7. Pristane & Phytane Contents in Various Kinds of Diesel Oil Fractions

a 原油名称		250～300°C 馏分 b		300°C～350°C 馏分 c		总计 d
		e 占馏分(重%)	f 占原油(重%)	e 占馏分(重%)	f 占原油(重%)	f 占原油(重%)
(1) 雁翎	g 姥鲛烷	5.8	0.37	3.6	0.36	0.73
	h 植烷	5.4	0.34	19.6	1.96	2.3
(2) 陕甘一号	g 姥鲛烷	1.78	0.16	1.47	0.16	0.32
	h 植烷	0.59	0.05	2.97	0.32	0.37
(3) 大庆	g 姥鲛烷	0.95	0.06	0.92	0.07	0.13
	h 植烷	0.45	0.03	0.80	0.06	0.09
(4) 任—沧管线	g 姥鲛烷	3.02	0.19	4.04	0.41	0.60
	h 植烷	5.83	0.37	14.45	1.47	1.84

Key:
(1) Yanling
(2) Shaangan No 1
(3) Daqing
(4) Ren-Cang Pipeline

a. crude oil
b. 250-300°C fraction
c. 300-350°C fraction
d. total
e. (wt percent) of fraction
f. (wt percent) of crude
g. pristane
h. phytane

Table 8. Properties and Compositions of Cracking Stock oils

	crude origin 原 油 产 地	Daqing (mixed) 大 庆（混合）	Shengli 胜 利	Dagang 大 港	Renqiu 任 丘	Shaangan No 1 陕甘一号	Karamay (mixed) 克拉玛依②（混合）	Gudao 孤 岛
yield rate (of crude, wt%)	收率（占原油，重%）	30.36	27.0	36.4	34.9	31	28.6	28.9
boiling range (°C)	沸程，（°C）	350~500	355~500	350~500	350~500	350~500	350~500	350~500
wax content (wt%)	蜡含量（重%）	44.5	27	30	47~52	30	16	3.0
specific gravity, d_4^{20}	比重，d_4^{20}	0.8582	0.8876	0.8892	0.8690	0.8726	0.8852	0.9361
residue carbon, wt%	残炭，重%	0.016	—	0.07	0.061	—	—	—
structural group composition:	结构族组成，							
Cp%	Cp%	70.1	62	59.5	68	68.0	53~58	38
Cn%	C_N%	20.2	25	26.1	20.5	17.5	31~35	38
Ca%	C_A%	9.7	13	14.4	11.5	14.5	9~12	24
Rn	R_N	1.02	1.4	1.62	1.36	1.2	1.5~2.2	2.0
Ra	R_A	0.40	0.5	0.54	0.46	0.55	0.3~0.4	0.9
Element composition:	元素组成，							
S%	S%	0.08	0.47	0.13	0.27	0.08	0.11	1.31
N%	N%	0.04	—	—	0.09	—	—	0.19
data source	数据来源	①						

① Inside information, Research Institute of Petrochemical Processing Science

② Structural group composition consists of 350-420°C fractions.

Table 9. Results of Mass Spectrographical Analysis of Vacuum Distillate Oils

2 油样 1 组成	a 柯参1井 350～400°C	b 任丘蜡油	c 胜利蜡油 减四线	d 霸县 混合油 350～500°C	e 米纳斯 343～427°C	f 米纳斯 427～510°C	g 美国加州 343～427°C	 427～510°C
a 链烷烃	62.2	42.7	31.9	38.0	53.1	44.5	2	3
b 总环烷	34.2	34.4	36.0	40.5	36.2	45.2	44	53
(1)一环环烷	17.6	5.3	10.0	10.1	17.0	23.0	9	5
(2)双环环烷	8.6	4.4	10.9	8.4	6.6	10.9	9	8
(3)三环环烷	4.4	5.9	7.3	8.7	12.6	11.3	8	14
(4)四环环烷	3.6	16.7	7.8	9.6	—	—	10	15
(5)五环以上环烷	—	2.1	—	3.8	—	—	8	11
c 总芳烃	3.3	19.3	27.2	21.3	10.7	10.3	54	44
(1)烷基苯	1.1	3.2	7.1	4.0	2.8	2.8	7	3
(2)茚满	0.2	3.1	4.1	1.6	1.7	1.8	7	4
(3)二环烷苯	0.3	2.8	3.1	1.7	0.8	0.9	5	4
(4)萘类	0.1	1.9	2.6	0.5	3.4	2.8	12	10
(5)多环芳烃	1.6	7.4	10.3	13.6	2.0	2.0	24	19
(6)未鉴定	—	0.9	—	—	—	—		
(7)噻吩类	0.3	0.4	0.8	0.4	—	—	4	4
d 胶质	—	3.2	4.2	—	—	—	—	
数据来源	(*) 石油化工科学研究院内部资料				[3]	[3]	[5]	

Key:

1. Composition:

a. chain paraffins
b. total naphthenes
  (1) 1-ring naphthenes
  (2) 2-ring naphthenes
  (3) 3-ring naphthenes
  (4) 4-ring naphthenes
  (5) naphthenes with 5 or more rings
c. total aromatic hydrocarbons
  (1) alkyl benzenes
  (2) hydrindenes
  (3) dicycloalkyl benzenes
  (4) naphthalenes
  (5) multi-ring aromatics
  (6) undetermined
  (7) thiopenes
d. resins

2. Oil Samples:

a. Kalpin Key Well No 1
b. Renqiu wax-base oil
c. Shengli wax-base oil minus 4 lines
d. Ba Xian mixed-base oil
e. Minas
f. Minas
g. California, U.S.A.

3. Data Source
  (*) Inside information, Research Academy of Petrochemistry

Table 10. Composition of Residuums Above 500 Degrees Centigrade (wt percent)

	a. 石油名称	b 饱和烃 % (S)	c 芳烃 % (A)	d 胶质 % (R)	e 沥青质 % (AT)	AT/R	C%	H%	C/H
1.	大庆	36.7	33.4	29.9	<0.1	<0.03	86.6	12.5	6.9
2.	胜利	21.4	31.3	45.7	1.6	0.036	85.6	11.6	7.4
3.	任丘	22.6	24.3	53.1	<0.1	<0.02	85.45	12.08	7.07
4.	孤岛	11.0	34.2	46.8	8.0	0.17	83.9	11.3	7.4
5,	陕甘一号	41.4	31.4	27.2	0	0	—	—	
6.	大港	—	—	—	—	—	86.46	12.48	6.9
7.	河南二号	34.3	33.7	32.0	0	0	86.3	12.4	7.0
8.	米纳斯	57.5	28.8	11.0	1.4	0.13	86.3	12.4	7.0
9.	科威特	16.9	52.8	24.0	6.3	0.26	83.5	10.3	8.1
10.	委内瑞拉	7.8	34.0	41.8	16.4	0.39	82.6	10.4	7.9
11.	国外减渣沥青① 一般组成	5～15	30～45	30～45	5～20	—	—	—	—

12. ① 从国外减压渣油制得的道路沥青。

Key:

1. Daqing
2. Shengli
3. Renqiu
4. Gudao
5. Shaangan No 1
6. Dagang
7. Henan No 2
8. Minas
9. Kuwait
10. Venezuela
11. general composition of foreign vacuum distillate residuum and bitumen
12. road asphalt processed from foreign vacuum distillate oil

a. crude oil
b. saturated hydrocarbons
c. aromatic hydrocarbons
d. resin
e. asphaltene

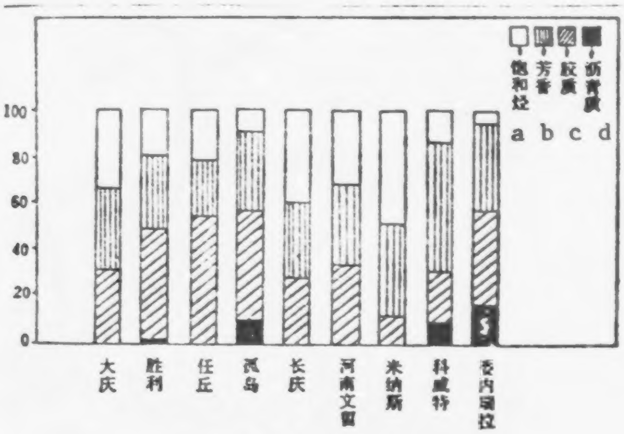
Table 11. Noncarbon and Nonhydrogen Contents in Crude Oils

	原 油 crude oils	硫 S (wt%)	氮 N (wt%)	钒 V (ppm)	镍 Ni (ppm)	铁 Fe (ppm)	铜 Cu (ppm)	砷 As (ppb)
Daqing	大 庆	0.12	0.13	<0.08	2.3	0.7	0.25	2800
Shengli 101 Oil Storage	胜利101油库	0.80	0.41	1	26			
Gudao	孤 岛	1.8~2.0	0.5	0.8	14~21	16	0.4	
Binnan	滨 南	0.3	0.24					
Dagang	大 港	0.12	0.23	<1	18.6		0.8	
Renqiu	任 丘	0.3	0.38	0.7	16	1.8		0.220
Yumen	玉 门	0.1	0.3	<0.02	18.8	6.8	0.46	
Karamay	克拉玛依	0.1	0.23	<0.4	13.8	8	0.7	
Huqi [Five Seven]	五 七	1.35~ 2.0	0.36~ 0.30	0.4	12.0	<1	0.5	
Yanling mixed crude	雁翎混合原油	0.47	0.4	0.4	12	50	2	
				(←	雁24井		→)	
Ba Xian mixed crude	霸县混合原油	0.1		<0.1	1.3	0.4	0.3	
Shaangan No 1	陕甘一号	0.05	0.067	<1	~2			
Maximum content of crude oils from various parts of the world [7]	世界各地原油的最高含量(7)	5.5 (委)①	0.77 (美加州)②	230 (委)①	138 (美加州)②			1630(11) (美加州)②
Minimum content of crude oils from various parts of the world [7]	世界各地原油的最低含量(7)	0.02	0.02	0.1	<1			<0.01

1 Venezuela
2 California, U.S.A.

Table 12. Ni/V Ratios in Crudes

原 油 crude	V 钒 (ppm)	Ni 镍 (ppm)	V/Ni 镍/钒
Daqing	<0.08	2.3	>28
Shengli	1	25	26
Gudao	0.8	21	26.3
Dagang	<1	18.5	>18.5
Renqiu	0.7	15	21.43
Yumen	<0.02	18.8	>940
Karamay	<0.4	13.8	>34
Wuqi [Five Seven]	0.4	12.0	30
Ba Xian	<0.1	1.3	>13
Minas (1)	<0.4	10	>25
Venezuela Lagomedio	133	13	0.098
Kuwait	31	9.6	0.31
Romashkino, USSR	53.7	21.6	0.42



(1) (2) (3) (4) (5) (6) (7) (8) (9)

Figure 1. Contents of the four components of each kind of residuum

Residuums from:

(1) Daqing crude
(2) Shengli crude
(3) Renqiu crude
(4) Gudao crude
(5) Changqing crude
(6) Henan Wenliu crude
(7) Minas crude
(8) Kuwait crude
(9) Venezuelan crude

Components:

a. saturated hydrocarbons
b. aromatics
c. resins
d. asphaltene

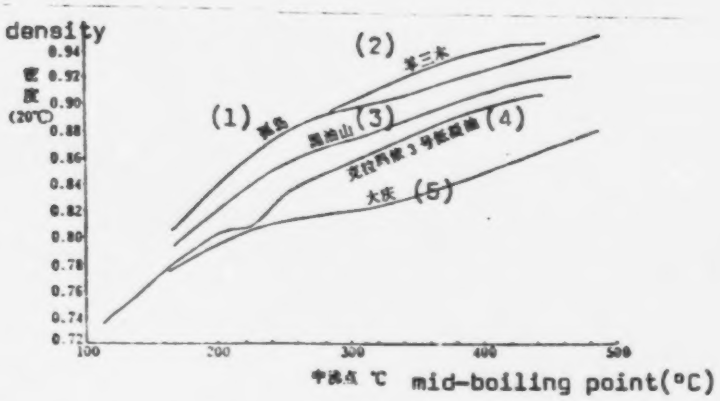


Figure 2. Mid-boiling point/density relation curves of crude oil fractions

Key:
- (1) Gudao
- (2) Yangsanmu
- (3) Heiyoushan
- (4) Karamay No 3 low melting point oil
- (5) Daqing

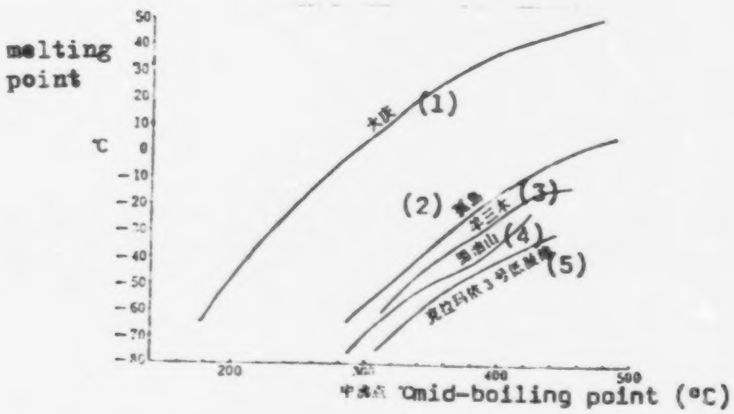


Figure 3. Mid-boiling point/melting point relation curves of crude oil fractions

Key:
- (1) Daqing
- (2) Gudao
- (3) Yangsanmu
- (4) Heiyoushan
- (5) Karamay No 3 low melting point oil

9119
CSO: 4006

PRC ELECTRICAL ENGINEERS DISCUSS ENERGY SHORTAGE

OW241744 Beijing Xinhua Domestic Service in Chinese 1152 GMT 23 Dec 80

[Excerpts] Wuhan, 23 Dec (XINHUA)--Some Chinese electrical engineering specialists, scientists and technicians maintain that by actively adopting all kinds of measures to exploit, utilize and conserve energy, we can readily change the situation of energy shortages and make energy industry a leading sector in the national economy.

This view was presented at the Third Congress of the China Electrical Engineering Society, which was held in Wuhan Municipality 13-18 December. Representatives to the congress held that China thought the question of energy important and that encouraging results had been made in exploiting, utilizing and conserving energy. However, an increase in energy resources still lags far behind China's economic growth and the increasing needs of the people in their livelihood. Therefore, the question of energy should now be regarded as a question of policy. To accomplish the four modernizations, we cannot do without a sufficient supply of energy and a stable energy policy. Energy exploitation and conservation should always be emphasized in our energy strategy. Energy policy should be stable. Funds, technical forces and experimental bases for prospecting and designing should be strengthened so that the energy industry can truly become a leading sector.

Some specialists, scientists and technicians attending the meeting maintained that there was much room for energy conservation as far as thermal power equipment was concerned. First is the high rate of coal consumption. At present, China's thermal power installation capacity accounts for some 80 percent of the total plant capacity and more than 100 million dun of coal are being consumed annually. On an average, 457 grams of standard coal are consumed to generate 1 kwh of electricity. Second is China's small number of heat-supplying units. Existing ones are not fully utilized. Third is a lack of a design to bring out the overall superiority of generating sets. Main and the auxiliary machines are not properly matched. Big machines are used to perform the work of small machines, thereby resulting in the huge consumption of coal and electricity by powerplants.

The congress democratically elected the Third Council of China Electrical Engineering Society with Mao Henian as council chairman. The new council fervently hopes to strengthen cooperation with Taiwan Province's electrical engineering circles and has reserved two seats in the council for Taiwan counterparts.

CSO: 4006

ENERGY

BRIEFS

HEILONGJIANG COLLIERIES--All provincial collieries whose products are distributed under the unified state plan prefulfilled the annual plans for raw coal and dressed coal production and tunneling by 16 days, 51 days and 26 days, respectively. Hegang Coal Mining Administration produced some 15 million tons of coal in 1980. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 15 Dec 80 SK]

JILIN POWER PLANT--The Fengman Power Plant in Jilin Province had produced more than 1.4 billion kwh of electricity by the end of November, overfulfilling the annual production plan by over 40 percent. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 9 Dec 80 SK]

JILIN RESIDUAL HEAT--Half of a heating system utilizing residual heat from the Changchun Power Plant, designed to provide hot water to an area of over 400,000 square meters, has been completed. Within a few days 65 units in (Tiebei) district of Changchun Municipality will enjoy hot running water. Some 135 boilers and over 100 chimneys in these units will be dismantled. After modifying two sets of turbogenerators in the Changchun Power Plant, Changchun Municipality can recover 217 billion btu's of residual heat a year, conserve 40,000 tons of coal, 16,000 tons of gasoline and 5 million yuan in heating costs. In addition, 800 boiler workers will be dismissed. Some 4.4 million tons of dust and 1,200 tons of sulphur dioxide in the air will be eliminated. The other half of the heating system will be completed next year. [SK111048 Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Nov 80]

JILIN COAL DEPOSITS--The Jilin Provincial Coalfield Geological Prospecting Company had overfulfilled its annual plan by 4 percent by the end of November and prefulfilled its plan by 49 days as of 12 November. The average black amber cutting rate was 83.5 percent, an increase of some 6.8 percent over the corresponding 1979 period. First and second grade coal products totaled some 89.9 percent. This company estimates that coal deposits in the (Luidaojiang) coalfield in Tonghua Municipality and the (Feilui) coalfield in Liaoyuan Municipality will be some 13.36 million tons. [SK152206 Changchun Milin Provincial Service in Mandarin 1100 GMT 13 Dec 80 SK]

LIAONING HEATING SYSTEM--In Shenyang Municipality, Liaoning, a 12 km long heating pipe was laid. The heating system uses hot water produced by the Shenyang Powerplant and supplies heat to enterprises and individual families. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 14 Dec 80 SK]

HYDROELECTRIC COMMITTEE IN NANNING--The China Hydroelectric Engineering Association Committee for hydro electric power planning and dynamic power economics was set up in Nanning on 5 December. Some 100 professors and experts in hydroelectricity engineering attended the inaugural meeting. Zhou Guangchun, secretary of the Regional CCP Committee and vice chairman of the Regional People's Government, and Gan Ku, vice chairman of the Regional People's Government, greeted the professors and experts. The meeting conducted various discussions on different topics and received some 50 theses. In conclusion, the meeting announced the names of the members of the First Committee for Hydroelectric Power Planning and Dynamic Power Economics. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 12 Dec 80 HK]

QINGHAI IMPROVES ELECTRICITY CONSERVATION--A responsible comrade of the Provincial Power Bureau has told our reporters that he is optimistic about the electricity supply for our province next year. He said: Judging by the consumption of electricity this year, the electricity supply next year will be able to meet the needs of industrial, agricultural and animal husbandry production in our province. He said: The supply of electricity this year has been better than ever. By 10 December, the Xining Power Network had generated and supplied 510 million kwh of electricity, overfulfilling the annual production plan. After analyzing this year's success, he said: The success can be attributed to the following factors: First, thanks to the readjustment of the national economy, the proportion of heavy industry has been reduced in our province. Second, units which consume electricity have been very cooperative. In the dry season this year, metallurgical and chemical industry departments overhauled their equipment in a planned way to improve the efficiency of the power network. Third, since the beginning of this year, all trades and professions in our province have stepped up work on the planned consumption and conservation of electricity and have scored initial achievements in this by the end of November, a total of 18.31 million kwh of electricity had been conserved in the province. [Excerpts] [SK221246 Xining Qianghai Provincial Service in Mandarin 2330 GMT 21 Dec 80]

SHANGHAI ENERGY FORUM--Shanghai, 4 Dec (XINHUA)--At a forum on energy conservation and development held by the Shanghai Municipal Scientific and Technical Association, participants discussed and offered opinions on utilizing the exhaust heat for power generation to help solve power shortage in cities, on speeding up development of coal gas and on readjusting the distribution of Shanghai's iron and steel industry. Some 40 proposals were raised at the forum including construction of a tidal power station at the estuary of the Changjiang River. Over 300 experts, professors and scientific and technological workers attended the forum. [OW050113 Beijing Xinhua Domestic Service in Chinese 0202 GMT 4 Dec 80 OW]

WUHAN GAS SUPPLY SEMINAR--In the middle of November, the National Construction Society held a seminar in Wuhan on urban gas supply and establishing an urban information network. Delegates from Wuhan Municipality said that it is necessary to bring into play the advantages of the municipal gas resources and to vigorously develop urban gas supply so that residents can use gas as fuel. They said that urban gas is one of the hallmarks of the modern cities and using gas is an important measure for saving energy resources and protecting the environment. At present, all large and middle-size cities in the country have done well in developing gas supplies. Seventy percent of Beijing residents and 45 percent of Shanghai residents use gas as fuel. [HK131458 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 26 Nov 80 HK]

ZHEJIANG HIGH VOLTAGE LINE--Hangzhou, December 21 (XINHUA)--A new 220,000-volt transmission line was put into operation yesterday in Zhejiang Province. The new line stretches 180 kilometers from a power plant in Zhenhai County to Xiaoshan County to link up with the east China power grid. The line will greatly improve the power supply for the growing industry and agriculture in the eastern part of the province. Total investment in the project was about 20 million yuan. Construction took just 1 year. Zhejiang Province now has eleven 220,000-volt transmission lines. Construction of the 12th, which will run from Xiaoshan County to Jianbi in neighboring Jiangsu Province, is expected to start soon. [Text] [Beijing XINHUA in English 0753 GMT 21 Dec 80 OW]

BEIJING ELECTRICITY MEASURES--Beijing Dec 10 (AFP)--Electricity cuts are going to be made one day a week affecting most of the big factories in the Beijing area in turn to help alleviate a serious electricity shortage. The BEIJING DAILY today published a directive from the municipal authorities indicating that the electricity supply situation which is always bad in winter had worsened thanks to a long drought this year. Energy is one of the main bottlenecks affecting the Chinese economy. The energy sector will continue next year to develop very slowly, with a growth rate fixed at a mere 0.9 percent by Chinese planners. The government has also adopted a ruling on energy saving, laying down limits for energy consumption by factories. The Beijing authorities have decided to adopt six measures to boost the planned use of electricity in the municipality, the paper said. Besides the cuts in supply, it provides for the installation of electricity meters to keep track on units of electricity used and prevent enterprises with high consumption rates from exceeding the rations allocated them. In the event that the limits stipulated are exceeded, factories can be penalised by further cuts in current supplies. Big energy consumers will only be allowed to function during the latter part of the night. [Text] [OW100949 Hong Kong AFP in English 0940 GMT 10 Dec 80]

HUNAN HYDROELECTRIC STATION--Changsha, 4 Dec (XINHUA)--A new hydroelectric power station is now under construction in Hunan Province. With a designed capacity of 500,000 kilowatts, the Dongjiang project on the upper reaches of the Leishui River is part of the national effort to boost hydroelectric power production. The new power station is situated in eastern Hunan, on a tributary of the Xiangjiang which flows into the Changjiang through the Dongting Lake. Another big hydroelectric power station, with a generating capacity three times as big, is also being built in western Hunan Province on the Yuanjiang. The Dongjiang station will have four 125,000-kilowatt generating units. It will be protected by a dam, 157 meters high. The reservoir will be capable of holding 8,100 million cubic meters of water. [Text] [OW050607 Beijing XINHUA in English 1243 GMT 4 Dec 80 OW]

FRENCH OIL DRILLING CONTRACT--Tianjin, 13 Dec (XINHUA)--Drilling of the first ultra-deep prospecting well is now under full swing under a Sino-French contract in a 9,400 square kilometer area in the eastern part of the Bohai Sea. The contract on the prospecting and exploration of oil resources was signed on 29 May, between the Petroleum Corporation of the People's Republic of China and the national ELF Aquitaine Corporation of France. Drilling of the first prospecting well began on 27 November. [Text] [Beijing XINHUA in English 1259 GMT 13 Dec 80 OW]

CSO: 4020

SHANDONG SUSPENDS CONSTRUCTION OF 70 PROJECTS

Jinan DAZHONG RIBAO in Chinese 16 Nov 80 p 1

[Article by Yu Ji [5280 4949], Xi Cai [1585 2088], Zhao Guan [0340 4619], and Feng Yang [7364 7122]: "Shandong Suspends Construction of 70 Projects"]

[Text] Shandong has been thoroughly implementing the plan for readjusting the national economy on the capital construction front, and on the basis of the clearing up of capital construction projects underway last year, this year has curtailed or postponed 70 projects already under construction with individual investments of more than 1 million yuan. This represents a total reduction in investment of 570 million yuan, and is 21 percent of all uncompleted construction.

This year party committees and governments at the various levels have attached great importance to clearing up projects under construction and reducing the capital construction front. From the province level down to the prefecture and cities the organizational leadership has really been tightened up.

During the clearing up of projects under construction, the various localities and sectors adopted methods combining major and minor projects, with the stress on the former, keeping to the jurisdictional relationships and investment management limitations of each project. There is a lot of water conservancy construction in Shandong. There are more than 260 projects under construction which require investment of more than 100,000 yuan each. It will require an additional 1.3 billion in investment to complete these projects. Under these circumstances, we started off from the overall situation and gradually lined up all of the projects into categories, weighed the advantages and disadvantages, and decided to curtail or postpone 46 projects costing more than one million yuan each, reducing investment by more than 270 million yuan.

The Shandong Planning Committee, Construction Committee, Office for Clearing Up Projects Under Construction, and the Shandong Construction Bank met with the nine prefectures and municipalities and ten provincial departments and bureaus concerning the 473 projects under construction in Shandong costing more than one million yuan each. The projects were categorized and analyzed, and according to the policy that capital construction must be "properly paced" it was decided to curtail or postpone projects where such action was proper. The Dezhou Chemical Fertilizer Plant was to have produced 1,000 tons of synthetic ammonia per year, and was to have been constructed at a cost of 6 million yuan. However, because the capital could not be raised and there was no guarantee than the raw materials could be provided, it was decided to halt construction. The waste water treatment facility for the Jining Paper Mill could not meet national standards, so to protect the fishing industry of Lake Nansi, the water conservancy resources, as well as the physical and emotional well being of the 190,000 people in areas surrounding the lake, it was decided to halt construction even though construction had already begun. This has reduced investment by more than 36 million yuan. After 2 years of clearing up, Shandong has curtailed or postponed 241 projects under construction costing more than one million yuan each, which represents a 37.9 percent reduction. This has had a positive effect on controlling of the scope of construction and direction of investment, shortening construction time, and effectiveness of investment.

Although there has been some progress in the work of regulating capital construction in Shandong, due to lack of strict control of the scope of capital construction, projects with capital from different sources are going on at the same time, and in particular projects using private capital and loans are increasing rapidly. This means the capital construction front is still overextended. Recently, concerned departments of the province have requested the various prefectures and agencies to watch this closely and to take effective action. With the exception of the building for student recruitment at institutes of higher learning and workers' dormitories which are already prepared to begin construction, no new construction is to begin during 1980. Construction is to be speeded up on projects which are scheduled for completion this year so they may be finished up and turned over for use on time. Projects nearing completion must be completed before the end of the year so manpower, capital, and material may be concentrated on the projects to strengthen the weak links in the national economy, in order to get better economic results.

9559
CSO: 4006

REDUCING SCOPE OF CAPITAL CONSTRUCTION URGED

Jinan DAZHONG RIBAO in Chinese 13 Nov 80 p 1

[Article by XINHUA commentator: "Reducing Scope of Capital Construction is Critical"]

[Text] The plan for readjusting the national economy has been carried out for more than 1 year, and we have done a lot of work in reducing the scope of capital construction. A number of projects have been curtailed or postponed. The capital construction front is still too long; there are still too many projects; and the scope is still too large.

This year, although that portion of the national budget directly allocated for capital construction investments has been reduced to less than 25 billion yuan, the various min-sectors and localities have another 29 billion yuan in variously-funded capital construction projects. These two total more than 50 billion yuan in capital, and when the various projects are actually carried out, they will end up costing even more.

Why is it hard to reduce the scope of capital construction? There are many reasons. One is the failure to completely cleanse the effects of leftist ideology. Another is that there many means of obtaining capital, and these are not tightly managed.

For a long time we have been in a hurry to complete socialist construction. We often start out from subjective dreams and pay no heed to objective possibilities. We make too great and unrealistic demands. We blindly pursue speed in economic development and high target figures in production. In capital construction we blindly pursue large scale projects. Many projects have been under construction for a long time and are still not completed. They just drag on as wars of attrition. Many of our cadre have been influenced by leftist thinking and believe that to give up on a capital construction project is something dishonorable. They would rather keep postponing it than give it up. It is because of this that it is hard to reduce the scope of capital construction.

As for capital itself, with the reform of the financial system and expansion of independence in enterprises, there has been a steady increase in the reserve funds of localities and enterprises, as well as in personal capital and bank loans. This is basically something good. The proper use of this capital could make it a major supplement to national finances, and it could help vitalize the economy. However in some localities these funds are not put to reasonable use and "four ups and four downs" situations have appeared. Namely, when investments from the state budget goes down, it is made up by extra-budgetary private capital from localities and departments. When capital construction projects are shut down, they are then started up again under the name of tapping potential or renovation. When funds are not allocated, bank loans are used instead. When domestic capital is all used up, then foreign capital is used to continue the construction. As a result, the scope of capital construction continues to expand in conflcit with the national plan.

In the implementation of the eight-character policy, readjustment is the key. If we are to readjust the national economy, we must first readjust capital construction, and if those projects which should be stopped are not stopped, then those projects which should be stopped are not stopped, then those projects which should be started such as energy, communications and transportation, urban development, and light industries and textiles will not be able to be started. Not only will we be unable to correct the imbalances in the national economy, but this will lead to greater imbalances in the future. This will of necessity affect the progress of the four modernizations. The Party Central Committee and the State Council attach much importance to this, and emphatically pointed out that under present circumstances we must resolutely reduce capital construction, as well as the scope of construction in general.

To reduce the scope of capital construction new projects must be strictly controlled. In 1979 there were still more than 1,000 large and medium scale projects nationwide. Although more than 100 projects have been stopped or postponed this year, the scope of capital construction has not been reduced. Therefore, if newly started projects, especially those new large scale projects are not strictly controlled, then the scope of capital construction cannot be reduced. In the future, all new projects should be subjected to serious feasibility studies, and all preliminary work should be done well. Furthermore, we must completely consider the financial and material possibilities over a period of several years. We must not start up new projects just because we have a little money right now, nor can we start a lot of new projects just because the financial situation has taken a slight turn for the better. When we arrange for imported projects we must consider our own ability to provide whatever is necessary to complete the project, and our ability to pay for it. Even in arranging for the urgently needed energy industries, we must be very cautious and make sure we have an overall balance. In light industries and textiles, we must not move too fast. We propose that the State Council and various communications and industries departments put tight restrictions on starting new projects, that they give full play to democracy and hold wide discussions and listen to the opinions of everyone.

One of the major purposes of reducing the scope of capital construction is to solve the problems of redundant construction and blind construction. For the past several years we have had a serious problem with redundant construction. In order to be a "complete system," some localities pay no attention to the overall requirements and do not consider developing contacts and cooperation between departments and localities. They stubbornly build coal mines, steel mills and chemical fertilizer plants in areas lacking resources. A number of areas which do have raw materials and resources do not consider the overall situation or their own level of technical expertise and build unnecessary automobile factories, tractor plants, textile mills, cigarette factories, distilleries, silk mills, bicycle factories, and other such processing industries, and are not willing to follow the state plan and allocate their raw materials to help the industrial cities with advanced technology. This has resulted in a situation where large factories don't have enough material while small factories duplicate their efforts. All this results in a lot of waste for the state. Therefore, in the process of readjusting capital construction, we must combine the readjustment with a restructuring of the system. That is, we must give play to economic laws. When necessary, administrative orders should be used to overcome the phenomenon of unnecessary and blind construction effectively, thereby guaranteeing that the work of readjusting the national economy will go smoothly.

To reduce the scope of capital construction, we must continue to concentrate on the work of clearing up those projects under construction, and must be determined to make further reduction of some of the old projects. Statistics show that this year there are still more than 1,000 large and medium scale projects under construction across the nation. As of 1981 it will require 100 billion yuan to complete these projects. At this year's investment level it will take 5 or 6 years to complete these projects even if no new projects are begun. In view of the nation's present financial capabilities this is a very heavy burden. Therefore we must make the decision to curtail or postpone some of these projects. We must resolutely curtail all projects under construction which are outside of the plan. We must also resolutely curtail or postpone projects under construction which are within the plan whenever warranted. Those projects which are not suitable to the level of the nation's finances and economy, which cannot become profitable within a short period of time, those for which the ancillary projects cannot be arranged for at the same time, those which will not provide a return on investment, those for which there is a shortage of resources, and those which would operate at a loss, should all be curtailed or postponed. In particular, some large scale projects which are within the plan should be specifically analyzed, and with an attitude of seeking truth from the facts, the decision to postpone or curtail such projects must be made when it is proper to do so. The large scale projects represent a large investment, and the curtailment or postponement of one of these is the equivalent of several hundred medium or small scale projects. Therefore, in reducing the scope of capital construction, we must think of ways to reduce those large scale projects, and we must be neither timid nor lenient.

9559
CSO: 4006

BRIEFS

GUANGDONG CONSTRUCTION REDUCTION--The Guangdong Construction Bank has thoroughly examined projects under construction. In 1979, the bank suspended and postponed construction of 43 projects. This year, the bank has suspended and postponed construction of another [words indistinct]. In the past, the capital construction front in the province was over extended and the funds were not centralized, causing large-scale losses. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 25 Dec 80 HK]

CSO: 4006

DOMESTIC TRADE

PRC COMMERCE MINISTRY URGES COMMODITY PRICE INSPECTION

OW101250 Beijing Xinhua Domestic Service in Chinese 1321 GMT 9 Dec 80

[Text] Beijing, 9 Dec (XINHUA)--The Ministry of Commerce today issued a circular calling on commercial bureaus and departments of all provinces, municipalities and autonomous regions to conscientiously implement the State Council's "circular on strictly controlling prices and readjusting negotiated prices," to immediately organize forces to conduct inspections of commodity prices at both retail and wholesale stores under their jurisdiction and reduce prices that violate the regulations. While strictly controlling prices and readjusting negotiated prices, it is also necessary to strive to do a better job in commodity supply.

The circular stipulates:

All commodities, manufactured goods or farm produce, with prices fixed by the state (including imported television sets, radio-cassette recorders, calculators and wrist watches) must be sold at state-fixed prices and are not to be sold at higher prices at retail enterprises under commercial departments. The prices currently in effect that are higher than the state-fixed prices must be reduced immediately, and price reduction should not be delayed for any reason. The prices that are lower than the state-fixed prices may be maintained for the time being, but they should be reported to the responsible higher authorities for examination and solution.

Both retail and wholesale enterprises under commercial departments are not allowed to deal freely in manufactured goods or farm produce other than their own lines, except for those items authorized by the higher authorities.

Negotiated purchase and selling by the enterprises under commercial departments must be conducted in accordance with the principles laid down by the State Council and are limited only to the list of items approved by the provincial, municipal and regional people's governments. Negotiated purchase and selling of commodities not authorized for negotiation should be immediately stopped, and these commodities should be sold and purchased at normal prices. Today's negotiated prices should be seriously examined, with overhead expenses kept to the minimum and with price differences to be reduced. Higher prices must be lowered.

Trust companies and trade warehouses must put strict controls on the scope of their business. Agency fees and their own profits should be set at a low level, and speculation and profiteering should be strictly forbidden. They are not allowed to engage in negotiated purchase and selling of manufactured goods in a disguised form under the pretext of acting as purchasing or selling agents for industrial or foreign trade departments.

Industrial goods in the third category may be purchased or sold at prices negotiated by industrial and commercial enterprises. Within the limits of the list of items approved by the Provincial, Municipal and Regional People's Government, sales prices of these goods and their corresponding retail market prices may be negotiated by industrial and commercial departments, however, these prices should be normal prices.

Resin, sulphur and other means of production purchased and sold by commercial departments, including those in excess of production targets and those the producers are allowed to sell themselves, must be sold at state-controlled prices, and the negotiated purchase and selling of these commodities are not allowed. Plans for purchasing, selling and allocating these commodities should be well coordinated and seriously carried out.

Retail prices for vegetables should be stabilized, and the production and supply of vegetables should be well planned. The production of vegetables in great demand should not be decreased, their prices should not be raised, and the negotiated purchase and selling of these vegetables is not allowed. Seasonal price differences for eggs should be handled by all provinces, municipalities and autonomous regions themselves, and they should not put the supervisory right over prices in the hands of lower units.

CSO: 4006

'RENMIN RIBAO' ON PRIVATE TRADING, SPECULATION

HK241417 Beijing RENMIN RIBAO in Chinese 20 Dec 80 p 1

[Report: "ZHONGGUO NONGMIN BAO carries article by Wu Shizhong of the General Administration of Industry and Commerce on 'Whether Trading in Goods Carried From One Area to Another is Speculation'"]

[Text] On page five of the 30 November issue of ZHONGGUO NONGMIN BAO, there is an article in answer to a reader's "question on whether trading in goods carried from one area to another is allowed." The article, written by Wu Shizhong of the General Administration of Industry and Commerce, said: Due to the fact that at its present stage our country has a relatively low agricultural production level, a commodity economy that is not well developed and a relatively poor system of transportation, the practice of permitting a number of people to trade in goods carried between urban and rural areas helps in developing agricultural and sideline production, stimulates the circulation of commodities, satisfies the varied needs of the people in their everyday life and makes up for what is not supplied by state-run and cooperative commercial undertakings. But when referring to the need for trading in goods carried from one area to another, some comrades make the sweeping statement that "trading in goods carried between areas" is not speculation. This is not right. This question has caused confusion in many areas and must be clarified.

As far as the conditions of certain areas are concerned, trading in goods carried between urban and rural markets mainly has the characteristics of self-employment, the use of little capital, and personal involvement in the very physical act of buying, transporting and selling. It is an effort to earn a little extra cash made possible by price differences between areas or price differences attributable to seasonal factors. This practice is allowed. However, a number of people have done far beyond the scope of what an individual can physically do and make a business of procuring goods, which are hauled from one area to another with the use of public transportation, and even use hired labor. They resell the goods wholesale, reaping fat profits. This practice is not allowed. Therefore, it is wrong to make the sweeping statement that "trading in goods carried between areas is not speculation." Of course, at the same time, we cannot say that all trading in goods carried between areas is speculation.

To avoid a chaotic market and a switchover from farmwork to trading on the part of a large number of people in the countryside, trading by individual commune members must be guided by policies and must proceed in a well-led and restricted manner.

Trading must not go beyond an individual's physical power or involve hired labor. Trading must be limited so as not to interfere with the state's procurement of agricultural and sideline products. Trading must not hamper collective production or impair collective and public interests. Trading must be approved by the production team and cleared with the administrative department of industry and commerce.

Self-production-and-sale, trading-and-transportation, and transportation-and-sale are three different terms. The sale by communes and brigades and individual commune members of their own agricultural and sideline products means self-production-and-sale and not trading-and-transportation. Trading-and-transportation means buying goods in one area and transporting them for sale in another area. So-called transportation-and-sale means transporting one's own products for sale in another area. The three terms have different meanings and call for different policies. Self-production-and-sale and transportation-and-sale are protected. Trading-and-transportation is restricted. What goes beyond the given scope must be controlled.

CSO: 4006

PRC BUREAU ISSUES CIRCULAR ON PRICE CONTROL

OW090001 Beijing Xinhua Domestic Service in Chinese 1224 GMT 8 Dec 80

[Text] Beijing, 8 Dec (XINHUA)--The State Bureau of Commodity Prices today issued a circular calling on commodity price departments at all levels, under the leadership of the same level of the People's Government, and in coordination with departments concerned, to immediately organize cadres, workers and staff and the masses to conscientiously study the State Council's "circular on strictly controlling prices and readjusting negotiated prices" and to firmly implement the measures stipulated in the circular.

The circular says: The important task for commodity price departments at all levels in the meantime is to thoroughly implement the State Council's circular. Under the leadership of the People's Government and in coordination with departments concerned, they must organize strong contingents for commodity price inspection to conscientiously inspect and supervise prices. All problems that have been found during inspections must be seriously handled regardless of whether such problems are found in lower units or higher authorities. Regarding those who seriously violate laws and discipline, they particularly must be seriously handled. Those units and individuals who have done a good job in carrying out the price policy should be commended.

The circular of the State Bureau of Commodity Prices also points out: The "retail prices" mentioned in Article 1 of the State Council circular cover prices which have been approved by the state-operated commercial units, cooperatives and other concerned departments in accordance with the division of labor on controlling prices. They also cover listed prices which have been worked out according to pricing methods approved by the concerned commodity price departments. Any prices within this area which are higher than the listed prices must be lowered.

CSO: 4006

DOMESTIC TRADE

PRC FOOD MINISTRY ISSUES PRICE CONTROL CIRCULAR

OW111253 Beijing Xinhua Domestic Service in Chinese 1442 GMT 10 Dec 80

[Text] Beijing, 10 Dec (XINHUA)--The Ministry of Food today issued a circular calling on food departments at various levels to resolutely implement the State Council circular on control over commodity prices.

The Food Ministry circular stipulates:

Grain and edible oil with prices for state monopoly of marketing must be sold at state-fixed prices. The quality of grain and edible oil produced for planned supply must be maintained. Grain and edible oil that does not meet the quality standards should not be allowed to leave the factory (or granary).

Those end products of grain and edible oil that fail to meet state standards because of poor quality of raw materials and despite efforts made to improve quality may be sold at reduced prices temporarily in accordance with the principle of fixing prices on the basis of quality and with the approval of commodity price and food departments of provinces, municipalities and autonomous regions. Those who attempt to raise prices in a disguised way--by debasing quality--will be investigated, held responsible and strictly handled.

Negotiated purchase and selling of grain and edible oil can be conducted only after the state purchasing plans have been fulfilled. Negotiated purchasing prices should be maintained at the price level for grain and edible oil sold over and above quota, and prices for some products may surpass the prices for grain and edible oil sold over and above quota. Negotiated selling prices should be maintained at the prices of 7 December 1980. The prices may be lowered but not raised. Prices that are too high should be lowered adequately.

Food departments at all levels must, in coordination with industrial, commercial and administrative departments, strengthen supervision over country fairs. Production brigades are not allowed to sell grain, oil fats or oil crops at market before fulfilling state plans for purchasing grain and edible oil, and grain and edible oil belonging to collectives should be distributed to individuals for sale.

CSO: 4006

DOMESTIC TRADE

SUPPLY, MARKETING COOPERATIVES URGED TO CONTROL PRICES

OW101507 Beijing Xinhua Domestic Service in Chinese 1435 GMT 9 Dec 80

[Text] Beijing, 9 Dec (XINHUA)--The All-China Federation of Supply and Marketing Cooperatives today issued a circular calling on supply and marketing cooperatives at all levels to firmly implement the State Council's "circular on strictly controlling commodity prices and rectifying the negotiation of prices."

The federation's circular stipulates: Retail prices of industrial and agricultural commodities set by the state must be enforced. Prices higher than the list prices should be lowered immediately. Grassroots supply and marketing cooperatives and subordinate outlets (including rural agents) of supply and marketing cooperatives at all levels should not buy industrial products at retail prices. First-category and second-category industrial products bought from other localities and not included in a procurement plan must be sold at government list prices.

The circular reiterates that buying and selling at negotiated prices be limited to certain commodities and to a certain scope stipulated by the State Council and various provincial, municipal and autonomous regional people's governments. Negotiated selling prices must be lower than corresponding selling prices at local village fairs.

First-category and second-category industrial goods for daily use must not be bought or sold at negotiated prices. Trading warehouses may act as agents for buying and selling second-category industrial goods for daily use which the state permits industrial enterprises to sell themselves. However, they must be sold at government prices and the agent's commission must be kept at a minimum. Agricultural chemicals and chemical fertilizers, including those produced by factories in overfulfillment of their production plans, must be sold at the retail prices set by the state. They must not be sold at negotiated prices because they are subject to unified allotment by the state.

The circular provides that the purchasing prices of agricultural products must be strictly controlled and unauthorized price hiking is not permitted. The additional prices and subsidies for the amount purchased above the quota must be set according to State Council stipulations and must not be set higher than stipulated. The policy of state monopoly for the purchase and marketing of cotton must be persistently implemented. Before the completion of the state purchase plan, second-category agricultural and sideline products must not be sold at negotiated prices.

Communes and production brigades are not allowed to market second-category products themselves, nor are other departments allowed to deal in second-category products. The major producing areas of some important third-category agricultural and sideline products may be required to sell a portion of their products to insure necessary supply in urban markets. The business units of supply and marketing cooperatives must abide by the unified management regulations of a locality at which they buy. They should not offer unauthorized higher buying prices.

The circular calls for conscientious implementation of relevant regulations governing quality standards and price differences in buying or selling agricultural and sideline products of various grades. Unauthorized changes in grade or price of commodities are not permitted.

The circular demands the implementation of the principle of small profits but quick turnover by the catering trade, managed by the supply and marketing cooperatives. The cost of food which is bought raw at negotiated prices should be calculated according to regular prices of the same or similar raw materials. The amount in excess of the regular price and food tax may be added to the selling price. The gross profits on commodities at negotiated prices should be smaller than those of commodities at regular prices. They must be lowered if they are higher.

CSO: 4006

BRIEFS

ANHUI PRICE CONTROL--The Anhui Provincial People's Government held a provincewide telephone conference on price control on 8 December. (Hu Dan), director of the Provincial Financial Office, announced measures for implementing the State Council's circular on strictly controlling prices and readjusting negotiated prices. To stabilize commodity prices, measures must be taken to promote procurement of farm produce and raw materials; to insure sufficient supply of commodities during the coming new year and spring festival; to readjust negotiated purchase and selling of commodities; to insure that commodities with state-fixed prices are sold at the fixed prices; to prevent the malpractices of debasing quality or supplying commodities in short measure; to improve market management through coordination and cooperation among the departments concerned; and to immediately conduct a provincewide price inspection. Those units that violate the price policy will be fined and the wages of responsible persons withheld. In serious cases, disciplinary actions will be taken against those in charge and those involved. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 9 Dec 80 OW]

ANHUI PRICE PROBLEMS-Hefei, 15 Dec (XINHUA)--A price inspection network combining both full-time personnel and voluntary workers has been established in Anhui Province since 12 December in order to solve price problems and protect the proper interests of producers, businessmen and consumers. The voluntary workers are selected from among the representatives of local mass organizations, local residents, cadres of government offices, enterprises and other units, and workers. The Anhui Provincial Price Committee decided that price inspectors have the right to criticize any unit or individual violating the price policy, and cooperate with the departments concerned in handling cases of price violation. [OW220045 Beijing Xinhua Domestic Service in Chinese 0749 GMT 15 Dec 80 OW]

PHARMACEUTICAL PRICES--The Ministry of Finance, the State Bureau of Commodity Prices and the State Pharmaceutical Administration recently issued a joint circular on the readjustment of the price of 268 chemical drugs throughout the country. According to the circular, the price of 156 drugs will be reduced and the price of 112 will be "appropriately raised." Most of the drugs for which prices will be reduced are drugs in common use. According to information released by competent departments, the price index of pharmaceuticals today has dropped by more than 80 percent compared with the early post-liberation period. [Beijing Domestic Service in Mandarin 1200 GMT 25 Dec 80 OW]

GANSU MARKET SURVEY--The Gansu Provincial People's Government dispatched a market survey team to investigate the market prices in the Lanzhou area. Ge Shiying, deputy secretary of the Provincial CCP Committee and deputy provincial governor, was appointed to head the team. The survey team started work on 16 December to supervise the various counties and districts in Lanzhou Municipality and the various bureaus concerned at provincial and municipal levels in implementing the State Council circular on stricting controlling commodity prices and consolidating negotiated prices. [SK171651 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 16 Dec 80 SK]

GUANGDONG PRICE CONTROLS--The Guangdong Provincial People's Government held an urgent meeting on 10 Dec on implementing the State Council's circular on price controls. The meeting demanded that all departments and units concerned work hard and do a good job of implementing price controls and market management. The meeting also demanded that people's governments at all levels strengthen management over price control work and that responsible comrades take the lead in carrying out inspections. In conclusion, the meeting demand that the departments concerned insure adequate supply of food and other commodities during the spring festival. [HK231153 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 10 Dec 80 HK]

GUANGXI PRICE CONTROLS--The Guangxi Regional Government has seriously implemented the State Council's circular and strengthened price controls. The measures proposed are as follows: 1) The state's fixed retail prices must be maintained. 2) Commodities sold by local production teams must also comply with the state's fixed retail or wholesale prices. 3) Departments, and units other than commercial departments and collective commercial households, are not allowed to participate in business activities. 4) Commercial and industrial establishments must be registered. 5) All mistakes must be corrected in the course of industrial and commercial development. 6) The forestry departments must ensure timber supply and forbid indiscriminate lumbering. 7) People's governments at all levels must rapidly organize inspection of commodity prices. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 12 Dec 80 HK]

HEILONGJIANG PRICE INSPECTION TEAM--A Heilongjiang Provincial commodity price inspection team headed by Chen Lei, secretary of the Provincial CCP Committee and governor, was formed on 13 December. The deputy team leaders are Hou Jie, standing committee member of the Provincial CCP Committee and deputy governor, and Li Qian, vice chairman of the standing committee of the Provincial People's Congress. Along with four sub-teams, this inspection team will inspect commodity prices in Harbin, Qiqihar, Mudanjiang and Jiamusi municipalities in late December. The main tasks of this inspection team is to help various localities formulate measures to stabilize market prices. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 13 Dec 80 SK]

HENAN PRICE CONTROL CIRCULAR--According to a HENAN RIBAO report, the Henan Provincial People's Government issued a circular on 11 December on price controls. The circular said: We must implement the State Councils' circular on price controls, and must do the following: 1) Rapidly organize the cadres and the masses to understand and seriously study the State Council's circular. 2) Act in light of local conditions to curb poor workstyles involving the raising of commodity prices. Taxation departments and banks must also exercise supervision over trades, and departments concerned must seriously strike out at all criminal and smuggling activities. 3) The Provincial People's Government will carry out a large-scale market inspection to stabilize market prices. 4) We must be strict on discipline and seriously punish people who raise prices on their own accord. [HK231155 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 12 Dec 80 HK]

HENAN PRICE CONTROL CONFERENCE--On the afternoon of 13 December, the Henan Provincial Commodity Price Inspection General Group held a conference for all its members. The conference decided that, in the light of the spirit of the relevant circulars of the State Council and the Provincial People's Government on strictly controlling commodity prices and readjusting negotiated prices, the province should make specific arrangements for conducting large-scale inspections of market commodity prices. Attending the conference were 140 cadres from all departments of the Provincial People's Congress Standing Committee, the Provincial CPPCC Committee and the Provincial Government and the mass organizations. (Xu Wenjian), Provincial CPPCC Committee vice chairman and deputy of the Provincial Commodity Price Inspection General Group, presided over the conference while Li Qingwei, Provincial CCP Committee secretary, vice provincial governor and head of the Provincial Commodity Price Inspection General Group, spoke. He said that it is necessary to do a good job of conducting this large-scale inspection of commodity prices and of stabilizing market commodity prices. As a part of this inspection, it is essential to determine whether or not the consumer goods prices and service charges are stable because these prices and charges have a bearing on the people's livelihood. It is also imperative to inspect whether or not commodity prices are indiscriminately raised or if price rises exist in a disguised form. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 14 Dec 80 HK]

HENAN GOVERNMENT CIRCULAR--The Henan Provincial People's Government recently issued a circular on commodity prices, urging departments concerned to strengthen management over and stabilize prices of all sorts of commodities. In order to seriously implement the measures to stabilize the market and commodity prices, the Provincial People's Government stipulated that the price of grain and edible oil must not be changed, the price of meat and milk must not be raised, and prices of other products of daily necessity must be established. No unit is allowed to raise prices of daily necessity products or to sell at negotiated prices. It is necessary to stabilize price of vegetables and ensure adequate supply. The service trades are not allowed to charge people higher than the fixed price. [Zhenzhou Henan Provincial Service in Mandarin 1100 GMT 5 Dec 80 HK]

JIANGSU COMMODITY PRICE CIRCULAR--The Jiangsu Provincial Commercial Department, the Provincial Supply and Marketing Cooperative and the Provincial Commission on Commodity Prices issued a joint circular on 9 December calling for all prefectural, municipal and county commissions on commodity prices, commercial bureaus and supply and marketing cooperatives to prohibit the catering trade from raising prices of rice and other food. The circular also called on all leading cadres not to seek special privileges when ordering dishes in restaurants. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 12 Dec 80 OW]

JIANGSU PRICE INSPECTION--In order to insure the basic stability of commodity prices and maintain a stable life for the people, the Jiangsu Provincial People's Government on 16 December sent five commodity price inspection teams to all parts of the province to inspect prices of commodities closely related to people's livelihood, the market supply and demand, the stocks of commodities for consumption during New Year's Day and spring festival and the implementation of the State Council's circular on price control. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 16 Dec 80 OW]

JILIN URBAN, RURAL MARKETS--Jilin Province markets in both urban and rural areas have become more brisk. Compared with the corresponding 1979 period, in the first 10 months of 1980, the total volume of commodity purchases of the province increased by 17.7 percent, the total volume of manufactured goods purchases increased by 9.2 percent, the total volume of commodity sales increased by 11.9 percent and the total volume of television set sales increased by 200 percent. In rural areas, by the end of October the total volume of commodity sales increased by 10.8 percent and the volume of television set sales by 230 percent over the figures for the corresponding 1979 period. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 6 Dec 80 SK]

LIAONING FINANCIAL DEPARTMENTS' CIRCULAR--The financial and trade department of the Liaoning Provincial CCP Committee and the financial and trade office of the Provincial People's Government issued a joint circular 20 December. It urged commercial departments at all levels throughout the province to eliminate such unhealthy trends as under-the-counter dealings, favoritism, shortchanging customers and disguised price hikes. The circular called on commercial departments to solicit people's opinions, and do a good job in supplying commodities and nonstaple foodstuffs during the new year period. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 23 Dec 80 SK]

NANJING ILLICIT MARKET--An illicit free market in (Chenghong) Street of Nanjing City, Jiangsu, was closed on 15 December. When it was in operation, this free market not only created traffic jams on (Chenghong) Street but also disturbed social order of Nanjing City. After being investigated twice by administrative cadres of the Nanjing Municipal Industry and Commerce Administrative Bureau, a decision was finally made by the bureau to close down this illicit free market. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 15 Dec 80 OW]

SHANGHAI CONTRABAND TRANSACTIONS--The Party Committee of the Shanghai Navigation Bureau recently took severe action against several cadres from ships No. 701 and No. 203 who illegally bought large quantities of contraband items while delivering cargo to Fujian's Mawei port. The contraband goods include 350 black and white television sets, leather shoes, yard goods, color television sets, electronic calculators, and radio-cassette recorders. They intended to sell the merchandise in Shanghai for illegal profit. [OW180339 Shanghai City Service in Mandarin 2300 GMT 10 Dec 80 OW]

SHANGHAI PRICE INSPECTIONS--Shanghai, 12 Dec (XINHUA)--To insure thorough implementation of the state price policy and to put price inspections on a regular, systematic and legal basis, the Shanghai No. 1 Commerce Bureau recently drew up "rules for implementing policies on commodity prices" and issued them to its affiliated procurement and supply stations, stores and companies implementation. The "rules" stipulate that price policy must be upheld, price control must be implemented and so forth. [Beijing Xinhua Domestic Service in Chinese 1200 GMT 12 Dec 80 OW]

ZHEJIANG PRICE CONTROL--The Zhejiang Provincial CCP Committee and the Provincial People's Government held a meeting on the afternoon of 17 December to make arrangements for implementing price inspection work throughout the province. Chen Zuolin, secretary of the Provincial CCP Committee and vice governor of Zhejiang Province, spoke at the meeting. The Provincial CCP Committee and People's Government asked various concerned departments and offices to start price inspection work immediately and decided to form three inspection teams to supervise price inspection work in Hangzhou, Ningbo and Wenzhou municipalities in compliance with the decision of the State Council on price control. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 17 Dec 80 OW]

ZHEJIANG SMUGGLERS--Industrial and commercial departments of various counties in Wenzhou Prefecture, Zhejiang Province, coordinated with public security organs to eliminate smuggling and speculating activities. Culprits in these activities have been arrested and punished, while 36,000 wrist watches, 1,320 television sets and radio-tape recorders, as well as a lot of silver coins and other smuggled items, have been seized. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 6 Dec 80 OW] Since early this year, Zhejiang's Zhoushan Prefecture has made conspicuous achievements in combating smuggling and illegal sales of foreign goods. By 15 November, the prefecture had tracked down 607 cases of smuggling of wrist watches, gold, silver, tape recorders, calculators and foreign currency. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 4 Dec 80 OW]

PRICE HIKES FIGHT--Beijing, December 9 (XINHUA)--A special mayoral group organized by the Beijing Municipal Government called on the public this week to help bring illegal and disguised price rises under control. Four deputy mayors were named to the special group which will oversee price supervision in Beijing's neighborhoods, in cooperation with local district representatives. They will follow guidelines set out in a circular issued by the State Council on Sunday. A similar circular calling for control of prices was issued in April by the State Council and the Communist Party Central Committee. Recently prices in the city have varied from the state-set norm because of unilateral rises made by some economic departments, the mayoral group said. Also, certain factories and businesses have given excessive bonuses or subsidies, creating an imbalance between purchasing power and available commodities, the group said. Detailed price regulations will be released by the committee soon. [Text] [OW091257 Beijing XINHUA in English 1246 GMT 9 Dec 80]

CSO: 4020

SUPPORT OF TEXTILE EXPORTS WITH IMPORTED RAW MATERIALS URGED

Beijing JINGJI GUANLI in Chinese No 11, 15 Nov 80 pp 33-34

[Article by Ding Hongmu [0002 7703 6206]: "Support Export with Import and Promote the Vigorous Development of Woolen Textile Industry"*]

[Text] Vigorous development of the woolen textile industry as an impetus to its modernization will not only improve the people's livelihood, but also increase accumulations more rapidly and expand our export as a source of foreign exchange urgently needed for national construction. However, an important problem confronting our woolen textile industry is the tight supply of raw materials. I would like to offer my personal views on this problem.

Woolen textile products are high class consumer goods. The raw materials for pure wool fabrics come from the natural fibers of animal hair, such as the hair of sheep, goat, camel, cow and rabbit and eider downs. Among them, wool from sheep is mainly used. Since the founding of the People's Republic, our woolen textile industry has undergone great developments. However, we have a large population and, for this reason, our production level is very low. The average quantity of woolen fabrics for the world population is 0.9 square meters, but ours is only 0.13 square meter, being only one-seventh of the world average. Based on a population of 960 millions as officially announced, and an annual per capita consumption of 0.4 meter, 384 million meters of woolen fabrics are required annually. (The minimum need for knitting wool is not yet counted.) If the annual yield of 10,000 spindles is 2.5 million meters according to the average standard, we will need 153.6 worsted spinning mills, each with a capacity for 10,000 spindles. Each mill will require 1,250 tons of carded and combed pure wool in addition to other downy materials. This is only an estimate of the amount of pure wool to be used as part of the materials for worsted spinning. The requirement for such a huge amount cannot be met by us in terms of either quality or quantity. If the requirement for exporting woolen fabrics is added to this figure, the supply of raw materials will be even tighter. At present, we have woolen textile mills with a total of 400,000 spindles, and yet they are every day worrying about the source of raw materials. The central departments concerned have also held many conferences advocating cooperation between industry and animal husbandry as a solution to the problem of raw material shortage.

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* Comrade Ding Hongmo, former Director and concurrently Chief Engineer of Zinghe Woolen Textile Mill, Beijing, died recently. This article, written for this journal during his illness, is now published as a remembrance of him.

However, the mode of our grassland animal husbandry production is too backward to keep pace with the rapid development of the woolen textile industry. Let us take Urad Grassland in Nei Monggol for example. Here the mode of grassland production cannot be called bad; yet after 30 years' improvement, livestock breeding has to be at the mercy of nature. The cattle-raising period is long, the turnover is slow, and the commercial value is low. Since we are still "relying on heaven in raising cattle," the development of animal husbandry is largely influenced by weather and other natural elements. The productivity is unsteady, and should there be a serious natural disaster, a large number of cattle would die. I feel that until the backwardness of animal husbandry has been fundamentally changed, it would be impractical for us to modernize our woolen textile industry by mainly relying on the use of locally produced wool. My views are:

First, to develop the woolen textile industry, we should adopt the policy of "supporting export with import," that is, maximum import of raw materials and large-scale export of finished products. The present situation of competition in the world market of woolen textile materials is favorable to our large-scale import for the following reasons:

1. Import of wool by capitalist countries has been sharply dropping every year. In 1961, the total import of wool by these countries of the world was 1,437,000 tons. In 1975, the total import was only 1,013,000 tons. Among these capitalist countries, England imported 289,000 tons in 1961 and 132,000 tons in 1975; France imported 178,000 tons in 1961 and 126,000 tons in 1975; West Germany imported 100,000 tons in 1961 and 74,000 tons in 1975; and the United States, where the reduction was even sharper, imported 153,000 tons in 1961 and only 19,000 tons in 1975. This fully proves that for various reasons, the future of woolen textile industry in capitalist countries is not promising. It is true that they are using a lot of chemical fibers, but it is impossible for chemical fibers to catch up with the natural characteristics of wool in the near future.

2. The production of wool by the wool-producing countries of the world tends to increase. They do not increase their own woolen fabric production, and the capitalist countries are reducing their wool import. Then where is the wool market? I think China is one of the principal wool importing countries. Prices in the wool market can rise and fall; so our foreign trade personnel should master the technique of market forecast and at the same time be well informed on our domestic economic conditions in order that we can completely hold the initiative.

Secondly, to develop our own animal husbandry through self-reliance is certainly the main solution to the problem of raw materials for our woolen textile industry. However, we must fact facts squarely. Because of the ultra-leftist line pushed by the "gang of four" and the one-sided policy of "taking grain as the key link," animal husbandry became almost nonexistent. To fundamentally changed the backwardness of our animal husbandry, great efforts are required. At the same time, since our management of animal husbandry is so backward that people in the herding areas do not know much about the economic value of wool and downs, or the relationship between the development of wool production and our four modernizations, we must have a strong determination to develop our wool production and change the backward primitive methods of cattle-raising. We must accomplish the modernization of our animal husbandry and enable it to keep pace with the development of the woolen textile industry.

Thirdly, will importing wool be a bad investment? This is a very important economic question. According to some rough calculations, we need to spend 7,000 dollars to buy 1 ton of Australian wool and can use it to produce some 2,000 meters of wool fabrics to be sold to Sweden at the price of 6 dollars per meter, or 12,000 dollars for 2,000 meters. After deducting the cost for raw materials, we can make a clear profit of 5,000 dollars in foreign exchange. Neither the state nor the enterprise will have to lose money. When I visited Ziao Factory of Aili Company in Italy, I saw their warehouses full of Australian wool, Chinese cashmere wool, Chinese camel hair, Chinese rabbit hair, and also Chinese wool for woolen spinning. Yet they were making good profits. If Italy can do it, why can't we? Again, if we do not import worsted yarns, we can still import woolen yarns. However, since our technical equipment for wool-sorting is backward, we should have a number of modern sorting factories and a contingent of engineers, technicians and skilled workers with a good knowledge of wool processing. This unfortunately cannot be accomplished in 3 or 5 years.

After all, I advocate the policy of walking on two legs in dealing with the problem of raw materials for our woolen textile industry: First, there should be large-scale import of worsted yarns as well as some woolen yarns. Secondly, we should have the determination and energy to change the present backward state of our animal husbandry. Then we can modernize our woolen textile industry without losing the present good opportunity and further develop our national economy, improve our people's living conditions, earn more foreign exchange, and increase our socialist accumulations.

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BRIEFS

FUZHOU INTERNATIONAL TRUST SERVICE--Fuzhou, November 13 (XINHUA)--The first local operated service organ for handling foreign business in Fujian Province--the Fuzhou International Trust Service Company--was formally established here yesterday. The company will buy and ship goods for foreign guests, overseas Chinese and compatriots from Hong Kong, Macao and Taiwan who come to Fuzou or to the nearby overseas Chinese villages. It will undertake business entrusted by overseas Chinese and foreign traders and buy various materials for overseas Chinese and Hong Kong and Macao compatriots to use in the construction of their home towns. It will also specialize in the handling of small shipments of industrial products that the foreign trade departments do not handle. [Text] [Beijing XINHUA in English 0723 GMT 13 Nov 80 OW]

GUANGDONG FOREIGN TRADE--In 1980, the people in Guangdong have overfulfilled the tasks of foreign trade 1 month ahead of schedule. By the end of November, the whole province had fulfilled 109.7 percent of purchase plans for foreign trade, an increase of 24.6 percent over the corresponding period of last year. This year, the leading departments of the party and government in the province have further strengthened their leadership over foreign trade and have worked to provide favorable conditions for the development of foreign trade. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 25 Dec 80 HK]

GUANGZHOU-HONG KONG SHIPPING--Cargo shipping between Zhuhai Municipality and Hong Kong officially began on 18 December. The cargo shipped from Hong Kong to Zhuhai include motor vehicles, motor bicycles, refrigerators and other electric appliances, while local products were shipped from Zhuhai. [HK290946 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 25 Dec 80 HK]

JILIN EXPORT GOODS PURCHASES--Jilin Municipality prefulfilled the annual export plan. By the end of November the total purchases of export goods reached 106.31 million yuan, exceeding by 11.56 percent the annual plan, a record in the municipality's history. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 10 Dec 80 SK]

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GENERAL

BRIEFS

NEI MONGGOL COMMODITY PURCHASES--State-run commercial departments in Nei Monggol Autonomous Region had fulfilled their annual commodity purchasing and marketing plans. The total amounts of commodities purchased and marketed increased by 6.6 percent and 5.6 percent, respectively. By the end of November, the total amount of farm and sideline products purchased by the state-run commercial departments had increased by 7.5 percent over the corresponding 1979 period; the total amount of manufactured goods increased by 6.1 percent. According to incomplete statistics, the region's total amount of meat supplies in the first 11 months of 1980 increased by 24 percent over the corresponding 1979 period. Supplies of bicycles, wrist watches, sewing machines and silks and satins increased over 10 percent while supplies of televisions more than doubled. [SK200541 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 18 Dec 80 SK]

END

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China Report

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'RENMIN RIBAO' ON 'PRODUCTION FIRST, LIVELIHOOD LATER'

HK091340 Beijing RENMIN RIBAO in Chinese 4 Dec 80 p 5

[Article by Wu Znenkun [0702 2182 0981]: "Commenting on 'Production First, Livelihood Later'"; passages within slantlines published in boldface]

[Text] The slogan "production first, livelihood later" was coined during the mass production campaign during the early 1960's. Under the difficult conditions at that time, this slogan played a positive role in inspiring the masses to carry forward the revolutionary spirit of surmounting all difficulties. In view of this historical fact, people did not criticize this slogan later on, even though it was not very scientific. Subsequently, this slogan was vigorously propagandized and applied everywhere as a basic lesson from experience and this became a major guiding principle in handling the relationship between production and livelihood.

Since the discussion on production aims last year, in order to sum up experience and lessons in economic work, some articles and speeches made analyses and comments on the slogan itself and the results brought about by the slogan. They held that the slogan should not be considered a principle of economic construction. Other comrades presented their strong disagreement to these comments. They believe that this slogan is an "objective law" and "correct principle" which their respective departments must follow in carrying out economic work. Thus, a more thorough discussion of this problem is necessary.

/I. "Production First, Livelihood Later" Is Incompatible With the Marxist Principle on the Relationship Between Production and Consumption/

Comrades who advocate "production first, livelihood later" believe that this slogan totally conforms with Marx' propositions on the relationship between production and consumption as stated in the "Preface to 'A Contribution to the Critique of Political Economy.'" I believe that a comprehensive--and not one-sided--understanding of Marx' propositions will provide no theoretical basis for "production first, livelihood later."

In the "Preface," Marx discussed from three basic points the relationship of unity of opposites between production and consumption and the principle that production occupies the dominant position in this relationship.

First, a relationship of direct unity exists between production and consumption. Production is also direct consumption, while consumption is also direct production. The proposition that production is also direct consumption pertains to the fact that the process of production of material goods is also a process of consumption of labor force and a means of production. This is called productive consumption. The proposition that consumption is also direct production pertains to the fact that the process of individual consumption of a means of livelihood is also the process of reproduction of labor power. This is called consumptive production. These propositions of Marx show that production and consumption are directly integrated with each other. There is no priority relationship between them.

Second, production and consumption are a medium to each other and they symbiotically coexist. Production is a medium of consumption, meaning production provides consumption with objects of consumption and makes consumption possible. Consumption is also a medium of production, meaning consumption provides the products of the production process with consumers (the main body of consumers) and brings about the final consummation of the products. This analysis of Marx further shows that an ordinal relationship does not exist between production and consumption. Instead, what exists between them is a relationship of dialectical unity wherein one is a precondition for the other and both symbiotically coexist. As Marx stressed: "There can be no consumption without production, while there can also be no production without consumption."

Furthermore, production and consumption create each other. Consumption creates production in two respects: First, it is only in consumption that the results of production become real products; second, consumption creates a new starting point for further production. On the other hand, production creates consumption in three ways: First, production provides the objects of consumption; second, production creates the forms of consumption; and third, production is the motive force for consumption. These formulations of Marx again demonstrate that there is no ordinal relationship between production and consumption.

Thus we can see that from Marx' above discussion, no theoretical basis for "production first, livelihood later" could be found. Some comrades might ask: Did Marx not say that "production is the actual starting point and it is an important factor that occupies a predominant position"? Does this not mean "production first, livelihood later"? Based on this statement of Marx, they further explained that: "As Marx pointed out, if we grasp production as the starting point between the two important factors production and consumption and make it the predominant factor, this will also activate the improvement of the masses' livelihood and constantly bring the whole process to a new and higher level." However, we have been practicing "production first, livelihood later" for many years, yet it has not "activated" corresponding improvements in the masses' livelihood.

Then, does the statement that "production is the actual starting point and it is an important factor that occupies a predominant position" actually mean "production first, livelihood later"? The answer can only be negative. What is meant by production as the starting point here is in the context of the reproduction cycle consisting of four links, namely production, distribution, exchange and consumption. (Even the order listed in this cycle is only a chronological order in the production process and does not denote the priority of people's work.) However, social production is also a recurring cycle of the reproduction process. From the point of view of the recurring reproduction process, none of the links is an absolute starting point or ending point. They come in a cyclical sequence. Marx also said: "Consumption itself, as a need and a demand, is an important integral factor in production activities." Therefore, granting that production should come first, the consumption of the workers itself is an important integral factor in this "first" because without the reproduction of labor power, production could not proceed. Thus, we can say that production can never be first independently and in isolation.

In short, after thoroughly reading Marx' complete formulation on the relationship between production and consumption in the "Preface," the validity of "production first, livelihood later" could not be proven. On the contrary, the one-sidedness of this slogan becomes evident.

/II. "Production First, Livelihood Later" Should Not Be Confused With the Principle of Gradually Improving the People's Livelihood on the Basis of Developing Production/

Comrades who advocate "production first, livelihood later" repeatedly explained that this slogan was formulated according to the party's principle of "gradually improving the people's livelihood on the basis of developing production" and is a concrete realization of that principle. From their point of view, negating "production first, livelihood later" is tantamount to negating the principle of gradually improving the people's livelihood on the basis of developing production. In reality, "production first, livelihood later" is not synonymous to the principle of gradually improving the people's livelihood on the basis of developing production.

"Gradually improve the people's livelihood on the basis of developing production" is our party's correct principle in handling the relationship between production and livelihood. This principle mainly means three things: First, developing production is the material basis for improving the people's livelihood. Without this material basis, one cannot talk of improving the people's livelihood. Second, the people's livelihood can only be improved with the development of production. The degree of improvement must not exceed that allowed by the development of production. We should not distribute and consume everything that has been produced. Third, development of production is only a means. The improvement of people's livelihood is the end. Development of production must serve this end. Otherwise, it becomes meaningless. Thus we can see that the principle closely combined the development of production and the improvement of livelihood. It reflects the relationship of dialectical unity between production and livelihood and between production means and production aims.

In handling the relationship between developing production and improving livelihood, our party has always taken an overall view and made proportional arrangements. As early as the first session of the NPC in 1954, Premier Zhou explicitly pointed out in his report on the work of the government: "In our country, the development of the economic construction should not be incompatible with the improvement of the people's livelihood because the sole aim of socialist economy is to satisfy the people's material and cultural needs. In order to fully satisfy the people's material and cultural needs, we must continuously develop the socialist economy. It is erroneous to place these two matters in opposing positions in any respect." Here, the interrelationship between production and livelihood has been fully explained. The 3d session of the 11th party Central Committee also pointed out clearly: "It is imperative to improve the livelihood of the people in the towns and the countryside step by step on the basis of developing production. The bureaucratic attitude of ignoring urgent problems in the people's livelihood must be resolutely opposed. On the other hand, since our economy is still very backward at present, it is impossible to improve the people's livelihood very rapidly." Comrade Ye Jianying reiterated in his speech on the occasion of the 30th anniversary of the founding of the PRC: "We must do a good job in combining our efforts to speed up economic development with the step-by-step raising of the living standards of the hundreds of millions of our people." This emphasized the point that the relationship between production and livelihood is that of dialectical unity and not of priority.

The slogan "production first, livelihood later" is contrary to the principle of gradually improving the people's livelihood on the basis of developing production. In an article entitled "Genuinely Make Clear the Socialist Production Aim" published in RENMIN RIBAO on 20 October last year, the contributing commentator said: "This slogan has mechanically separated developing production from improving the people's living conditions. It can easily give rise to various misunderstandings. According to this slogan, it seems that within a specific period of time, we may disregard livelihood and grasp production only. It may lead us to assume that 'production' is important because it comes 'first,' or assume that we should 'stress production and ignore livelihood.'" I think the commentator's analysis was correct. Production and livelihood have a relationship of dialectical unity. If we artificially separate them into "first" and "later," will we not be "separating them mechanically"? How long is the period between "first" and "later"? Is it half a year or 1 year? Is it 3 years or 5 years? Or is it even longer? According to the principle of "livelihood later," it will be all right to pay attention to livelihood later, no matter how much later. However, when livelihood is to be considered "later" and problems concerning living conditions always remain unsolved, we will be divorced from the people. Moreover, because this slogan puts undue stress on "production first," it obscures the aim of developing production. Thus, it is inevitable that the phenomenon of "stressing production and neglecting livelihood" has occurred. The fact that we have only wanted "bone" and not "flesh" in our economic life over a long period of time is strong evidence.

The above discussion illustrates that the slogan "production first, livelihood later" is in essence not a concrete realization of the principle of gradually improving the people's livelihood on the basis of developing production. We should by no means mix the two things up.

/III. Grave Consequences Caused by Mechanical Application of the Slogan "Production First, Livelihood Later"/

The slogan "production first, livelihood later" is not only untenable in theory, it has also caused extremely harmful consequences in practice because it has been mechanically applied as a principle of economic construction. However, some comrades do not agree with this view. They ask: Were the existing problems in the people's livelihood caused by Lin Biao and the "gang of four" or by "production first, livelihood later" or by mechanically applying the slogan "production first, livelihood later"? Frankly speaking, the deficiencies in people's lives which have been accumulating over the past years were not only caused by the sabotage of Lin Biao and the "gang of four," but also by the mistakes in our work, including the mechanical application of the slogan "production first, livelihood later." Some people dare not look squarely at the mistakes they have made in their work. Nor are they willing to recognize the grave consequences caused by the mechanical application of this slogan. They are blaming Lin Biao and the "gang of four" for all the difficulties in economic work. These people are not adopting a realistic attitude which revolutionaries should adopt.

For a long time, we have proceeded from the growth indexes of some major products, particularly products of heavy industries, rather than from the consumers' need in making national economic plans. In fact, we have taken steel as the key link and proceeded from heavy industries in formulating the national economic plan. This means that we have given priority to heavy industries which produce the means of production and have paid little attention to agriculture and light industries, which produce the means of subsistence and thus have direct relationship with the people's livelihood. Moreover, the previous five-year plans did not clearly state the targets for improving the people's material and cultural life. They only made arrangements for the production of heavy industries. Thus, the necessary improvement of the people's living conditions has been denied over a long period of time. Can we ever deny that this is an evil consequence caused by practicing the guiding principle of "production first, livelihood later"?

In dealing with the relationship between productive construction and nonproductive construction, we have stressed the former and overlooked the latter for many years, thus causing the severe imbalance in the proportion of "bone" and "flesh." In cities, we have attached great importance to the construction of factories but little importance to that of hospitals, schools, residences and transport facilities. The nets and points of commercial services have been decreased rather than increased. As a result, numerous problems have emerged in city construction and the people's livelihood. In launching a project, we have often built factories and put them into operation first but fail to build residences for the staff and workers and provide them with welfare facilities. These are facts which everyone knows. Are they not related to the guiding principle of "production first, livelihood later"?

/IV. Persisting in "Production First, Livelihood Later" Will Be Detrimental to Implementing the Principle of Economic Readjustment/

It will be extremely detrimental to the implementation of the principle of readjusting the national economy if we continue at present to stick to the slogan "production first, livelihood later." Through more than 1 year of efforts, our national economy has begun to develop toward the direction of coordination. However, the task of readjustment is still very difficult and the imbalance in various aspects has not been fundamentally remedied. Can we make readjustments according to the principle of "production first, livelihood later"? No, definitely not. This is because "production first, livelihood later" is one of the important factors which has upset the balance of the national economy. If we continue to make readjustments according to the erroneous guiding principle of "production first, livelihood later," we will worsen rather than remedy the imbalance between economic construction and the people's living conditions.

Comrades who advocate "production first, livelihood later" ask the following question: Is our livelihood adversely affected because we have firmly grasped production or because we have produced too little? Their answer is the latter, not the former. They think that the more we produce, the better it will be and that the more we produce, the better the people's livelihood will be. However, I think we should not speak in general terms. Instead, we should make specific analysis in the light of actual conditions. There is no doubt that we should develop production. However, the questions are: 1) What production should we develop and what purpose should production serve? 2) Should we develop production in proportion and work according to our capability? The existing problems are that our capital construction front has been overextended, steel and machinery industries have had excessive production and economic results have been very poor. If we continue to blindly extend capital construction and energetically develop the production of the steel, machinery and other heavy industries, we will certainly worsen the imbalance of the national economy, cause greater losses to economic construction and make it more difficult to improve the people's living conditions. Therefore, we must resolutely cut down this kind of production and construction instead of "increasing them indiscriminately."

What is our guiding principle in dealing with the interrelationship between economic construction and the people's livelihood and in readjusting the economy? With regard to this, Comrade Chen Yun has made an important speech. He said: "China has more than 900 million people. Over 80 percent of them live in rural areas. We must provide them with food and clothing and improve their livelihood each year. We must make arrangements for China's construction and economic life on this basis. The peasants are the majority. When proper arrangements have been made for them, China will be put under control." The main spirit of these remarks by Comrade Chen Yun is that we must genuinely work according to the socialist production aim. This is our guiding principle in dealing with the interrelationship between economic construction and the people's livelihood and in readjusting the economy.

We should improve the people's living conditions according to our capabilities on the basis of economic production and the enhancement of labor productivity. An important purpose of economic readjustment is to readjust the relationship between accumulation and consumption, to gradually solve the problem of deficiencies in people's lives which have been left over for many years, and to gradually raise the living standards of the people. The party and government have made tremendous efforts in recent years and have increased the income of most people in the towns and in the countryside. We must continue to improve the people's livelihood according to the capacity of our financial and material resources. However, we must understand that we are still in the period of readjustment, the financial and material resources of the state are limited, many difficulties are confronting us and problems in various areas which have been accumulating over the past years can only be solved gradually.

In short, we have learned lessons and drawn experiences in many aspects from the mechanical application of the slogan "production first, livelihood later." Two of them are the most important ones: 1) We should not depend only on slogans to guide economic work because economic life is complicated. Even if we have used correct slogans, questions of one kind or another will still emerge.
2) All slogans are restricted by objective conditions and have their own limitations. Still less should we use slogans which have been put forth under specific historical conditions for accomplishing specific tasks or for overcoming specific difficulties as general guiding principles.

CSO: 4006

PRC STRESSES CADRE TRAINING FOR READJUSTING ECONOMY

Vice Minister Comments

OW181001 Beijing Domestic Service in Mandarin 1200 GMT 16 Dec 80

[Text] At the national work conference on the education of economic cadres on 14 December, Ma Yi, vice minister of the State Economic Commission, pointed out: The training of cadres is an important task during the period of economic readjustments and we must make conscientious efforts to do this well.

Ma Yi said: A total of over 175,000 leading cadres of enterprises run by counties and higher authorities have been trained throughout the country this year. Through the training, these cadres have learned more about readjusting the economy, reforming the economic structure and consolidating the enterprises. Thus, they have advanced in their work.

Ma Yi pointed out: The central task of our country in the coming year is to continue to implement in an all-round way the policy of readjusting, restructuring, consolidating and improving the national economy. Readjustment is the key link. The sending of a considerable number of cadres and workers to receive training and the organization of study programs on a larger scale will not only enhance production and the proficiency of cadres and workers but will help set their minds at ease, killing several birds with one stone.

Ma Yi pointed out with emphasis: To do a good job in cadre education, all areas and departments must make concentrated efforts in the coming year to train by rotation all the leading cadres of enterprises run by counties and higher authorities who have not yet received training. Areas and departments now falling behind in cadre training must also provide training for all principal leading cadres in the coming year. Cadres who have already gone through rotational training should continue to study in an organized way so they will become management experts in their respective fields step by step. It is also necessary to continue to pay attention to the training of grassroots cadres and engineering and technical personnel--particularly young technical personnel.

Training Detailed

OW200206 Beijing XINHUA Domestic Service in Chinese 1405 GMT 18 Dec 80

[Text] Beijing, 18 Dec (XINHUA)--XINHUA reporters have learned from the work conference on the education of economic cadres called by the State Economic Commission that industrial and communications departments throughout the country have trained some 175,100 management cadres of enterprises run by counties or higher authorities this year, an unprecedented large number of cadres receiving training in rotation in China.

Since the beginning of this year, industrial and communications departments throughout the country have launched comprehensive work to train cadres. Industrial and communications cadres schools have been reinstituted or founded in 13 provinces, municipalities and autonomous regions and all the industrial and communications ministries and bureaus under the State Council have also reinstituted or founded 10 cadre schools. All localities and departments have set up long- or short-term training classes for cadres not engaged in production or partly released from productive labor according to the needs of those receiving training. These classes have provided training not only for leading cadres but for large numbers of technical and management cadres, workshop directors and section supervisors. Some provinces, municipalities and autonomous regions and industrial and communications departments under the State Council have sponsored special study classes for some 2,500 young and middle-aged cadres. Some 12,000 cadres have received training at 143 institutes of higher learning and secondary vocational schools throughout the country.

The State Economic Commission and other leading bodies have cooperated with the U.S. Commerce Department in setting up the Dalian Training Center for Chinese management of industrial science and technology. The main task of the training center is to sponsor a series of seminars to introduce U.S. industrial enterprise management experience and train senior managerial personnel. The duration of each seminar lasts 4 months. The first seminar concluded today.

At the cadre schools and training classes, the vast numbers of enterprise cadres systematically studied economic theory, enterprise management and advanced foreign experience. Some of the participants also studied other subjects, such as electronic computers, systems engineering, value engineering jia zhi gong cheng [0116 0237 1562 4453], education, psychology and behavioral science. Through study, the cadres have raised their consciousness in implementing the line, principles and policies of the 3d plenary session of the 11th CCP Central Committee and their capability to manage enterprises.

The State Economic Commission held the work conference on the education of economic cadres in Beijing 8-18 December to exchange experience in educating cadres and map out plans for training cadres in 1981. The conference called on all localities and departments to continue to do a good job in educating cadres and strive to complete the training for cadres of enterprises run by counties and higher authorities.

Training Session Plans

OW191254 Beijing XINHUA in English 1238 GMT 19 Dec 80

[Text] Beijing, December 19 (XINHUA)--More than 175,000 managers in China's big and medium-sized state-owned enterprises have graduated from training sessions of industrial and communications management this year.

As part of China's biggest program since 1949 to upgrade its factory and other leaders, the country plans to rotate managers of all industry, communications and transport enterprises through such training sessions before the end of 1981.

This was announced at a national meeting on training of cadres, called by the State Economic Commission from December 8 to 18.

Ministries related to industry, transport and communications as well as the authorities of 13 provinces, municipalities and autonomous regions now run full-time schools of management. These are supplemented by short-term training classes attended by trainees on full-time or part-time basis. In addition, well over 12,000 factory leaders have also received training this year at 143 secondary technical schools and schools of higher learning.

Aside from studying fundamentals of economics and management, many trainees have picked up courses which are relatively new to China, including computer technology, systems engineering, behavioural sciences and psychology.

CSO: 4006

CIRCULAR STRESSES HOLIDAY TRANSPORTATION TASK

OW200127 Beijing XINHUA Domestic Service in Chinese 0805 GMT 18 Dec 80

[Text] Beijing, 18 Dec (XINHUA)--The State Economic Commission issued a circular on 12 December calling on all provincial, municipal and autonomous regional economic committees and the railway, transportation and civil air departments to take effective measures to strengthen the passenger transportation task. The railway and other transportation departments are planning to use a number of boxcars and freight cars to transport passengers during the Spring Festival to increase carrying capacity.

The circular says: Since the beginning of the second half of this year, the economy in urban and rural areas has become more stimulated and the railway, highway and waterway passenger transportation volume has sharply increased. Latest statistics show that on average, the railway, highway and water transportation departments have to move over 10 million passengers each day. This is 26 percent above last year's average daily passenger volume. This sharp increase in the number of passengers and insufficient capacity have resulted in passengers being unable to obtain tickets or to board trains even with tickets and in a very serious overloading situation. As the 1981 New Year's Day and the Spring Festival draw near, the number of vacationing workers, students and people returning home will surely soar and make passenger transportation work still more difficult and immense. For this reason, all provincial, municipal and autonomous regional economic commissions and railway, transportation and civil air departments at all levels must list passenger movement in their important work agenda. They must attach equal importance to passenger and cargo transportation, adhere to the principle of overall planning and rational arrangements and do all they can to tap transportation potential. In case of conflict between passenger and cargo transportation, it is imperative to properly insure the normal transportation of passengers.

The circular says: The peak daily passenger transportation volume during the Spring Festival holidays is expected to surpass 12 million. To guarantee the fulfillment of the Spring Festival passenger-transportation task, the following measures should be taken: 1) Extend the Spring Festival passenger-transportation period; 2) use freight cars and vessels to transport passengers; 3) strive to create more space in cars and vessels; and 4) increase the utilization rate of cars and vessels.

The circular also calls on all units to pay attention to passengers' safety and take effective measures to prevent accidents. They must conduct safety education among workers, strictly enforce the system of personal responsibility and adhere to the rules and regulations relating to passenger transportation. Vehicle, ship and airplane operators must operate strictly according to safety regulations. Operation in violation of safety regulations is prohibited. Order at stations and ports and in passengers' boarding and alighting from cars and ships must be maintained. Limits on passengers' luggage must be strictly enforced. Meticulous examination must be made to prevent flammables, explosives and hazardous items from getting onto vehicles, ships and airplanes. More efforts should be made to check against cold and frostbite and on safety measures to eliminate any hidden hazards so as to insure safe transportation.

The circular expresses the hope that all related units improve their passenger services.

CSO: 4006

NATIONAL POLICY AND ISSUES

PRC MEETING DISCUSSES AIM OF SOCIALIST PRODUCTION

OW111436 Beijing XINHUA Domestic Service in Chinese 1405 GMT 10 Dec 80

[Text] Beijing, 10 Dec (XINHUA)--A 7-day national meeting to discuss the purpose of socialist production ended in Beijing today. It was a grand academic meeting held nationwide by the country's economic theoretical circles since the founding of the People's Republic. Through discussions, the participating economic theorists and economic affairs workers have furthered their probing into the basic socialist economic laws, both in theory and in practice, and gained a better understanding of the necessity and importance of the national economic readjustment.

Although China has carried out socialist construction in the past 30 years and more and has scored many achievements, the question of what is the purpose of socialist production still remains, the participants pointed out. For a long time the nation was entirely absorbed by accelerating economic growth, rushed headlong to expand the scale of capital construction, ignored the people's livelihood, put undue emphasis on developing the heavy industry and attached little importance to the growth of agriculture and light industry. This has resulted in the divorce of production and construction from the people's livelihood and created a serious imbalance between financial accumulation and consumption, thereby betraying the purpose and requirements of socialist production.

The participating comrades pointed out that to satisfy the needs in the people's material and cultural life is the purpose of socialist production. In production and construction, we must first of all, make proper arrangements for producing means of subsistence in accordance with the people's consumption needs and make appropriate arrangements for producing means of production needed for producing means of subsistence while insuring a proper proportional relationship among the various national economic departments. Only by proceeding from this point of departure can we succeed in readjusting the national economy.

An analysis of the many causes leading to the failure in the past many years in realizing the purpose of production was made by the participants at the meeting. They said the most fundamental cause leading to this failure was the influence of the leftist line. They added that their discussion meeting would have an important bearing on the elimination of the leftist line's pernicious influence. They said that the economics circles should make positive and valuable suggestions on the country's national economic readjustment.

The discussion meeting was one of liveliness and vitality during which the participants spoke out their own views freely without any reservation. It gave full scope of the spirit of democratic discussions.

A decision was adopted at the meeting to edit and publish as soon as possible collected essays on the purpose of socialist production.

CSO: 4006

PROGRESS REPORTED ON EXPERIMENT TO GIVE ENTERPRISES MORE POWER

OW030312 Beijing XINHUA Domestic Service in Chinese 0710 GMT 1 Jan 81

[Report by Li Niangui, XINHUA correspondent]

[Excerpts] Beijing, 1 Jan (XINHUA)--Encouraging progress and obvious results have again been achieved in 1980 in our country's experiment on giving enterprises enlarged powers for managing their own affairs.

More than 4,000 enterprises were selected in the whole country in 1979 for enlarged powers of self-management on an experimental basis. The number was increased to more than 6,000 in 1980. Of these enterprises, 191 also began to "pay taxes instead of handing in their profits to the state, maintain independent accounting and assume responsibility for their own profits and losses" on an experimental basis. The more than 6,000 enterprises in the experiment accounted for 16 percent of the 42,000 industrial enterprises in the state budget, their output value accounted for about 60 percent of the total, and their profits accounted for about 70 percent of the total.

All the enterprises with enlarged powers to manage their own affairs have achieved improved economic results. According to initial statistics for 5,422 enterprises in the experiment, their total industrial output value for the period January through September in 1980 increased by 12 percent over the same period in 1979; their total profits increased by 17 percent over the same period; and the profits they handed over to the state increased by 13 percent over the same period. Enterprises given enlarged powers of self-management in general showed greater increases in output value and profits than enterprises not given such powers.

With enlarged power to manage their own affairs, the enterprises are able to improve the livelihood and welfare for their workers and staff members step by step on the basis of increased production.

A responsible comrade of the enterprise bureau under the State Economic Commission told this correspondent: In our country's experiment on giving enterprises enlarged power in managing their own affairs, the orientation is correct, the pace is steady and safe, and the results are obvious. However, there are also some problems in practice. For example, development is uneven between areas and between trades; due to restrictions by the present management system, reforms in various fields still lack coordination; some of the powers that should be given to the enterprises, as stipulated by the State Council, have not been fully exercised; in the course of giving enterprises enlarged powers for managing their own affairs, macroeconomic guidance and supervision have lagged behind; in the use of funds retained by the enterprises, there has been some blindness, and some enterprises have issued too many bonuses; and so on. In regard to these problems, it is necessary to analyze the causes, sum up experiences and take measures to solve them, so that the enterprises already given enlarged powers of self-management will be consolidated and improved and so that the results of this reform can be further developed. It is necessary to correctly handle the relationship between this reform and the readjustment of the national economy so that the reform will be conducive to the readjustment.

CSO: 4006

BRIEFS

NEW TIME STANDARD--Beijing, 31 Dec (XINHUA)--The Central People's Broadcasting Station will change to Coordinated Universal Time (UTC) in sounding its time signals for civilian use beginning 0800 Beijing Time [0000 GMT] on 1 January 1981. This new time signal will be broadcast by the Beijing Observatory of the Chinese Academy of Sciences through the Central People's Broadcasting Station. The Coordinated Universal Time (UTC) is a time standard universally adopted in the world at present. Its time difference is maintained within the range of 0.8 second plus or minus from the Universal Time International (UTI) that has always been in use in China. [Text] [OW312140 Beijing XINHUA Domestic Service in Chinese 1507 GMT 31 Dec 80]

CSO: 4006

ECONOMIC PLANNING

'RENMIN RIBAO' ON SCIENTISTS' ROLE IN ECONOMIC WORK

HK110336 Beijing RENMIN RIBAO in Chinese 27 Nov 80 p 3

[Commentator's article: "Gratifying Attempt at Espousing the Integration of Science and Technology With the Economy"]

[Text] The China Association of Scientists has organized more than 20 specialists from 18 academic groups to go to Anhui for inspection and for consultations about major problems of economic construction in that province. This has been commended by various quarters. People are full of praise for the specialists' spirit of service and for the inspection team's contributions. They particularly approve of the way scientific and technological work is integrated with economic work.

As part of the productive forces, science and technology are inherently related to economic development. The development of the national economy is dependent on science and technology and requires that people doing scientific and technological work, particularly scientific research, try hard to solve problems of economic construction and, at the same time, receive the serious attention and support of economic departments. However, due to our defective economic and scientific research systems, for a long time, science and technology have been as unrelated to the economy as "two pieces of leather." Many comrades who are engaged in economic work are unfamiliar with the power of science and technology. When it comes to construction, they ask for investment, equipment and huge manpower resources. If our four modernizations are promoted in this way, they will have no outlet for realization. Moreover, some comrades who are engaged in scientific and technological work are confused about how science and technology can help economic construction. With "departmental ownership" and "regional ownership" splitting and inhibiting our surviving scientific research forces, nothing can be done for the four modernizations even if we wanted to.

Such a situation should not be allowed to go on! If this is so, where is the way out? Many intelligent people in economic as well as scientific and technological circles have been pondering this question and actively exploring ways and means to remedy it. Fundamentally speaking, it is imperative that positive efforts be made to reform the existing economic and scientific research systems so that all production enterprises will be forced to rely on science and technology. Moreover, only by steadily making new contributions to production and construction can the majority of scientific research units, which are mainly engaged in the study of technological development, obtain the economic backing of various quarters. Regardless of whether they are enterprises or scientific research units, all should smash the fetters of "departmental ownership" and "regional ownership" and take the road of socialization.

To succeed in reforming systems of a fundamental nature is a very complex and difficult task. We must not expect that we can accomplish this overnight. However, without taking the first step, it is impossible to travel a thousand li. We should all warmly welcome any positive step taken on the road of reform.

In organizing specialists to go to Anhui for an inspection tour, the China Association of Scientists has taken a gratifying step forward in the direction of espousing the integration of science and technology with the economy and of socializing scientific research work. Anhui Province is prepared to vigorously develop the coalfields in Huaiiin and Huainan and natural resources in west Anhui. It is no longer following the beaten track of having the leadership draw up the plans, having the planning departments figure out the amount to be invested and having huge manpower resources pitch in at an accelerated pace. Instead, the province will invite specialists to conduct investigations and studies and will rely on scientific and technological forces to struggle against nature. Specialists from all over the country and from a dozen different trades and professions are gathered in the province. For the time being, they will at least free themselves from the restrictions imposed by their own "departments" and "regions" and learn more about science in order to release the productive forces of scientific research. In fact, various spheres of economic construction need specialists to find ways and means. In order to surmount difficulties, they also need departments which oversee scientific and technological work. If various departments and localities do this and take firm steps forward, then there is great hope that science and technology integrated with the economy will thrive.

CSO: 4006

BRIEFS

GUANGDONG ECONOMIC DISCIPLINE SURVEY--The Guangdong provincial people's government recently decided that an inspection of financial and economic discipline would be carried out starting in late November in order to strengthen financial and economic work. The aims of this inspection are: 1) To grasp this year's financial revenue and expenditure and insure a balance with a slight surplus; 2) to strengthen concepts of the legal system and to correct bad workstyles; 3) to speed up the process of increasing output and practicing economy; 4) to further implement the eight-character principle and grasp well readjustments of the national economy; and 5) cut down the scale of capital construction and speed up the four modernizations. [HK120638 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 30 Nov 80 HK]

GUIZHOU ECONOMIC READJUSTMENT--According to a GUIZHOU RIBAO report, the Guizhou provincial people's government has organized work groups to inspect implementation of the State Council's circular and the provincial circular on economic readjustment throughout the province. The work groups consisted of 41 leading comrades and some 200 cadres. The Guizhou provincial people's government held a mobilization rally for the work groups on 24 December, demanding that all work groups do the following: 1) Strictly control commodity prices and rectify sale by negotiations; 2) strictly forbid indiscriminate lumbering; 3) resolutely reduce the number of capital construction projects; 4) speed up stocktaking and help circulation of capital. [HK310544 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 24 Dec 80 HK]

HEILONGJIANG URBAN PLANNING CONFERENCE--The Heilongjiang provincial people's government held a conference on urban planning from 23 to 27 December in Harbin Municipality. Attending the conference were leading comrades of various counties and municipalities. They revealed that by the end of November, housing totaling 2.087 million square meters in floor space had been completed. [SK311047 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 29 Dec 80 SK]

JIANGSU POPULATION DOCTRINE CONFERENCE--Sponsored by the Ministry of Education, China's first conference on the doctrine of population was held in Jiangsu's Nanjing City from 5 to 10 December. Attending the conference were representatives from 10 selected middle schools which have conducted education on population control on a trial basis and 10 institutes which are now training teachers for education on population theory. They summed up experience and discussed how to promote education on population control with still better results. To pave the way for further promotion of family planning among the people, the Jiangsu Provincial Education Institute has trained some 120 teachers for various schools. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 10 Dec 80 OW]

JIANGSU MANAGEMENT CONFERENCE--The Jiangsu provincial conference on agricultural management of the people's communes in the rural areas was held in Nanjing on 26 December. The conference stressed that it is necessary to combat left-deviationist influence in order to achieve steady agricultural development. It said that it is necessary to correct the erroneous idea of pursuing a high production target while work efficiency and people's income is low. The conference pointed out that people's communes must launch their farmland capital construction according to their ability and importance must be attached to the construction projects' efficiency, and that, while insuring grain production, natural resources and manpower should be fully utilized for diversifying the economy. [OW311229 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 26 Dec 80 OW]

JILIN POPULATION SOCIETY--The Jilin Provincial Society of Population Science was established recently. The board of directors was elected at the first meeting of the society. The 32 theses and investigation reports submitted to the meeting include such topics as population and economy, population and employment, population and eugenics and current situation in Jilin Province. Various research groups specialized in population theory, eugenics, population planning, birth control, and issues concerning urban, world and minority population will be established next year. Leading comrades including Wang Daren, secretary of the provincial party committee, Zhang Kaijing, vice chairman of the provincial People's Congress Standing Committee, and Guan Mengjue, vice chairman of the Provincial CPPCC Committee, attended the meeting. Representatives of population theoretical research institutes and family planning offices in Heilongjiang and Liaoning provinces and the Shenyang PLA units also attended the meeting and delivered academic reports. [SK141228 Changchun Jilin Provincial Service in Mandarin 1100 GMT 8 Dec 80 SK]

LIAONING ENTERPRISE MANAGEMENT--Shenyang, 11 Dec (XINHUA)--Since September 1979, 262 state-run enterprises in Liaoning Province have experimented with added decisionmaking power. As a result, most of them have increased production and made more profit. With added decisionmaking power, they are entitled to retain a certain percentage of the profits they make. The 262 enterprises account for 13 percent of the total number of state-run enterprises in Liaoning Province. [Beijing XINHUA Domestic Service in Chinese 0300 GMT 11 Dec 80 OW]

SHAANXI URBAN PLANNING CONFERENCE--The Shaanxi provincial people's government recently held a conference in Xian on urban planning work. The conference demanded that leaders at all levels attach importance to urban planning work and do well in grasping urban administration and urban construction. In urban planning work, it is necessary to strictly control large cities, rationally develop medium-sized towns and actively develop small towns. From now on, Xian will no longer make arrangements for building new large and medium-sized industrial projects but will build satellite towns and townships in a planned way. It will move factories that use a large quantity of water and cause serious pollution out of the city. At present, it is essential to pay special attention to building residential houses in urban areas. People's governments in all prefectures, municipalities and counties must inspect the allocation of residential housing before the end of this year. [Xian Shaanxi Provincial Service in Mandarin 1100 GMT 6 Dec 80 HK]

SHANXI ENTERPRISE MANAGEMENT FORUM--The Shanxi provincial people's government held a forum from 26 November to 6 December on enterprise management. The forum held: It is necessary to rectify enterprise management in order to implement the eight-character principles. Guo Yinan, the provincial vice governor, presided over the forum and spoke. Some units exchanged their experiences in enterprise management at the forum. The forum held: It is necessary to maintain stability and unity in the political situation and promote younger persons to the leadership group in order to carry out rectification of enterprise management. The forum also called for perfecting the system of workers' congresses to bring democracy into full play. In conclusion, the forum stressed that the rectification of enterprise management must be closely linked with the expansion of decisionmaking rights of enterprises. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 6 Dec 80 HK]

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BRIEFS

GUIZHOU FINANCE REVENUE--According to statistics of the Guizhou Finance Revenue Department in the first half of December 1980, the people in Guizhou have overfulfilled the year's finance revenue tasks by 4.09 percent 21 days ahead of schedule. By the end of November according to incomplete statistics, the finance revenue and profits from the light and textile industries increased by 21.33 percent over the corresponding period of last year. [HK291010 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 18 Dec 80 HK]

GUANGDONG SUPPORT FOR AGRICULTURE--Since the beginning of this year, all agriculture banks and credit cooperatives have strengthened support for agriculture. By the end of November, the total amount of rural savings throughout the province was 1.344 billion yuan, 466 million yuan more than at the end of last year. Per capita savings in rural areas was 29.21 yuan. The province issued loans of some 2.43 billion yuan to communes and brigades for the purpose of agricultural production, 1.4 times greater than in the corresponding period of last year. The loans for commune and brigade enterprises increased by 2.8 times. The loans to communes and brigades for building small hydroelectric power stations were some 150 million yuan. In the past 11 months, the banks and cooperatives recovered loans of 1.3 billion yuan which were due or overdue, some 550 million yuan more than in the corresponding period of last year. [HK310539 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 27 Dec 80 HK]

HEILONGJIANG AGRICULTURAL LOANS--As of 25 December, Heilongjiang Province had collected some 387.5 million yuan of agricultural loans, 36 million yuan more than in 1979. Some 56 municipalities and counties in the province had overfulfilled the 1980 agricultural loan collection plan ahead of schedule. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 3 Jan 81 SK]

JIANGXI TAXATION REVENUE--The taxation affairs departments of Wuyuan, Yihuang, Dongxiang, Jian, Xiajiang, Ninggang, Guangchang and Shicheng counties, and Jinggangshan in Jiangxi Province have overfulfilled their quotas for taxation revenue for 1980, 2 months ahead of schedule. Revenue has amounted to 25.35 million yuan, an increase of 3.42 million yuan over the same period last year. Taxation affairs departments of all counties have encouraged enterprises to submit revenue plans and worked out new measures to prevent debits by communes and enterprises, thus, increasing revenue. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 4 Dec 80 HK]

JIANGXI BANK DEPOSITS--According to incomplete statistics compiled for January to October in 4 municipalities under the jurisdiction of the provincial government, 6 municipalities under the jurisdiction of the prefectural governments and 80 counties, the people's banks at all levels in Jiangxi Province had 728,159 new accounts opened by enterprises, organs, organizations, urban collectives, special foundations, industrial and commercial units and individuals and deposits amounted to 29,326 yuan. The people's banks are now making full use of the deposits to support industrial production and circulation of commodities. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 6 Dec 80 HK]

JIANGXI MONEY CIRCULATION--By early December 1980 the currency in circulation throughout Jiangxi was reduced by 5.4 percent over the corresponding period of last year. This year, the Jiangxi branch of the People's Bank of China has relentlessly grasped the withdrawal of currency from circulation. In accordance with the principle of six superiorities, the Jiangxi branch of the People's Bank of China has actively supported the light and textile industry and the development of the collective industry. By the end of November 1980, the collective industrial loans in the cities and towns throughout the province has increased by 36 percent over the end of 1979, accounting for 50.2 percent of the total industrial loans. This year, income of the staff and workers has generally been increased. By early December 1980, savings of the enterprises throughout the province increased by 31 percent over the end of 1979. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 20 Dec 80 HK]

JILIN REVENUE--As of 20 December, Jilin Province had overfulfilled its annual state-assigned financial revenue quota by 6.3 percent, showing an increase of 8.7 percent over the figure for the corresponding 1979 period. Banking departments throughout the province, by the end of November, had allotted 240 million yuan to support industry, especially light and textile industries. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 31 Dec 80 SK]

JILIN TAXES--By 20 December tax departments in Jilin Province had collected 1,122,340,000 yuan of industrial and commercial taxes, an increase of 5.6 percent over the figure for the corresponding 1979 period. [SK291321 Changchun Jilin Provincial Service in Mandarin 1100 GMT 28 Dec 80 SK]

NEI MONGGOL MUNICIPAL TAX--Hohhot Municipality, Nei Monggol, had collected 107 million yuan of industrial and commercial taxes by the end of November, prefulfilling its annual industrial and commercial tax plan by 1 month. [SK120857 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 4 Dec 80 SK]

SHAANXI RURAL SAVINGS--By the end of November, Shaanxi Province's rural savings amounted to 274 million yuan, showing an increase of 24.69 million yuan over the same period last year and overfulfilling the year's quota by 48 percent. The total amount of savings this year was 620 percent of the total amount of savings in 1966. The proportion of fixed deposits accounted for 72 percent of the total amount of savings. [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 24 Dec 80 HK]

SHANXI AGRICULTURE TAX REDUCED--The State Ministry of Finance has decided to reduce Shanxi Province's agriculture tax by 10 million yuan due to natural disasters. Shanxi Province has faced severe natural disasters this year and production was affected. By now, the province has implemented the decision of the Ministry of Finance and has distributed tasks among various areas in accordance with the degree of damage caused by the disasters. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 25 Dec 80 HK]

XINJIANG OVERSEAS REMITTANCE--Thanks to the earnest efforts of the people's banks at all levels to implement the government policy on Overseas Chinese, a rapid increase of money remitted by Overseas Chinese has been registered in Xinjiang Autonomous Region. The region has received 980,000 yuan of remittances by November this year, representing an all-time record. The banks are now planning to adopt even more effective methods to provide better service to both Overseas Chinese and their relatives in Xinjiang. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 9 Dec 80 OW]

XIZANG FINANCIAL WORK--The Xizang regional conference on cultural, education, administrative and financial work was held 10-17 December. The meeting stressed the need to strengthen leadership over financial and accounting work because the fixed budget system for various units will be implemented in the region on a trial basis. The participants are convinced that financial and accounting work has an important bearing on promoting the national economy and that leading cadres must acquire adequate knowledge of financial and accounting work. They also stressed the need to speed up the training of financial and accounting workers. [OW041609 Lhasa Xizang Regional Service in Mandarin 1130 GMT 30 Dec 80 OW]

SHAANXI STATISTICAL WORK--Since the smashing of the "gang of four," Shaanxi Province has resumed its statistical work and gradually given play to the administrative and supervisory role of statistical work in the national economy. Of the 115 units at prefectural, municipal and county level throughout the province, 109 have set up statistical bureaus, which have involved some 700 cadres in statistical work. The province has begun investigation of the rural economy and family life of staff and workers. The provincial computer center has been initially established, thus laying a foundation for our province's modernized calculation techniques. To quicken the pace of statistical work, the provincial people's government held a meeting of statistical bureau directors in mid-November. [HK200727 Xian Shaanxi Provincial Service in Mandarin 1100 GMT 4 Dec 80 HK]

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HONG KONG PAPER ON PRC OIL PROSPECTS

South China Sea Oil

HK050322 Hong Kong HSIN WAN PAO in Chinese 3 Jan 81 p 1

[Report: "Three South China Sea Oilfields Enter the Exploitation Stage"]

[Excerpts] Guangzhou, 3 Jan--A responsible person of the South China Sea Branch Company of the China Petroleum Company told your correspondent that quantities of recently acquired geophysical survey data show that there are rich petroleum sources on the continental shelf in the northern part of the South China Sea. It will become a petroleum base with very great development prospects.

Prospecting the oil resources of the continental shelf in the northern part of the South China Sea began in 1973.

The large amounts of data collected show that there are three large sedimentary basins covering a total area of 206,000 square kilometers in the northern part of the South China Sea. These basins are in the Beibu Gulf, Yinggehai, and the Pearl River estuary. These three basins contain thick oil-bearing strata, conditions for yielding oil are good, there are many different types of oil, and industrial oil gas has already been obtained there. There are ample conditions for extensive prospecting and exploitation.

Comments on Oil Situation

HK050518 Hong Kong HSIN WAN PAO in Chinese 3 Jan 81 p 1

["New Talk" column: "Looking Toward the South China Sea; Thinking of Beijing"]

[Text] Good news has come from Guangzhou with the new year: The South China oilfields have now started to enter the exploitation stage. China has signed a prospecting and exploitation agreement with France, and a similar agreement has been initially signed with the United States. Previously there was only prospecting going on, and now prospecting has led to exploitation.

People previously talked a lot about the oilfield in the Pearl River estuary, and now oilfields have also been discovered at Yinggehai, off Hainan Island, and in the Beibu Gulf, not far away. Moreover these are fields with great development prospects. China's future oil hopes are pinned on marine oilfields and now these hopes are starting to be translated into reality. This prospect does not appear as unrealistic as those brave words about building 10 Daqings.

Our exclusive report on oil a few days ago was rather discouraging; it said that China's oil production would remain stagnant in the next 7 years even if it did not decline, and that generally speaking the output would fall rather than rise. The beautiful dreams that resulted from the brave words about building 10 Daqings have come to nothing. People are very despondent about this. However, the report also pointed out that China's hopes are pinned on marine oilfields; there is a lot of oil in the sea. However, an increase in oil production will only come about after 7 years.

Exploration of the South China Sea oilfields began 7 years ago, in 1973. By a curious coincidence, it has also been 7 years from prospecting the oilfields to exploiting their rich yield. We will have to put up with another 7 years of irritation in poor oil output.

We will also have to suffer for the next 3 to 5 years while the national economy is being readjusted.

The reason for extending the readjustment is that the principle of readjustment, restructuring, rectification and improvement was not seriously implemented after being put forward in 1979, while in addition the situation was found to be serious and worse than expected. It was serious because errors were made for 2 years (1977 and 1978) on top of the 10-year catastrophe. And the errors of those 2 years were again due to the influence of extreme "leftist" thought; we were impatient for success, hankered for the grandiose, and indiscriminately imported foreign technology. This all formed into a "foreign leap forward."

The New Year's Day editorial of RENMIN RIBAO said: "From now on, we have truly shaken off the bindings of 'leftist' thought and embarked on the path of healthy development."

The person responsible for the 2 years of errors must thus give way; of course, there may have been still greater mistakes than those, and not just errors either.

CSO: 4006

ENERGY SPECIALISTS URGE USE OF GEOTHERMAL SOURCES

OW050750 Beijing XINHUA in English 0700 GMT 5 Jan 81

[Text] Beijing, January 5 (XINHUA)--Geothermal energy should be given importance in the state plan, said specialists at a current national meeting on the development of energy resources here.

Associate Professor Cai Yihan of Tianjin University said that China has more than 2,500 hot springs. They are found in all provinces, municipalities and autonomous regions. This includes 600 hot springs with 80 degrees C temperature and above. The geothermal sources are found mainly in the southeastern coastal provinces and the southeastern part of the Qinghai-Tibet plateau. The Yunnan-Tibet belt is a geothermal area, in which 700 hot springs have already been found.

Engineer Shi Deming enumerated some good qualities of geothermal energy. He said that it is easy to exploit, convenient to use, needs only simple equipment, has a high rate of utilization and causes less pollution. Substantial exploitation of geothermal as well as other new energy sources can, to a certain extent, make up for the limited supply of conventional energy sources such as coal and oil.

Apart from generating electricity, geothermal sources in China are already being used to breed fish, grow vegetables, fruit and flowers, hatch chickens and dry harvested grain as well as for medical uses, and heating and bathing.

Associate Professor Cai Yihan pointed out that the exploitation and utilization of geothermal sources is still in its infancy in China. Research and field surveys are necessary.

CSO: 4020

PRC SCIENTISTS NOTE RURAL ENERGY NEEDS

OW030837 Beijing XINHUA in English 0825 GMT 3 Jan 81

[Text] Beijing, January 3 (XINHUA)—Finding more energy sources in China's vast rural areas is vital for progress, said scientists attending the current Second National Symposium on Energy Sources here.

Professor Yang Jike of the Chinese University of Science and Technology in Hefei warned that China's rural areas were critically short of fuel for daily use. Of 800 million rural population, 500 million did not have enough firewood for three to five months a year. The number of peasant households lacking in fuel in the hardest-hit province accounted for 70 percent of the total; in the best province it was 25 percent. As a result, in many places, trees, crop stalks and roots, weeds were dug up almost at all. [as received] In quite a few areas, peasants used dried manure from domestic animals as fuel for cooking. In a few regions, people used dried sweet potato chips as firewood.

Professor Yang Jike said that apart from the hardship this created for the peasants, the situation caused an ecological imbalance. Further, the use of these substitutes for coal and gas meant great waste since they are inefficient sources of heat.

At present, annual output of forest products for fuel now could satisfy only two months need for China's rural areas, scientists said. They urged wide expansion of forests for fuel. China had 66 million hectares of wasteland and barren hills suitable for trees, they said. These were to be afforested within the next 20 years, and speakers asked that at least one-fifth of the amount be set aside to meet fuel needs.

Speakers also urged wider use of methane (marsh gas) and improvement of the country's 20,000 small coal mines.

The meeting is being held by the State Scientific and Technological Commission. It has asked 280 specialists in energy sources from all over the country to explore measures for China to meet its growing energy needs.

CSO: 4020

BRIEFS

RURAL ELECTRICITY CONSUMPTION--Beijing, 29 Dec (XINHUA)--China's countryside consumed 37 billion kWh of electricity in 1980, showing a 13.8 percent increase over 1979, the biggest ever increase since the founding of the republic. Counting the electricity consumed by county-run enterprises directly serving agricultural production, the countryside's electricity consumption accounts for a quarter of China's total electricity consumption. About 90 percent of China's communes, over 60 percent of the production brigades and over 50 percent of the production teams are supplied with electricity, irrigating a total of 280 million mu of farmland. Some 400 counties consume 50 million kWh of electricity per year, of which 100 consume over 100 million kWh of electricity a year. Power transmission lines in the countryside total 3.1 million kilometers in length. [Beijing XINHUA Domestic Service in Chinese 0721 GMT 29 Dec 80 OW]

EAST CHINA POWER OUTPUT--The East China Power System has fulfilled its 1980 plan of generating 44 billion kWh of electricity 2 days ahead of schedule. The total power output is 6.8 percent higher than last year. Thanks to unified management and rational use of hydraulic energy, the East China Power System has generated 1.55 billion kWh of electricity more than its original plan this year. This year the system has also installed new generators capable of generating 722,000 kWh of electricity as well as 143 kilometers of high-voltage transmission cables. [Shanghai City Service in Mandarin 1130 GMT 29 Dec 80 OW]

HYDROPOWER STATIONS--More than 4,000 small hydroelectric power stations have been built in various places of the country during 1980 with a total generating capacity exceeding 800,000 kilowatts. Now there are more than 90,000 small hydroelectric power stations in the vast rural and pastoral areas in China with a total generating capacity of 7 million kilowatts. [Beijing Domestic Service in Mandarin 1200 GMT 31 Dec 80 OW]

ANHUI ELECTRIC POWER--As of 27 December, Anhui Province fulfilled its annual power generation plan 4 days ahead of schedule. It is estimated that by the end of the year, the total electric power generation will be 9.56 billion kWh, 100 million kWh more than 1979 power generation. Of this year's power generation, 750 million kWh were generated by hydroelectric power stations in the province. [OW011929 Hefei Anhui Provincial Service in Mandarin 1100 GMT 28 Dec 80 OW]

ANHUI POWER PROJECTS--A number of large and medium-sized power transmission cables and substations were put into operation in Anhui in 1980. They include the 213-km 220-kilovolt transmission line linking Bangbu, Chuxian and

(Jiliangshan), and the 58-km 110-kilovolt Guoyang-Lixin-Kantuan transmission line, and seven 70,000-volt substations. In 1980, in keeping with the third-stage expansion project of the Huaibei power plant, 110 km of 220,000-volt transmission cable linking Huaibei to Bangbu and 62 km of 110,000-volt transmission lines from Qiaotouji and (Liuqiao) and from Suxian to Nanping were erected. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 1 Jan 81 OW]

GUANGDONG HYDROELECTRIC POWER--According to statistics, by the middle of December, Guangdong Province had built and put into operation 528 small hydroelectric power stations this year with installed capacity of 127,000 kilowatts, fulfilling 127 percent of the state quota. The installed capacity was 10,000 kilowatts more than last year, an increase of 8.6 percent. The installed capacity of all small hydroelectric power stations throughout the province is some 9.92 billion kilowatts for each season. In 1979, the electricity output of all small hydroelectric power stations throughout the province was 2 billion kilowatt-hours, approximately one-fifth of the total electricity output of all hydroelectric power and thermal power stations throughout the province. Apart from supplying electricity for agricultural use, these small hydroelectric power stations also supplied 500 million kilowatt-hours to the large electricity network. Banks have provided sufficient loans to develop small hydroelectric power stations. The provincial people's bank has issued loans of some 31 million yuan this year. [HK020717 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 28 Dec 80 HK]

HEILONGJIANG SMALL COLLIERIES--Harbin, 23 Dec (XINHUA)--In an effort to consolidate coal industry, Heilongjiang Province has closed down or suspended the operations of 169 small coal mines during the second half of this year. These small coal mines did not meet the standard requirements for coal mining, including the safety requirement. [OW290057 Beijing XINHUA Domestic Service in Chinese 0229 GMT 23 Dec 80 OW]

HEILONGJIANG TURBOGENERATORS--The Harbin Electric Machinery Plant has successfully produced China's first 125,000-kW water turbogenerator set to be used in the Changjiang River's large hydropower station--(Gezhouba) power station. This set of generators is 34 meters high and weighs 3,200 tons. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 31 Dec 80 SK]

HEILONGJIANG COAL CUTTER--Harbin, 3 Jan (XINHUA)--A coal-cutting machine designed for use of narrow coal seams has been put into serial production in northeast China. Designed by a research institute of coal in Heilongjiang Province, the machine can cut up to 365 tons of coal an hour, will be used to replace the drilling-and-blasting method in coal seams from 0.8 to 1.3 meters in thickness. The thin and ultrathin coal seams account for more than half of the total in Heilongjiang Province, an important coal center, and for a significant percentage of the national total. Up to now, miners have had to crawl on all fours while extracting coal from such seams. [Text] [Beijing XINHUA in English 0818 GMT 3 Jan 81 OW]

HUBEI WATER CONSERVANCY--At 10.30 a.m. on 24 December, the lower reaches of the (Gezhou) dam were officially opened. The project was approved and planned by the Ministry of Water Conservancy, the Ministry of Electric Power Industry and the Ministry of Communications. (Liu Sutian), vice minister of water conservancy, inaugurated the opening of the dam. Qian Zhengying, minister of water conservancy, issued the order to open the dam. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 Dec 80 HK]

HUBEI RURAL ELECTRICITY--At present, the high and low voltage power transmission lines in the countryside throughout Hubei have been increased through the use of more transformers. Some 95 percent of the communes throughout the province and 62 percent of the brigades have electricity supply. Electricity for agricultural use has increased from 1.1 billion kilowatt-hours to 2.4 billion kilowatt-hours. The areas irrigated by electricity have also been increased. The development of electricity in the countryside has improved the conditions of agricultural production, strengthening the conditions for resisting natural disasters. This year, the peasants experienced floods in the province, but they resisted them by using electrically operated equipment. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 Dec 80 HK]

JIANGSU COAL MINING--Jiangsu Province has achieved initial results in readjusting its coal mining work. The annual quota of tunneling footage was met 51 days ahead of schedule. As of November, 93.2 percent of the province's coal production plan for this year had been completed. A number of coal mines have thus far prefulfilled their annual coal production quotas. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 6 Dec 80 OW]

JIANGSU COAL CONSERVATION--Power departments of Jiangsu Province have shut down small generating units because of their low efficiency and high coal consumption rates. This has made more coal available to larger and more efficient generating units. Since the beginning of this year, Jiangsu has shut down 19 such small generating units in 13 power plants and 6 railway power stations having a total generating capacity of 95,000 kilowatts. Thanks to this conservation measure, some 180,000 dun of coal had been saved by November this year. [OW272143 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 22 Dec 80 OW]

JILIN COLLIERIES--Jilin provincial collieries whose products are distributed under the unified state plan prefulfilled the raw coal production plan by 5 days and overfulfilled the production plan by some 6,000 tons. They also prefulfilled the 1980 tunneling plan by 2 months. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Dec 80 SK]

NEI MONGGOL ELECTRICITY TRANSMISSION--A 220,000-volt electricity transmission line connecting Baotou and Hohhot municipalities was completed ahead of schedule and put into operation 27 December. The line runs 183 km. Its transformer station has a capacity of 120,000 kva. This is the largest electricity transmission project in Nei Monggol. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 29 Dec 80 SK]

NEI MONGGOL COAL--Producing 70 percent of the total amount of coal in Nei Monggol, the six coal mining administrations, the products of which are distributed under unified state plan, prefulfilled their 1980 raw coal production, tunneling, open-cut stripping and dressed coal production plans by 12, 68, 21 and 2 days, respectively. By the end of 1980, they tunneled 28,000 meters, 17.2 percent over their annual plan. [SK021246 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 Jan 81 SK]

NEI MONGGOL POWER--In Nei Monggol, the Hohhot and Baotou power networks prefulfilled by 3 days their 1980 annual plan which called for the production of 2.92 million kWh of electric power. Power consumption in farming and light and textile industries in the region increased by 31.7 and 9 percent, respectively, over those in 1979. [SK021246 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 Jan 81 SK]

SHANDONG POWER PLANTS--In the first 11 months of 1980, power plants under the Shandong Provincial Power Bureau had conserved 227,000 tons of coal, one-seventh of the total amount of coal conserved in the province. The provincial power network includes 61 power plants. In generating 100 million kWh of electricity, a set of high voltage or super high voltage generating equipment consumes 35,000 to 40,000 tons of coal, while a set of medium voltage or low voltage generating equipment consumes 68,000 to 100,000 tons of coal. Medium or low voltage generating equipment has reduced their operations in order to save coal. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Dec 80 SK]

SHANDONG TRANSMISSION LINE--After 1 year's construction work, a 220-kv transmission line between Weifang and Zhaoyuan counties, Shandong Province, was completed and put into operation 24 December. A comprehensive unified power network has been created in Shandong Province. [SK301150 Jinan Shandong Provincial Service in Mandarin 2300 GMT 28 Dec 80 SK]

SHANDONG COLLIERIES--Shandong provincial collieries whose products are distributed under the unified state plan had overfulfilled the 1980 state tunneling plan by 19,000 meters as of 28 December. The annual plan of tunneling 180,000 meters had been fulfilled on 27 October. [SK311052 Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Dec 80 SK]

SHANXI COAL PRODUCTION--By 25 November, all coal mines throughout Shanxi Province had produced 104 million metric tons of raw coal, fulfilling the province's production plan for 1980. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 15 Dec 80 HK] As of the latter part of last November, Shanxi Province had produced 104 million dun of raw coal, thus fulfilling its coal production plan for this year. The state yearly plans for the province's dressed coal output and tunneling footage were prefulfilled by 30 days and 56 days respectively ahead of schedule. The province has also carried out consolidation of local small coal mines. [Beijing Domestic Service in Mandarin 1200 GMT 21 Dec 80 OW] Taiyuan, 25 Dec (XINHUA)--Coal mines in Shanxi, whose production is under the state's unified distribution, have overfulfilled this year's coal production plan 8 days ahead of schedule and the total output has exceeded 65.6 million dun, or 5.31 percent higher than the same period last year. By 5 November, these coal mines had already fulfilled their tunneling footage plan for this year, 65 days ahead of schedule. [OW291131 Beijing XINHUA Domestic Service in Chinese 1326 GMT 25 Dec 80 OW]

SHANXI COAL INDUSTRY--Taiyuan, 2 Jan (XINHUA)--Shanxi Province, China's leading coal producer, has diverted money to the coal industry that was previously meant for metallurgical, mechanical and chemical projects, the Shanxi Economic Department said today. Coal mines now being built in Shanxi will have a total annual production capacity of 27 million tons. The new Tuanbai mine, under the Huoxian

Mining Administration, and the rebuilt and expanded Ximing mine, under the Xishan Mining Administration, have already started producing. They have a combined annual capacity of 1.2 million tons. A number of other coal mines have been expanded or rebuilt and have gone into production, adding 650,000 tons of coal a year. Seven new railway lines feeding locally run coal mines are now in use to get more of Shanxi's coal to other parts of China. [Text] [OW031315 Beijing XINHUA in English 1206 GMT 2 Jan 81 OW]

XINJIANG PETROLEUM PRODUCTION--As of 26 December 1980 the Xinjiang Petroleum Administration overfulfilled the annual state production quota for crude oil. The total output of crude oil was more than 100,000 dun over the previous high of 1979. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 Jan 81 OW]

YUNNAN GEOTHERMAL SOURCES--A certain PLA capital construction corps unit has carried out preliminary investigation of the allocation of geothermal sources in the province after working hard for 5 years. The unit has discovered some 500 geothermal spots and 4 geothermal zones. In order to make full use of these hot springs and geothermal sources, this PLA unit has already submitted an investigative report to the state, and the report is now being studied by the State Energy Department. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 13 Dec 80 HK]

ZHEJIANG COUNTY SMALL POWERPLANTS--Shengxian County in Zhejiang has made headway in developing small powerplants. By the end of October 1980 the county had built 242 small powerplants with a total capacity of 22,300 kilowatts. They have generated 38 million kWh of electricity this year. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 9 Dec 80 OW]

ZHEJIANG POWER OUTPUT--Zhejiang Province's electrical departments have fulfilled their annual power generation plan 2 months ahead of schedule this year. By the end of November, they had generated over 7.44 billion kWh of electricity, an increase of 42.3 percent over the corresponding period last year. From January to November, Zhejiang's power plants also conserved 109,000 dun of standard coal, which is enough to generate 265 million kWh of electricity. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 26 Dec 80 OW]

UNDERGROUND HYDROELECTRIC STATION--Urumqi, 21 Dec (XINHUA)--The newest hydroelectric power station in Xinjiang Autonomous Region is in the Taklimakan Desert, built underground to offset water losses through evaporation. The turbines are propelled by melted snow from an artificially created drop of 32 meters. The water then flows on to farmland several kilometers away through underground canals. Xinjiang has many underground irrigation systems, but this was the first underground power station. The region now has 690 small and medium-sized hydroelectric stations providing power in nearly all the region's 30 counties. All are powered by melting snows and glaciers. [Beijing XINHUA in English 0715 GMT 21 Dec 80 OW]

GEOTHERMAL POWER PLANTS--Beijing, January 4 (XINHUA)--Lhasa, capital of the Tibet Autonomous Region, and surrounding areas will have more electricity when two geothermal electric generating units, each with a capacity of 3,000 kilowatts, go into operation in the first half of this year. This was reported at the Second National Symposium on Energy Sources now being held in Beijing. The Yangbajing geothermal power station, which is 90 kilometers from Lhasa, is the biggest of its kind in China. The first 1,000-kilowatt capacity generator was put up there in 1977. The exploitable reserve of the geothermal field is expected to be 150,000 kilowatts. Tibet is short of fuel and for the time being it is not possible to build large hydropower stations. Utilization of the plentiful geothermal resources in the area has been given priority in the energy program. Another geothermal power plant at Yongpo, Zhongshan County, Guangdong Province, 30 kilometers from Macao, is to be built. China has seven geothermal electric generating plants, all put up since 1970 when the first plant was built. [Text] [Beijing XINHUA in English 0701 GMT 4 Jan 81 OW]

CSO: 4006

BRIEFS

YUNNAN MINERAL DEPOSITS--Kunmin, 14 Dec (XINHUA)--Geological workers have found 27 locations in Yunnan with tin, tungsten, antimony, molybdenum, phosphorus and lead-zinc deposits. Among them, five locations appear promising for exploitation and warrant further surveys. In addition, a gypsum deposit and a fluorspar deposit, both of large size, have been discovered in the province. In the meantime, hydrogeological surveys conducted in Yiliang, Luliang and Binchuan have solved the water problem for the irrigation of some 50,000 mu of fields and for the daily needs of some 40,000 people. In Kunming Municipality, hot ground water resources have been found over an area of more than 40 square kilometers. Three wells have been sunk, all giving hot water at over 40 degrees celsius. Two of them have now been put to use. [Beijing XINHUA Domestic Service in Chinese 0258 GMT 14 Dec 80]

CSO: 4006

TEXTILE INDUSTRY REPORTS INCREASED PROFITS

OW160727 Beijing XINHUA in English 0707 GMT 16 Dec 80

[Text] Beijing, December 16 (XINHUA)--The output value of China's textile industry in 1980 is expected to be 23 percent higher than the output value for 1979, according to a national meeting of textile technicians which closed here yesterday.

Profits turned over to the state were up by 27 percent.

The meeting, at which delegates exchanged information on the latest technical developments in the textile industry, was told that technological improvements were largely responsible for the better performance.

Among the Chinese technical achievements that were cited at the meeting were rotor spinning machines, self-twisting spinning machines, and air-jet looms with multi-weft insertion and wide reed space.

China has the greatest number of self-twisting spinning machines in the world, the meeting was told. The machines' output is a dozen times higher than that of conventional ring spinning machines and they use half as much electricity and less floor space.

Other improvements include the installation of automatic drawing-in machines that free workers from hand operations; a tensionless dyeing and finishing process that makes synthetic fabrics feel like wool, computerized monitoring systems for spinning workshops, electronic jacquard-card cutters, far infrared [as received] setting machines and cobalt 60 radioactive disinfection for wool.

Conical rings for ring spinning machines that reduce broken ends and raise output have been introduced on about one million spindles throughout China.

Among the newest textiles being produced in China are: pure cotton crepe fabrics, acrylic woolly blankets, products of static flocking that have leather-like properties, profiled and compound fibres that have color changeable effects, good permeability and resilience, and double-sided plush that preserves heat well.

CSO: 4020

LIGHT INDUSTRIAL OUTPUT INCREASES IN 1980

Light, Heavy Industries Proportion

OW041216 Beijing XINHUA Domestic Service in Chinese 1159 GMT 3 Jan 81

[Excerpts] Beijing, 3 Jan (XINHUA)--With the implementation of the policy of readjusting the national economy, the proportion between light and heavy industries in the country is being improved step by step. This reporter has learned from the department concerned that our country's light industrial output in 1980 increased about 16 percent compared with 1979 while heavy industrial production rose only 2 percent. Because the growth rate for light industry was much larger than that for heavy industry, light industrial output in 1980 accounted for 46 percent of industrial output as a whole--nearly 4 percent more than in 1978, the year before the start of economic readjustment, and 3 percent more than in 1979.

Whether or not the proportion between light and heavy industries is proper is an important indication of whether or not the national economic structure is rational. During the First Five-Year Plan period, the proportion between light and heavy industries remained at 53-47. The situation at that time was better. Later due to the influence of left deviationist ideas in economic work, a disproportion between light and heavy industries began to occur in the late 1950's. By 1960 the proportion of light industry in the industrial economy as a whole had dropped to 33.3 percent. Through economic readjustment in the 1960's, this proportion rose to 50.4 percent by 1965. However, the proportion between light and heavy industries was again seriously disrupted during the 10 years of turmoil. As a result, the proportion of light industry in the industrial economy as a whole remained around 43 percent in most years from 1966 to 1978.

In accordance with the policy of readjusting, restructuring, consolidating and improving the national economy set forth by the party Central Committee, the state took a series of measures in 1979 to readjust the proportion between light and heavy industries and to accelerate the development of light industry. Thus, a new situation began to occur in the latter part of 1979. The growth rate for light industry became steadily larger than that for heavy industry. Early in 1980, the state took further measures to give "priority in six aspects" to the light and textile industries. The state provided loans totaling 2 billion yuan for the light, textile and electronics industries in 1980. Various provinces, municipalities and autonomous regions also allocated more financial resources to support light industry. They also gave priority to arranging raw materials, electric power and transportation for it. As a result, light industry developed quickly and increased the variety of good-quality and marketable products last year. The textile, light industry, electronics and medicine departments registered considerable increases in their output. The output of bicycles, sewing machines, watches, chemical fabrics, knitting wool, television sets, recorders, radio sets, cameras and pocket calculators, which are urgently needed by people in daily life, increased between 30 and 300 percent in 1980 over the output of 1979.

Output Details

OW041214 Beijing XINHUA in English 1204 GMT 4 Jan 81

[Text] Beijing, January 4 (XINHUA)--China's light industrial production in 1980 rose around 16 percent while its heavy industrial production two percent over 1979, thanks to the implementation of the policy for readjusting the national economy.

Light industry now accounts for more than 46 percent in the proportion of China's industry as a whole, up by three percent over 1979, according to industrial departments.

Last year, the state extended 2,000 million yuan in loans to light, textile and electronic industries. The local governments also provided light industries with more funds, raw materials and electricity.

Output of products in great demand, such as bicycles, sewing machines, wrist watches, chemical fibres, knitting wool, TV sets, tape recorders, radio sets, cameras and pocket electronic calculators, rose between 30 and 300 percent over the 1979 figure.

Meanwhile, heavy industrial plants also spared their technical force, factory buildings and equipment to produce light industrial products. Some of them set up economic combines with light industrial enterprises.

Metallurgical, machine-building and chemical industries turned out more and better products for light industry. Output of steel bars, wires, steel sheets, strips and welded pipes registered a 42.2 percent increase over 1979.

CSO: 4006

BRIEFS

GUANGDONG INDUSTRY--Guangdong provincial local state industrial enterprises have overfulfilled their quotas for submitting profit to the state by 3.4 percent 1 month ahead of schedule. From January to October, the province's total industrial output was increased by 9.2 percent over the same period last year. However, some enterprises in the province are still losing money and have to depend on the state to maintain production. Therefore, provincial departments concerned must pay attention to this. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 9 Dec 80 HK]

HEBEI LIGHT, TEXTILE INDUSTRIES--Hebei Province has quickened the pace of development of its light and textile industries through making readjustments. From January to October of this year, this province's total output value of light and textile industries increased by 16.3 percent as compared with the same period last year, thus surpassing this province's average industrial growth rate of 5.7 percent. As compared with the figures for the January to October period in 1979, the following are the percentage increases in the output of some products during that same period in 1980: The output of sewing machines increased by 69 percent, the output of bicycles increased by over 100 percent, and the output of radios increased by 150 percent. According to incomplete statistics, 78 percent of the funds raised by all prefectures and municipalities this year have been used for developing light and textile industries. [Excerpts] [Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 8 Dec 80 HK]

HEILONGJIANG SMALL ENTERPRISES--Between January and October, the total industrial output value of commune- and brigade-run enterprises of Heilongjiang Province increased by 11.9 percent. It is expected to exceed 1.58 billion yuan by the end of 1980, a 19.7 percent increase over the 1979 figure. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 7 Dec 80 SK]

HEILONGJIANG INDUSTRY--Mudanjiang Prefecture, Heilongjiang Province, has prefulfilled the annual plan for industrial output value by 1 month, an increase of 7.5 percent over the corresponding 1979 period. Its 1980 industrial profits increased 61.6 percent over that of the corresponding 1979 period. The proportion of light industry increased from 37.4 percent in 1979 to 40.1 percent in 1980. Investment in light and textile industries accounted for 79.9 percent of total industrial investment. [SK291055 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 26 Dec 80 SK]

HEILONGJIANG SECOND LIGHT INDUSTRY--Compared with 1979, in 1980 the second light industrial enterprises in Heilongjiang Province increased their output value and profits by 8.5 and 38.7 percent, respectively. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Jan 81 SK]

HEILONGJIANG COMMUNE-RUN ENTERPRISES--In 1980 the output value of commune- and brigade-run enterprises in Heilongjiang Province was 1.58 billion yuan, showing a 19 percent increase over 1979. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 1 Jan 81 SK]

HENAN TEXTILE INDUSTRY--The Henan provincial textile industry has scored good results in the course of implementing the eight-character principles. From January to November, the total production value was increased by 26 percent over the same period last year, fulfilling the year's production plan 45 days ahead of schedule. The profits gained this year was increased by 42.05 percent over last year, and the average production cost was lowered by 2.56 percent. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 24 Dec 80 HK]

HUBEI METALLURGICAL SYSTEMS--According to a HUBEI RIBAO report, Hubei Province's metallurgical systems have increased production by carrying out readjustments. In 1979 and 1980, the provincial Metallurgical Bureau has cut the level of capital construction investment by some 54 million yuan and has restructured the internal system. The province's local metallurgical systems have done well in production and have made a good profit. From January to October 1980, the total production value was increased by 15.32 percent over the value for the same period last year. Steel production was increased by 23.78 percent and profits were increased by 10 million yuan. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 11 Dec 80 HK]

JILIN INDUSTRIAL OUTPUT--Siping Municipality, Jilin Province had overfulfilled the 1980 industrial output value plan by 1.9 million yuan as of 10 December, an increase of 14.9 percent over the corresponding 1979 period. The output value of light, textile and building material industries increased 20 percent over the 1979 figure, a record for the municipal industrial front. [SK182130 Changchun Jilin Provincial Service in Mandarin 1100 GMT 17 Dec 80 SK] As of the end of November, Siping Municipality, Jilin Province, had fulfilled 98.2 percent of its 1980 industrial output value plan, an increase of 15 percent over the corresponding 1979 period. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 22 Dec 80 SK]

JILIN PILOT ENTERPRISES--Pilot enterprises with expanded autonomy have increased from 30 in 1979 to 106 in Jilin Province. Between January and November, their output value and profits increased by 9.4 and 19.2 percent respectively over the corresponding 1979 period, higher than the projected growth rate of industrial enterprises. Their industrial output value is expected to reach 3 billion yuan, an 8 percent increase over last year. Their profits will reach 500 million yuan, a 15 percent increase over 1979. Some 43 million yuan will be retained by the enterprises. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 29 Dec 80 SK]

JILIN INDUSTRIAL ENTERPRISES--Siping Municipality, Jilin Province, had shut down 4 industrial enterprises, amalgamated 10 and converted 6 to other trades in 1980. It had also narrowed the production scope of some 8 enterprises and decreased production on 13 products. As of November, Siping Municipality's industrial output value had met 98 percent of the annual plan, an increase of 15.4 percent over the corresponding 1979 period. The municipality's revenue increased 1.3 percent and profits 27.7 percent. Deficits decreased 43.4 percent over the corresponding 1979 period. [SK311054 Changchun Jilin Provincial Service in Mandarin 1100 GMT 30 Dec 80 SK]

JILIN LIGHT, TEXTILE INDUSTRIES--The growth rate of light and textile industries increased 10.7 percent in 1980 as against 6.7 percent in 1979. In 1980 the growth rate of heavy industry only increased 1.7 percent over that of 1979. By the end of November, light and textile industries had overfulfilled the annual profit plan by 10.4 percent. By shutting down, suspending or merging some 160 industrial enterprises, Jilin Province had saved some 180,000 tons of coal and 100 million kWh of electricity in 1980. Industrial output increased 5.2 percent. Production of radios and televisions increased from 2 to 3 times, and the output of watches, bicycles, sewing machines, clocks, sugar, woolen thread and cigarettes increased 30 percent over the 1979 figures. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Dec 80 SK]

JILIN PETROCHEMICAL ENTERPRISES--The total industrial output value of petrochemical enterprises throughout Jilin Province this year is 1.77 billion yuan, 4.6 percent more than in 1979. They have earned 300 million yuan profits, 3.4 percent more than the annual plan. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 31 Dec 80 SK]

JILIN FIRST LIGHT INDUSTRY--Jilin Province overfulfilled its 1980 first light industrial output value plan, showing an increase of 17 percent over that of 1970. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 1 Jan 81 SK]

JILIN INDUSTRY--From January to November 1980, Tonghua Municipality, Jilin Province, increased its annual industrial output value by 11.2 percent, an increase of 12.5 percent over that of the corresponding 1979 period. As of the end of November, 18 plants in the municipality were shut down, suspended, incorporated or merged with others. [SK041238 Changchun Jilin Provincial Service in Mandarin 1100 GMT 3 Jan 81 SK]

JILIN TEXTILE INDUSTRY--As of the end of November 1980, a month ahead of time, textile industrial enterprises throughout Jilin Province overfulfilled the annual output value plan by 2.5 percent, an increase of 27.7 percent over that of the corresponding 1979 period. The province's textile industrial income increased by 45.24 percent and textile industrial profits increased by 59.92 percent over that of the same 1979 period. [SK041238 Changchun Jilin Provincial Service in Mandarin 1100 GMT 3 Jan 81 SK]

LIAONING LIGHT INDUSTRY--The percentage of light industry in the total industry of Liaoning Province increased from 26.68 in 1979 to 31.5. From January to October, heavy industry of Liaoning Province increased by 3.7 percent and light industry by 27 percent as compared to the corresponding 1979 period. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 7 Dec 80 SK]

LIAONING INDUSTRIAL INVESTMENT--Shenyang Municipality, Liaoning Province, has paid attention to readjusting industry. The municipality has invested most of its money in light, textile and electronics industrial projects and energy development projects. The municipality has completed 50 such projects; 24 have gone into production. The municipality has canceled or postponed a number of machinery and metallurgical industrial projects. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 21 Dec 80 SK]

NEI MONGGOL INDUSTRIAL PRODUCTION--Ju Ud League in Nei Monggol region fulfilled 93.4 percent of the total industrial output value plan for 1980 by the end of November, showing an increase of 13.1 percent compared with the corresponding 1979 period. The league's light industrial output value increased by 11 percent. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 Dec 80 SK]

NEI MONGGOL INDUSTRY--Hohhot Municipality, Nei Monggol region, prefulfilled the annual industrial production plan by 23 days, a 6 percent increase over that of the corresponding 1979 period. It overfulfilled the annual industrial profit plan by 18.4 percent. In 1980 the growth rate of light and textile industries was 19 percent. The municipality saved some 25 million tons of oil, some 40,000 tons of coal and some 20 million kWh of electricity this year. [SK291048 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 26 Dec 80 SK]

SHAANXI TEXTILE INDUSTRY--The Shaanxi provincial textile industrial front fulfilled this year's state quota for production half a month ahead of schedule. The total output value this year was 16.3 percent more than last year's. This year, the provincial textile system has laid stress on using more chemical fibers and on producing high-grade products. [Xian Shaanxi Provincial Service in Mandarin 1100 GMT 26 Dec 80 HK]

SHANDONG CONGRESS SESSION--The third session of the Eighth Jinan Municipal People's Congress convened 16-20 December in Jinan Municipality, Shandong Province. According to economic and financial reports delivered at the session, the municipality's total industrial output for the first 11 months of 1980 increased 9.9 percent over the corresponding 1979 period. The annual agricultural output value is expected to increase by 10 percent over the 1979 level. The municipality is expected to fulfill its annual revenue plan. [SK232220 Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Dec 80 SK]

SHANDONG INDUSTRIAL, COMMUNICATIONS ENTERPRISES--About 173 state-run industrial and communications enterprises which had been selected as pilot units for expanding self-management in 1979 have scored great economic results after only 1 year. During the January-October period, their average industrial output value increased 11.23 percent. Profits increased 8.7 percent over the corresponding 1979 period. [SK270701 Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Dec 80 SK]

SICHUAN MUNICIPALITY INDUSTRY--From January to November 1980, the total value of industrial output throughout Chongqing Municipality increased by 6.9 percent over the corresponding period of 1979 with the output value of the light and textile industry increased by 18 percent. The proportion of the light and textile industry in the entire industrial system has increased from 40.9 percent in 1979 to

44.9 percent in 1980. This year, 164 enterprises have been readjusted in the municipality. Up to the present, 51 projects have been suspended and postponed. Recently, the municipal government [word indistinct] the readjustments in the past year and made plans for work in the future. [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 21 Dec 80 HK]

TIANJIN COMMUNE-RUN ENTERPRISES--Tianjin, 8 Dec (XINHUA)--Nearly 500 commune- and brigade-run enterprises in Tianjin Municipality have successfully changed their orientation for production in a planned way. Instead of serving heavy industry, they have produced and processed light and textile industrial products to meet market demands. Output value of these enterprises from January to September this year increased by 17 percent, and their total income increased by 20 percent over the corresponding period of last year. [Beijing XINHUA Domestic Service in Chinese 0159 GMT 8 Dec 80 OW]

TIANJIN TEXTILE INDUSTRY--The Tianjin Municipal Textile Bureau prefulfilled the annual state production plan by 56 days. The total industrial output value increased 18 percent, profits 24.8 percent and export goods output value 35.7 percent over the 1979 figures. The varieties and quality of products also topped past records. The ratio of high-grade goods increased from 40 to 44.6 percent. The total output value increased by 170 million yuan and profits 40 million yuan. [SK281100 Tianjin City Service in Mandarin 2330 GMT 26 Dec 80]

XINJIANG LIGHT INDUSTRY--The light and textile industries in Xinjiang Autonomous Region made steady progress in the readjustment of the national economy. During the period from January to November this year, the light industry registered a growth rate of 15.3 percent, exceeding that of heavy industry. The investment funds allocated for light and textile industries in the region this year increased by 6.89 percent compared with last year. A number of heavy industry enterprises in this region have been closed or reorganized to make way for the light and textile industries. The various light and textile enterprises have increased their power in managing their affairs and raised productivity this year. Many of them have turned from suffering a loss to making a profit. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 17 Dec 80 OW]

XINJIANG RECLAMATION INDUSTRIES--A forum on industries in Xinjiang region's reclamation farms ended on 9 December. It was pointed out at the forum that since 1980, industrial departments of Xinjiang's reclamation farms have closed down, stopped the production of or merged a number of enterprises that either lacked sources of raw and other materials or could not find markets for their products. Xie Gaozhong, vice chairman of the Xinjiang regional people's government and director of the regional General Administration of Reclamation, spoke at the forum. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Jan 81 OW]

BUILDING MATERIALS INDUSTRY--Beijing, December 20 (XINHUA)--China's building materials industry has fulfilled 1980 production quotas ahead of schedule for 14 major building materials and non-metallic mineral products, including cement, glass fibre, graphite and gypsum, the Building Materials Ministry announced today. By the end of November, China had turned out 74.6 million tons of cement, 12 percent above the annual target and 13 percent more than in the same period of 1979. So far this year, the ministry said, the output of plate glass, ceramics and terrazzo was up by more than 10 percent over the corresponding period of 1979, while output of glazed tiles and enamelled bricks chalked up a 40 percent increase or more. In addition, the output of plasterboards, aerated concrete and other new building materials in the first 10 months of this year exceeded that of 1979. Statistics for China's major cement works showed that, from January to November, 99.99 percent of the cement produced met the quality control standards, 0.02 percent more than in the same period of 1979. First-grade plate glass rose by 5.6 percent. The production of clinker cement consumed 1.81 kilograms less coal per ton compared with the same period of 1979 and glass production used 1.44 kilograms less coal per "weight" case measuring ten square meters and two millimeters thick. [Text] [OW200232 Beijing XINHUA in English 0218 GMT 20 Dec 80]

SHANGHAI TEXTILE PRODUCTION--Shanghai, January 5 (XINHUA)--The value of Shanghai's textile output for 1980 was 13,100 million yuan, 11.7 percent more than in 1979, the Shanghai Municipal Textile Industry Bureau reported today. The city's textile mills turned over to the state profits of 2,770 million yuan, 15.6 percent more than in 1979, and taxes exceeding 1,230 million yuan. The total handed over to the state, 4,000 million yuan, was 500 million yuan more than in 1979. Achievements were also made in technical innovation over the past year, and 27 experimental workshops and production lines went into operation. Shanghai's textile industry added more than 10,000 new varieties and designs in 1979, and output of polyester and viscose mixed fibres and chemical fibre knitwear outer garments rose by 38.9 and 21.5 percent respectively over the 1979 figure. About 3,500 quality control teams were set up in the textile industry to ensure continuous improvement of quality of products. Shanghai's mills also saved a total of 110 million kilowatt-hours of electricity and 65,000 tons of coal through energy conservation measures, while production costs were cut by one percent. [Text] [OW050812 Beijing XINHUA in English 0802 GMT 5 Jan 81]

GANSU ENTERPRISES--With the approval of the Gansu Provincial Party Committee, party organizations of enterprises and establishments in Lanzhou Municipality which were under the direct control of the Party Central Committee or the Provincial Party Committee have been placed under the jurisdiction of the Lanzhou Municipal Party Committee. This transaction was completed between mid-September and early December. The 74 enterprises and establishments include the Lanzhou Chemical Company, the Lanzhou Oil Refinery, the Eighth Metallurgical and Construction Company, the Lanzhou Petrochemical Machinery Plant and the Lanzhou General Machinery Plant. Effective 1 January 1981, the Lanzhou Municipal Party Committee will exercise leadership over ideological and political work, party building and production in these units. [SK212247 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 20 Dec 80]

JILIN ELECTRONICS ENTERPRISES--Electronics enterprises in Jilin Province have shifted their attention to producing products for civilian use in line with the policy of economic readjustment. So far, over 60 percent of the province's electronics enterprises have begun producing products for civilian use. As of the end of November, the annual output value of the province's electronics enterprises had been fulfilled by 126.4 percent, an increase of 63 percent over the corresponding 1979 period. [SK200556 Changchun Jilin Provincial Service in Mandarin 2200 GMT 17 Dec 80]

SYNTHETIC FIBER CONFERENCE--Shanghai, Dec 17 (XINHUA)--China is expected to produce 420,000 tons of synthetic fiber by the end of this year, with which three meters of cloth may be woven for every member of the Chinese population. This compares to 320,000 tons in 1979 and 287,000 tons the year before. This was disclosed at a national meeting on the production of synthetic fiber which ended in Shanghai last Sunday. There are more than 140 plants of synthetic fiber throughout China. Participants in the meeting pledged to work still harder in 1981 to improve the quality and increase the variety of the products, while reducing the consumption of energy and material. [Text] [OW170710 Beijing XINHUA in English 0701 GMT 17 Dec 80]

HUNAN RADIO PRODUCTION--Hunan Province has increased radio production this year. From January to October, the province produced some 430,000 radio sets, overfulfilling the year's production plan 2 months ahead of schedule and showing an increase of 270 percent over last year's average total production. It is estimated that the total production of radio sets this year will amount to 540,000, representing 80 percent of the total production over the past 10 years. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 30 Nov 80]

SHANGHAI INTEGRATED PLANTS--By late November, 20 joint operated factories were established by the Shanghai Municipal Bureau of Textile Industry through cooperation with the communes and towns in suburban areas, and 6 have been put into operation and 14 others are under construction. When completed in the next 1 or 2 years, they will have a total output value reaching 220 million yuan annually and profits will amount to 33.45 million yuan. When all 20 jointly operated plants are in full operation, jobs can be provided for 3,800 unemployed youth in the Shanghai urban area. [Shanghai City Service in Mandarin 2300 GMT 4 Dec 80]

QUALITY CONTROL ASSOCIATION--Beijing, 13 Dec (XINHUA)--China Quality Control Association held its first annual conference in Beijing 5-12 December. The conference summed up the experience in the past year in all-round quality control and the dissemination of related knowledge. Since the beginning of this year, more than 4,400 enterprises throughout China have experimented with all-round quality control. The annual conference published 27 theses which scientifically summed up the actual conditions in China's all-round quality control and made theoretical explorations. The conference pointed out three existing problems: 1. Some units and departments have yet to foster the idea of "quality first"; 2. quality control organs are not sound, a powerful leadership is lacking; 3. the policy of encouraging enterprises to improve quality and develop new products has not been implemented. [Beijing XINHUA Domestic Service in Chinese 1248 GMT 13 Dec 80]

INSURANCE COMPANIES--Beijing, 28 Dec (XINHUA)--The China People's Insurance Company has set up over 160 branches throughout the country, and insured property is estimated at more than 100 billion yuan. The Dalian No. 7 Petroleum Plant caught fire on 3 August 1980 and the insurance company made an investigation the same day and paid the plant over 500,000 yuan. The plant restored production in about 2 weeks. The Jilin Municipal Woolen Textile Mill, which repeatedly refused to buy insurance, also caught fire on 6 August 1980, sustained a loss of 1.58 million yuan, and has not yet been restored to production. [OW011706 Beijing XINHUA Domestic Service in Chinese 0114 GMT 28 Dec 80]

CSO: 4020

HEBEI URGES REDUCING SCALE OF CAPITAL CONSTRUCTION

HK181222 Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 8 Dec 80

[Report on contributing commentator's article: "Resolutely Implement the Eight-Character Policy and Continue To Reduce the Scale of Capital Construction"]

[Excerpts] The article said: For a long time past, due to the lack of guidance in the field of macroeconomics for this province's capital construction work and due to the mistakes of neglecting objective conditions and of blindly launching large-scale projects, we have been unable to complete some projects that have been under construction for many years, thus fighting a "war of attrition" over a long period of time. We have drawn profound lessons from this. Although this year's direct state investment in this province's capital construction has been reduced to less than 1.2 billion yuan, the total capital construction funds raised by all prefectures, municipalities and departments still amount to over 1 billion yuan. These two types of funds add up to over 2.9 billion yuan. Moreover, the actual implementation of this province's capital construction plans will require much more money. This shows that the general scale of capital construction in this province is still very large and that reducing this general scale is still a very difficult task.

Why is it that this province has failed to reduce the scale of capital construction? An important reason for the failure is that this province has failed to successfully control unplanned capital construction projects which are on an excessively large scale.

How are we to control and reduce the scale of capital construction in this province? At present, we must attach major importance to solving the problem of redundant construction, the problem of blind construction and the problem of "small ones squeezing out large ones."

To reduce the scale of capital construction, we must continue to do well in clearing up projects currently under construction. According to statistics completed by departments concerned, there are more than 1,910 local projects that are still under construction this year. Each of these local projects needs an investment of 50,000 yuan or more. These investments add up to over 1.28 billion yuan. Judging from this year's investment level, these local projects currently under construction will take us several years to finish even if we do not launch any new projects. Judging from this province's current financial and material resources, these local projects currently under construction are heavy burdens. Therefore, we must pay close attention to clearing up all projects currently under construction. The provincial CCP committee and the provincial people's government have attached major importance to clearing up all projects currently under construction. They have called on all areas and departments to adopt effective measures to solve problems caused by the overextended capital construction line. They have called for resolutely suspending all construction projects that should be suspended in order to concentrate manpower and financial and material resources to promote as quickly as possible those projects that are regarded as weak links in the national economy, to smoothly carry out the work in readjusting the national economy and to score still greater achievements in readjusting the national economy.

CSO: 4006

CONSTRUCTION

BRIEFS

MACHINE BUILDING MINISTRY--The First Ministry of Machine Building has achieved good results in training cadres of various units under its jurisdiction. During the past 3 years, it has held 36 terms of training classes for directors of various plants with a total attendance of more than 1,700 cadres. In addition, the ministry has held various professional training classes and trained more than 6,000 professional cadres. About half of the directors of plants and nearly 400,000 professional cadres have been trained by machine building departments in various provinces, municipalities and autonomous regions during that period. Stress is laid on combining theory with practice and scientific management in the training. [Beijing Domestic Service in Mandarin 1200 GMT 17 Dec 80 OW]

BUILDING STONE-CARVINGS CORPORATION--Jinan, 3 Jan (XINHUA)--The China Building Stone-Carvings Corporation, which will provide Chinese and foreign customers with stone building materials from Tai'an County, Shandong Province, east China, has just been inaugurated. It has business offices in Beijing, Shanghai, Tianjin, Shenyang, Xian, Wuhan, Chengdu and Jinan. The corporation produces stone decorative materials and carvings and it will also provide materials and masons to repair cultural relics and sites of historic interest in China and overseas. Tai'an County is one of China's major sources of building stones. It abounds in granite of many colors. The county processes 100,000 to 200,000 cubic meters of stone building materials a year. [Text] [Beijing XINHUA in English 1215 GMT 3 Jan 81 OW]

URBAN HOUSING CONSTRUCTION--Beijing, 30 Dec (XINHUA)--By the end of November 1980, houses with a total area of over 40 million square meters had been built in various urban, industrial and mining areas throughout China, a 39 percent increase over the same period in 1979. According to the department in charge, various cities throughout the country had concentrated efforts in housing construction since the start of December in order to surpass the 1979 record, the highest since the founding of the People's Republic. Urban housing completed in 1979 reached over 60 million square meters of floor space. While making readjustments in capital construction, various localities and departments had strengthened urban housing construction and paid attention to arousing enthusiasm in housing construction by the state, localities, enterprises and individuals. Many enterprises stepped up housing construction by raising their own funds. [Beijing XINHUA Domestic Service in Chinese 0737 GMT 30 Dec 80 OW]

ANHUI CAPITAL CONSTRUCTION--Acting in accordance with a directive issued by the State Council, certain numbers of capital construction projects have been suspended in various localities of Anhui Province. The suspended projects include the construction of an auxiliary line on the Huainan railway and some 50,000 square meters of buildings in Hefei, Anqing, Luan and other cities. Arrangements are being made to make full use of the workers from the suspended projects to build more schools, workers' housing and water conservancy projects. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 10 Dec 80 OW]

FUJIAN CAPITAL CONSTRUCTION--Last year, Fujian Province suspended 63 capital construction projects and reduced its investment by 300 million yuan. Since minor projects were eliminated, manpower, financial and material resources have been concentrated to a greater extent on major projects. From January to October this year, the province fulfilled 620 million yuan of capital construction investment, representing 92.7 percent of the year's plan and showing an increase of 20.6 percent over the corresponding period last year. Completed housing construction projects were increased by 49.2 percent over the same period last year, and completed residential construction projects increased by 65.9 percent. University capital construction was increased by 350 percent over last year. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 1 Dec 80 HK]

GUANGDONG CAPITAL CONSTRUCTION--The Guangdong Provincial Construction Committee ran a study course recently for leading cadres of the capital construction front. The course called on leaders at all levels and departments concerned throughout the province to strengthen investigation and study and to avoid building duplicate facilities. The course also looked into the theory on the socialist economic law and into the basic knowledge of the administration of capital construction. The course urged the province to solve the old problem of having too many construction projects. [HK121510 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 29 Nov 80 HK]

GUANGDONG CONSTRUCTION REDUCTION--The Guangdong Construction Bank has thoroughly examined projects under construction. In 1979, the bank suspended and postponed construction of 43 projects. This year, the bank has suspended and postponed construction of another 74 projects, reducing investment by 600 million yuan. In the past, the capital construction front in the province was too extended and the funds were not centralized, causing large-scale losses. [HK290946 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 25 Dec 80 HK]

GUANGDONG CAPITAL CONSTRUCTION CUTS--The Guangdong provincial people's government recently demanded that all areas take stock of capital construction projects and cut capital construction expenditure. The province has been working in accordance with the readjustment principles during the past 2 years and has suspended and delayed some 400 capital construction projects. The province has saved 900 million yuan of capital construction investment. However, the province's capital construction front is still overextended. In light of this, the provincial people's government has decided to reduce the scale of the capital construction front. In order to improve people's living conditions, the provincial people's government has decided that no construction unit will be allowed to buy materials and equipment for any construction project unless the projects involves workers' hostels or residential construction. [HK010223 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 23 Dec 80 HK]

GUANGDONG HOUSING CONSTRUCTION--In 1980, the people in Guangdong constructed 3.8 million square meters of residential houses for the staff and workers in the province. The banking circles have also actively supported the construction of these houses by providing funds. According to preliminary statistics, 300,000 square meters of residential housing areas were built with funds from abroad. Some 400,000 square meters of housing areas were built for private use throughout the province. [HK300321 Guangzhou Guangdong Provincial Service in Mandarin 2345 GMT 20 Dec 80 HK]

GUIZHOU CAPITAL CONSTRUCTION--In the course of economic readjustments in 1979 and 1980, Guizhou Province has reduced the scale of local capital construction. The province has suspended and delayed 105 local capital construction projects, reducing its investment by 326.7 million yuan. [HK300322 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 22 Dec 80 HK]

HEILONGJIANG CAPITAL CONSTRUCTION INVESTMENTS--The Heilongjiang Provincial Construction Bank held a meeting 7 December to discuss ways to control capital construction expenditures. Although the state-assigned capital construction investments for our province is 21 percent lower than in 1979, capital construction projects built with bank loans or locally raised funds have greatly increased. The meeting decided that the unallotted investments in the projects to be built should be frozen, investments in office buildings, organizational dining rooms, guest houses or hotels under construction should be suspended and be examined to see if they should be continued. Investments in projects without sufficient raw material and fuel supply or projects with unsolved technical problems and duplicate projects should be stopped and investments in projects to be initiated next year should not be allocated in advance this year. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 12 Dec 80 SK]

HEILONGJIANG HOUSING CONSTRUCTION--According to statistics compiled by departments concerned, Harbin Municipality, Heilongjiang Province, had invested some 420 million yuan in housing construction by the end of November. Some 220 million yuan was raised by various enterprises, 52.9 percent of the municipality's housing investment. By the end of November housing areas under construction totaled 2.36 million square meters in floor space. Residential housing with a floor space of some 555,000 square meters have been completed. This constitutes 92.5 percent of the 1980 municipal construction plan. [SK182130 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 17 Dec 80 SK]

HUBEI CIRCULAR ON HOUSING--The Hubei Provincial Urban Construction Bureau issued an urgent circular on 26 November demanding that all places take effective action to speed up urban housing construction. The circular noted that although the province's urban housing construction this year has been done faster than in any previous year, the work still lags far behind the demands of the year's plan. It must therefore be speeded up. Preparations for next year's work must also be organized. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 30 Nov 80 HK]

HUBEI CONSTRUCTION--Recently, the Hubei Provincial CCP Committee and the provincial people's government decided to suspend the building of a number of small factories and to concentrate financial and material resources and construction forces on speeding up the building of key plants and on residential construction.

Over the past 2 years, the province has suspended 358 projects and cut 1.23 billion yuan of capital investment. However, the capital construction front is still overextended, and problems of blind and duplicate construction of factories are prominent. Thus, the provincial CCP committee and the provincial people's government decided to carry out readjustment and reduce the number of capital construction projects. [HK200616 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 4 Dec 80 HK]

HUNAN CAPITAL CONSTRUCTION--According to a HUNAN RIBAO report, Hunan Province eliminated certain capital construction investments. According to statistics, from January 1979 to October 1980, the province suspended and halted 226 capital construction projects which required an investment of more than 50,000 yuan, and eliminated 860 million yuan of incomplete investment projects. On the other hand, development of light and textile industries, electricity, construction material, transportation and residential construction has been speeded up. However, there is still a lot of repetitious and blind construction. We must still work harder to decrease the scale of capital construction. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 2 Dec 80 HK]

HUNAN HOUSING CONSTRUCTION MEETING--A Hunan provincial conference on rural housing construction was recently held. Provincial Vice Governor Cao Wenju attended and spoke. He said: Governments at all levels should pay attention to peasants' living conditions. Currently, most of the peasants are living in satisfactory conditions, however, some of them are still living in very poor conditions. Governments at all levels must strengthen leadership over rural housing construction. At present, an inadequate supply of construction materials has become an obstruction to rural housing construction, thus all areas should develop commune and brigade construction materials enterprises. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 5 Dec 80 HK]

JIANGSU CONSTRUCTION PROJECTS--Suzhou Municipality in Jiangsu has decided to cancel, suspend and defer 54 capital construction projects with a total floor space of some 160,000 square meters and a total investment of over 20 million yuan. The projects to be curtailed include guest houses, memorial halls, projects for which construction materials have not yet been assured, plants whose goods are unsalable and production should not be expanded, projects which will take a long time to build and for which construction preparations are incomplete, and repetitious projects that can be dispensed with. After suspension of these projects, manpower and financial and material resources will be concentrated on the construction of living quarters and educational facilities in Suzhou. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 25 Dec 80 OW]

JIANGSU REPETITIOUS PROJECTS--The recently concluded Jiangsu provincial conference on urban planning pointed out that it is urgent to curtail Jiangsu's capital construction as there are numerous repetitious projects funded by nonbudgetary investments. This year Jiangsu has halted and deferred 43 capital construction projects and cut expenses by 400 million yuan; but there are still 840 million yuan of nonbudgetary projects sponsored by various localities with bank loans. The conference pointed out that, while many machinery plants in Jiangsu are not operating at full capacity, construction of 21 additional machinery plants is busily underway. They add that while Jiangsu needs only 80,000 dun of calcium carbide annually, the output capacity had already reached 240,000 dun by the end of 1978, and that because of unrealistic construction, over 40 plants in Jiangsu are idle or half-idle. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 26 Dec 80 OW]

JILIN CAPITAL CONSTRUCTION PROJECTS--In order to reduce expenditures on the capital construction front, the Jilin municipal people's government recently decided to cancel 18 capital construction projects and to suspend 14 others this year. These include 7 state projects, 17 municipal projects and 6 projects dependent on bank financing. Some 10 million yuan will thus be saved. Some 99 key projects are expected to be completed by the end of December. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 17 Dec 80 SK]

LIAONING CAPITAL CONSTRUCTION--Dandong Municipality decided to stop some 30 capital construction projects and dissolve or merge some enterprises. This will result in saving about 8.4 million yuan in funds and in sparing about 74,000 square meters in land. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 8 Dec 80 SK]

LIAONING HOUSING--During the January-October period, Liaoning Province completed construction on private housing with a floor space of some 175,000 square meters. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 17 Dec 80 SK] According to initial statistics, houses totaling some 9.8 million square maters in floor space were under construction in Liaoning Province in 1980. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 2 Jan 81 SK]

NEI MONGGOL WORKERS COLLEGES--Hohhot, 4 Dec (XINHUA)--The Nei Monggol Autonomous Regional People's Government recently approved building of 5 workers colleges. The colleges are respectively run by the Baotou Iron and Steel Company, the Baotou Municipal Machinery Bureau, the Baotou Steel Construction Company, the Hohhot Municipal Trade Union Council and the Uda Mining Bureau. These colleges enroll staff and workers of the factories and mining enterprises of various nationalities. [OW050159 Beijing XINHUA Domestic Service in Chinese 0144 GMT 4 Dec 80 OW]

NEI MONGGOL CONSTRUCTION FRONT--Nei Monggol regional construction departments had prefulfilled the annual production plan by 1 month. The construction projects completed totaled 170 million yuan, surpassing the annual plan by 12.68 percent. Total profits earned during the year were more than 7 million yuan. [SK171648 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 16 Dec 80 SK]

QINGHAI CAPITAL CONSTRUCTION--The Qinghai provincial people's government has resolutely implemented the guidelines of relevant documents issued by the State Council and exerted vigorous efforts to cut back on the capital construction front. In 1980 the province canceled or postponed 46 capital construction projects and reduced investments 360 million yuan. [SK040347 Xining Qinghai Provincial Service in Mandarin 2330 GMT 2 Jan 81 SK]

SHAANXI CAPITAL CONSTRUCTION PROBLEMS--The Shaanxi provincial capital construction front has carried out blind and duplicate construction. The situation is very serious. Counties and municipalities in some prefectures lack an overall point of view. It is suggested that local advantages should be brought into play. As small wineries, cigarette factories, cutting tool factories and oil plants, which have been quickly set up one after another, have competed with large state factories for raw materials and adversely affected the latter's production and the national economy, their number should be reduced to enable the large state factories to develop successfully. Moreover, small factories have been poorly managed and incurred serious waste. Their taxable rate is different from large factories, resulting in a reduction in state revenue. What is worse, they have privately copied others' trademarks and created chaos in the market. It is hoped that the leadership departments concerned will make unified arrangements for the development of the commune and brigade enterprises and give guidance in a planned way for the procurement of raw materials, production and sales. [HK200724 Xian Shaanxi Provincial Service in Mandarin 1100 GMT 4 Dec 80]

SHAANXI RURAL HOUSING CONFERENCE--The Shaanxi provincial government recently held a meeting on rural housing construction. The meeting held: It is necessary to grasp rural housing construction and the following tasks: 1) Devise an overall planning scheme; 2) act in light of local conditions to solve construction material problems; 3) adopt flexible measures; 4) strengthen leadership and strengthen trial work to promote rural housing construction. [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 26 Dec 80 HK]

SHANDONG CONSTRUCTION--Effective 1 December, Shandong Province began another inspection of ongoing capital construction projects. By 22 December construction on another 72 office buildings, auditoriums and guest houses with a total floor space of 227,700 square meters had been stopped. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Dec 80 SK]

SHANDONG NEW HOUSES--In 1980 some 3 million peasant households in Shandong Province built new houses, accounting for 20 percent of the total peasant households. Some 30 percent of the peasant households in Qingdao Municipality and Yantai and Linyi prefectures moved into new houses. [SK051413 Jinan Shandong Provincial Service in Mandarin 2300 GMT 4 Jan 81 SK]

CHONGQING CABLE RAILWAY--Chengdu, 16 Dec (XINHUA)--Construction started yesterday on China's first passenger cable railway across the Jialing River, in Chongqing City, Sichuan Province, southwest China. The project is due to be completed by the end of 1981 and will carry 600.700 [as received] passengers an hour in a cable car with a capacity of 45 persons per trip. The cableway will be 737 meters long and will run from Cangbai Road, near the river front area of downtown Chongqing, across the Jialing to Jinsha Road on the north bank. [Text] [Beijing XINHUA in English 0142 GMT 13 Dec 80 OW]

WUHAN MUNICIPAL CIRCULAR--The Wuhan municipal people's government issued a circular on 19 December, demanding that all units carry out large-scale inspections on the number of capital construction projects, commodity prices, storage of materials and indiscriminate lumbering. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 23 Dec 80 HK]

ZHEJIANG URBAN PLANNING MEETING--A Zhejiang provincial meeting on urban planning, construction and environmental protection was recently held in Hangzhou. The meeting called on all localities to formulate appropriate plans for urban construction and environmental protection, control the size of large cities, develop medium-sized cities in a rational way and vigorously build small cities. The meeting encouraged enterprises and departments to self-finance building of living quarters for their workers and staff. The meeting also encouraged individuals to buy and build living quarters of their own. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 28 Dec 80 OW]

BEIJING APARTMENT CONSTRUCTION--Beijing, 12 Dec (XINHUA)--Beijing Municipal Statistics Bureau said today that the city has built more than 42,000 apartments so far this year. The bureau said this is about 16,300 more than were built up to the end of November last year and the city expects to complete a total of 60,000 by the end of 1980. Work is underway on a total of 101,800 apartments. From the beginning of this year, Beijing has slashed back on industrial projects worth more than 1 million yuan and has poured 59 percent of "mobile" city funds into housing construction. About 68 percent of the buildings erected in the capital in the first 11 months of this year were residential. Of these, 20 percent are on estates with schools, kindergartens, shops and other service facilities. [Text] [OW172341 Beijing XINHUA in English 1218 GMT 12 Dec 80 OW]

CSO: 4006

BRIEFS

ANHUI PRICE CONTROL CIRCULAR--The Anhui Provincial Commerce Department recently issued a circular calling on all-level commercial administrative units to resolutely implement the instructions of the State Council and the provincial people's government on strictly controlling prices and readjusting negotiated prices, immediately organize forces to conduct a general inspection of prices and lower unreasonably high prices, and strive to do a better job in the supply of commercial goods. Retail prices above the state listed prices must be lowered. Certain commodities must not be sold at negotiated prices, but prices fixed by the state. Speculation, profiteering and other illegal selling and buying activities must be stopped. [OW290955 Hefei Anhui Provincial Service in Mandarin 1100 GMT 24 Dec 80 OW]

ANHUI COMMERCIAL WORK--The state-run commercial units in Anhui Province made significant achievements in 1980. The total value of commodities procured by various state-run commercial units during 1980 is 5.7 percent greater than that of 1979, and the total value of commodities sold is 17 percent greater than that of 1979. Total profits turned to state treasury by those units as of the end of November 1980 already fulfilled the annual quota. During 1980 more than 500 state-run commercial networks or units were set up in 8 municipalities and more than 33,000 individual industrial and commercial enterprises and stores were restored or set up in the province. The total value of commercial products sold to the people during 1980 is over 2.8 billion yuan, representing a 17 percent increase over the previous year. The varieties of agricultural sideline products in the markets have increased, but the average price has decreased by 1.62 percent. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 31 Dec 80 OW]

BEIJING PRICE REGULATION--Beijing, 16 Dec (XINHUA)--The Beijing municipal people's government today issued a tentative regulation on the kinds of farm and sideline products which can be sold and bought at negotiated prices and the principle of pricing for these products. According to the regulation, pigs, cattle, sheep, domestic rabbits, pork, beef, mutton, rabbit meat, eggs, duck eggs, chickens and ducks are to be sold at prices already fixed by the state, while other varieties of meat, eggs and poultry are to be sold at negotiated prices. The regulation points out that in negotiating the purchase and selling prices, the negotiated prices should generally be lower than the local market price, and that the negotiated prices should be in line with the principle of making smaller profits for quicker turnover. [OW220135 Beijing XINHUA Domestic Service in Chinese 1600 GMT 16 Dec 80 OW]

GUIZHOU PRICE CONTROL--According to a Guizhou station commentary, some areas in the province have been increasing commodity prices on their own accord. The commentary urged the departments concerned to attach importance to this. The commentary said: It is necessary to do a good job of controlling prices in accordance with the State Council's circular in order to maintain a stable livelihood for people. We must strictly forbid units from raising commodity prices on their own accord. [HK231309 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 1 Dec 80 HK]

HEBEI PRICE CONTROL--The Hebei provincial people's government issued a circular on 9 December, demanding that all areas seriously implement the State Council's circular on price control. The circular said: All departments concerned throughout the province must organize cadres and the masses to understand the importance of price control. All departments concerned should also carry out inspection to insure that commodity prices are not raised subtly. The circular also pointed out: The provincial people's government will soon publish regulations concerning the sale and purchase of commodities at negotiated prices, and will organize large-scale inspection to insure that commodities are sold in accordance with the regulations. [HK200706 Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 10 Dec 80 HK]

HEILONGJIANG PRICE CIRCULAR--The Heilongjiang provincial people's government issued a circular on 26 December. The circular states: Means of production under state control, manufactured goods under the first and second categories, major industrial raw materials and farm products and manufactured goods impinging on the people's daily life cannot be sold at negotiated prices. The prices of manufactured goods under the third category should be set by industrial and commercial enterprises. The ceiling for negotiated prices of grain and oil-bearing seeds is 150 percent of present prices. The retail prices of vegetables should be frozen at the 1980 level. The ceiling prices of other farm products and manufactured goods should be set at the levels obtaining on or before 7 December 1980. The circular also sets forth regulations on seasonal variations in price. [SK310718 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 26 Dec 80 SK]

HUNAN PRICE CONTROL CONFERENCE--The Hunan provincial people's government held a telephone conference on 15 December, urging the entire province to implement the State Council's circular on price controls. Liu Fusheng, secretary of the provincial CCP committee and vice governor, presided over the conference, and Shang Zijin, vice governor, spoke at the conference. He said: All areas must attach importance to price control work and should work in accordance with four proposals. Leaders at all levels must: 1) Take the lead in implementing the State Council's circular; 2) immediately launch commodity price inspections; 3) seriously rectify prices of commodities which are sold at negotiated prices; 4) closely link stable commodity prices with market regulation, insuring that state-allocated materials are not sold at negotiated prices and that the supply of products is adequate during the spring festival. [HK251350 Changsha Hunan Provincial Service in Mandarin 2315 GMT 16 Dec 80 HK]

JIANGXI PRICE CONTROL CIRCULAR--The Jiangxi provincial people's government issued a circular on 12 December on price control. The circular read as follows: All administrative offices, people's governments at all levels in municipalities and counties and all units must strive to stabilize commodity prices. It is necessary to: 1) Sell all products, either retail or wholesale, at fixed state prices; 2) stop all kinds of deception; 3) seriously rectify sale and purchase by negotiation; 4) implement the policy of not selling category No 2 industrial products at negotiated prices; 5) state-allocated materials must be supplied at fixed prices; 6) market prices must be marked complying with local unified prices; 7) stabilize prices of vegetables in the municipalities; 8) strengthen market management and strike at all speculative activities; 9) launch inspections over commodity prices. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 13 Dec 80 HK]

JIANGXI PRICE INSPECTION GROUP--In order to seriously implement the State Council's circular on price control, the Jiangxi provincial people's government has set up a price inspection group to carry out market price inspections in Yichun, Ganzhou and Fuzhou prefectures. The inspection group was led by provincial Vice Governor Wang Shixian. The inspection group consisted of 122 members and was divided into 16 inspection teams. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 13 Dec 80 HK]

NEI MONGGOL SALES EXHIBITION--The first Nei Monggol regional sales exhibition of products produced by commune and brigade-run enterprises closed on 15 December. The retail sales totaled some 70,000 yuan and the volume of business was nearly 7 million yuan. During the exhibition, a forum was held which was attended by some 500 persons, including responsible persons from various leagues, municipalities, banners and counties and responsible persons of key regional commune and brigade-run enterprises. A work plan for 1981 was formulated at the forum. Regional leading comrades, including Wang Duo, Shi Guanghua and Chen Binyu, toured the sales exhibition and gave speeches on ways to steadily develop the commune and brigade-run enterprises in the region. [SK161410 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 15 Dec 80 SK]

SHAANXI PRICE CONTROLS--The Shaanxi provincial people's government issued a circular on 6 December urging the implementation of price controls. The circular included eight stipulations: 1) Commodities must be sold complying with the state's fixed retail and wholesale prices; 2) negotiated price commodities must be sold in accordance with the stipulations published on 7 February 1980; 3) products produced in excess of the state's production quota must be sold according to state fixed prices and not at negotiated prices; 4) catering, repair and services trades must charge people in accordance with state fixed rates; 5) vegetable prices must be stabilized and no units are allowed to purchase vegetables directly in the communes and brigades; 6) county people's governments can stipulate prices of other necessary everyday products in light of local conditions; 7) enterprises must be supervised under the state's policies; 8) it is necessary to strengthen management over markets and strike out at all speculative activities. [HK231340 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 12 Dec 80 HK]

SICHUAN BLACK MARKETS--According to CHENGDU RIBAO report, on the evening of 9 December, Chengdu policemen and responsible comrades of the municipal industrial and commercial administration bureau conducted a joint operation to crack down on black markets. They arrested 67 suspects and seized a large amount of goods. [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 12 Dec 80 HK]

ILLEGAL HAWKING IN CHENGDU--According to a SICHUAN RIBAO reporter's letter, illegal hawking has been discovered recently in Chengdu Municipality. These hawkers caused traffic congestion and disturbed social order. Most of the products were speculative products sold under the pretext of purchasing and selling at negotiated prices. The letter urged departments concerned in the province to adopt effective measures to stop these activities. [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 12 Dec 80 HK]

YUNNAN PRICE INSPECTION GROUP--According to a YUNNAN RIBAO report, the Yunnan provincial people's government held a meeting on 12 December on implementing the State Council's circular on price control and on arranging future tasks. A provincial price inspection group was set up at the meeting. The inspection group was headed by Wu Shengmin, the provincial vice governor, and (Wang Shichao), (Liu Hua), (Zhu Qing) and (Wang Ningdao). The inspection group was divided into four teams, and their main jobs were to help, guide, supervise and inspect all areas in implementing the State Council's circular on price controls. The inspection group will work until next year's spring festival. The inspection group will punish those who violate the State Council's circular and award advanced units or individuals. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 13 Dec 80 HK]

YUNNAN TRADING WAREHOUSE--Kunming, 29 Dec (XINHUA)--A trading warehouse was opened in Kunming on 1 December 1980, jointly set up by 31 border counties in Yunnan. It serves as an agent for buying, selling, storing, transporting and processing farm and sideline products of minority nationalities regions. In less than a month, the warehouse has signed purchase and sales contracts amounting to 1.2 million yuan for eight Yunnan border counties and various provinces and cities. [OW021023 Beijing XINHUA Domestic Service in Chinese 0253 GMT 29 Dec 80 OW]

YUNNAN PRICE CONTROL CIRCULAR--According to a YUNNAN RIBAO report, the Yunnan provincial people's government has issued a supplementary circular to the State Council's circular on price controls. The supplementary circular outlines what must be done in Yunnan in order to implement the State Council's circular. The tasks are: 1) Governments at all levels must widely launch mass inspections of commodity prices; 2) seriously rectify sale and purchase by negotiation; 3) resolutely forbid the raising of commodity prices and the selling of sham products; and 4) people's governments at all levels and in the rural areas must organize inspection teams to launch price inspections, and encourage people to disclose cases which violate the State Council's circular. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 10 Dec 80 HK]

ZHEJIANG SMUGGLING ACTIVITIES--Since August of 1980, Lishui County in Zhejiang has cracked 724 cases of smuggling goods and selling gold and silver coins. In recent months, smugglers and speculators, after being buffeted in the coastal areas, have sneaked into the mountainous areas of Lishui County to continue their illicit activities. In mid-November, cadres of the county's commercial administrative department, assisted by local militiamen, seized over 890 smuggled wristwatches, over 1,700 silver coins, and some gold and tape recorders in 8 days. On 19 November a smuggler from Gansu Province tried to smuggle 105 wristwatches into Lishui County via Wenzhou. He was arrested the next day. Another smuggler from Wenzhou was also arrested by militiamen when he was buying silver coins at a high price in a brigade in Lishui County. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 2 Jan 81 OW]

CSO: 4006

FOREIGN TRADE

FUJIAN-HITACHI AGREEMENT SIGNED ON ESTABLISHING TV SET COMPANY

Details of Agreement

HK251350 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 16 Dec 80 HK

[Excerpt] The Fujian Investment Enterprise Company and Fujian Electronic Import and Export Company came to an agreement with the Hitachi Company of Japan on pooling capital for a TV set business. Both sides agreed to establish the Fujian-Hitachi TV Set Company, Limited, for the production of TV sets. The signing ceremony was held in Fuzhou on the afternoon of 13 December and was attended by provincial Vice Governors Guo Chao, Wang Yan and Zhang Yi, responsible persons of departments concerned and all members of the Hitachi Company delegation. Fujian Investment Enterprise Company assistant general manager Zhao Zongxin, Fujian Electronic Import and Export Company general manager (Ping Fan) and Japanese delegates signed the agreement. Each side should contribute half of the investment. The total amount of capital is 3.6 million yuan of renmibi which is equal to 500 million yen in Japanese currency. The aim of this joint enterprise is to produce and sell color and black and white TV sets. This enterprise will produce TV sets on a trial basis in March 1981 and will be formally put into operation in July of the same year. It is estimated that the 1981 annual output of black and white and color TV sets will be 130,000 sets, and after 1981, the annual output of black and white and color TV sets will be 330,000 sets. The products will be sold at home and abroad. The period of the joint operation is 15 years.

Hitachi Delegation

HK251350 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 16 Dec 80 HK

[Excerpt] The Hitachi Company's friendship delegation, which comprised 20 people, arrived in Fuzhou by special plane on the morning of (?13) December to sign the agreement on the establishment of the Fujian-Hitachi TV Set Company, Limited. During its stay in Fuzhou, the delegation paid a visit to leaders of provincial and municipal governments and to the Fujian electronic equipment plant. Leaders of the provincial and municipal governments, including Ma Xingyuan, Guo Chao, Wang Yan, Zhang Yi and (You Dexin), met and held friendly talks with the members of the delegation. On 14 December at noon, the Hitachi delegation gave a banquet to responsible persons of the provincial and municipal governments and departments concerned.

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BRIEFS

GANSU TOURISM--Thanks to the improvement of services and food supply, Gansu Province in 1980 received some 8,000 tourists from 32 foreign countries and regions, doubling the 1979 figure. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 31 Dec 80 SK]

GUANGDONG FOREIGN EXCHANGE--The Guangzhou branch of the Bank of China has greatly increased foreign exchange earnings from Guangdong ports this year. By the end of November, it had received foreign exchange earnings of $2,814,600,000, 15.57 percent more than in the corresponding period of last year. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 28 Dec 80 HK]

GUANGDONG RESORT--The Zhongshan Hot Springs Resort, jointly operated by the Zhongshan branch of the China International Travel Service and the China-Macao Construction Investment Company, held a ribbon-cutting ceremony on 28 December at noon. The hot springs resort is stiuated in Sanxiang Commune, Zhongshan County. Construction of the resort began on 1 November 1979. Its area is 480,000 square meters and its buildings cover some 30,000 square meters. Yang Shangkun cut the ribbon. Leading comrades of Guangdong, Guangzhou and Foshan Prefecture, including Liu Tianfu, Liang Lingguang, Liang Weilin, Ou Chu and (Yang Deyuan), attended the opening ceremony. China Travel and Tourism Administrative Bureau director Lu Xuzhang also attended. The hot springs resort will formally open to tourists on 10 January 1981. [Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 28 Dec 80 HK]

HEBEI TRADE FORUM--The Hebei provincial government recently held a forum on imports and exports to sum up past experiences in import and export work in the past year. The forum held: It is necessary to grasp import and export activities in order to enrich the people and the state. We must also bring the province's superior situation into full play and speed up production of minerals, porcelain wares and other industrial products. We must also increase the varieties of products and promote packaging in order to increase the products' competitiveness in the international markets. It is necessary to improve the management system of imports and exports and attach importance to building enterprises. Responsible comrades of the Hebei provincial people's government Li Erzhong, Guo Zhi and Yue Zongtai spoke at the forum. [Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 1 Dec 80 HK]

NEI MONGGOL EXPORT GOODS--Ju Ud League Foreign Trade Bureau had exported some 34.47 million yuan of goods by 11 December, an increase of 12.2 percent over the corresponding 1979 period, prefulfilling the annual plan by 20 days. [SK311058 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 30 Dec 80 SK]

SHANGHAI FOREIGN EXCHANGE--According to a report by JIEFANG RIBAO, the total foreign exchange earned through trade and other sources in Shanghai reached $4.3 billion in 1980, increasing by 16 percent over that in 1979. [Shanghai City Service in Mandarin 2300 GMT 2 Jan 81 OW]

SHANXI COAL EXPORT--Shanxi Province recently set up a local coal foreign trade company and the company has already signed contracts with Japan, the Philippines, Thailand and Singapore to export some 370,000 tons of coal. So far, 230,000 tons of coal have already been transported to the port and 120,000 tons have been exported. In the past, the province's coal trade was run by the state, but now, since the decisionmaking rights of enterprises have been expanded, the local coal trade company was able to handle business themselves. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 6 Dec 80 HK]

CSO: 4006

FURTHER DETAILS ON PRC INCOMES SURVEY REPORTED

OW020628 Beijing XINHUA Domestic Service in Chinese 1600 GMT 30 Dec 80

[Text] Beijing, 30 Dec (XINHUA)--The number of families with per capita monthly income over 25 yuan has increased to 76.5 percent of the total number of wage-earning families in China, according to a survey on wage-earning family incomes conducted by the State Statistical Bureau. The survey attributes this increase to the series of measures adopted by the party and state to improve living conditions for Chinese wage-earning families following the smashing of the "gang of four."

The survey employed the cross-section sampling method [hua lei xuan dian deng ju chou yang 0439 7352 6693 7820 4583 5415 2132 2876]. It covered 86,955 families of various occupations--industry, capital construction, agriculture, forestry, communications, postal and telecommunications, commerce, urban public utilities, science, culture, education, public health, finance, office and mass organizations--in Beijing, Tianjin, Shanghai and 41 other cities.

The following are the results of this survey:

A Chinese wage-earning family in the first quarter of 1980 had an average of 4.48 persons. Of these, 2.47 persons or 55.1 percent had jobs. Thus, a wage earner supported an average of 1.81 persons (including the wage earner himself; this is also true for the figures below). The average wage was 63.92 yuan (including bonuses, subsidies, allowances for nonstaple foods, etc.). The per capita monthly income for a wage-earning family (including constant and inconstant income) was 35.8 yuan. Of this figure, 32.68 yuan was for the costs of living (income that can be applied to living costs after expenses of supporting relatives and donations and gifts are deducted from total income).

There were 10 cities out of the 44 surveyed where this income for living costs exceeded 35 yuan. They were Guangzhou, Shanghai, Urumqi, Foshan, Hangzhou, Beijing, Jinan, Shenyang, Yantai and Tianjin.

This income for living costs was between 30 and 35 yuan in 16 other cities. They were Dandong, Shijiazhuang, Changsha, Wuhan, Nanjing, Anshan, Chengdu, Chongqing, Qiqihar, Jinzhou, Xian, Nanning, Zhengzhou, Huangshi, Jilin and Changchun.

The remaining 18 cities averaged under 30 yuan: Harbin, Yinchuan, Handan, Hefei, Lanzhou, Daqing, Luzhou, Xianyang, Zaozhuang, Hohhot, Qinhuangdao, Taiyuan, Fuzhou, Nanchang, Xining, Kunming, Kaifeng and Qingjiang.

The survey divided wage-earning families into the following five groups on the basis of this living costs income received by the families.

1. Families with a cost of living income over 50 yuan accounted for 9.3 percent of those surveyed. Several factors accounted for their relatively high income. First, their wages were generally high--71.16 yuan per wage earner or 11.3 percent over the average wage of all families surveyed. Second, each family had fewer people—3.53 persons or 21.2 percent under the average. Third, there were more wage earners in each family—3.01 persons or 21.9 percent more than average. The employment rate was 85.3 percent. Each wage earner in these families supported only 1.17 persons.

2. The higher-middle income families with cost of living income between 30 and 50 yuan accounted for 30.2 percent of those surveyed. In this group, income exceeded expenditures and living standards were fairly good. The average wage was 64.43 yuan. The number of people in each family was 4.18 while the number of wage earners was 2.85. A wage earner supported an average of under 1.5 persons.

3. Middle income families with cost of living income between 25 and 35 yuan accounted for 37 percent of the surveyed. The average wage in this group was 63.54 yuan. Their living standards were lower than the higher-middle income group because there were more people in the family, fewer wage earners and more dependents.

4. The lower income group with cost of living income between 15 and 25 yuan accounted for 21.4 percent of the surveyed. Families in this group had relatively difficult living conditions. The average wage was 61.89 yuan. Each family had an average of five persons. Only 1.98 persons in each family had jobs. An average wage earner supported 2.54 persons.

5. Poverty-stricken families with cost of living income under 15 yuan accounted for 2.1 percent of the surveyed. Families in this group maintained rather difficult lives. Their income could not cover their expenses and they had to depend on the subsidies from their work units. The average wage in this group was 62.43 yuan, only 1.49 yuan less than that of those surveyed. However, because of the large family size (5.3 persons), fewer wage earners (1.31 persons), more dependents (4.05 persons) and a higher unemployment rate (0.39 persons or one in every 2.5 families), their cost of living income was only 13.26 yuan.

The survey indicates that the income level for Chinese wage-earning families is not balanced. Workers in cultural, education, public health, office and mass organizations received lower incomes. The survey also shows that workers recruited between 1958 and 1966 received less pay than others and their family burden was heavier.

Some wage-earning families whose employment rate and pay had remained unchanged over the years were receiving less income in real terms because of rising inflation. Therefore, stabilizing the retail prices of daily necessities to prevent the reduction of their income in real terms is an important issue for serious study and resolution.

CSO: 4020

LABOR BUREAU NOTES MORE YOUTHS PLACED IN JOBS IN BEIJING

OW240835 Beijing XINHUA in English 0819 GMT 24 Dec 80

[Text] Beijing, December 24 (XINHUA)—More than 181,000 young people in the Chinese capital have been placed in jobs this year and about 40,000 are still waiting their turns, according to the city's Labor Bureau today.

Some 130,000 of these young people entered state or collective enterprises, said Huang Heping, an official at the Labor Bureau. About 24,000 have been recruited into factories run by neighborhood communities, some have set up their own businesses, and others have entered colleges, vocational schools or the army.

Beijing had a total of 220,000 young people waiting for jobs this year, Huang Heping said. Among them, 110,000 were middle school graduates, 40,000 were educated youths who had returned from the countryside, and 70,000 were left over from last year.

Beijing has taken measures this year to give factories and other enterprises more power to enroll their own workers under unified city plans. Children of workers and staff members have priority in the recruitment.

Some 4,700 labor service companies have been set up in the city this year to arrange jobs for youths in commerce, repairs, service trades, construction and other urban jobs.

Some jobless youths set up their own restaurants, tea houses and other small businesses, while others are engaging in tailoring or photography cooperatives.

In the last two years, a total number of 510,000 young people have been given jobs, Huang Heping said.

CSO: 4020

BRIEFS

CHANGSHA HOUSEHOLD SURVEY--The Changsha Municipal Statistics Bureau recently carried out a sample survey of residential households. The results of the survey showed that more people are now in employment and that there has been a big increase in household purchase of consumer durables. This demonstrates that due to the concern of the party and government for the vital interests of the people in recent years, a lot of work has been done to repay the debts in employment and living standards caused by the "gang of four's" interference. Definite successes have been scored in this work. The survey showed that average monthly cost of living per capita is now 77.96 percent higher than in 1964. Allowing for increased prices, this represents an increase of 42.39 percent in real terms. On average there are 57 bicycles, 33 sewing machines, 188 wristwatches, 44 radio receivers, 5.62 television sets and 4.36 gramophones to every 100 households. The average household consists of 3.8 persons. According to the survey, one-third of households have saved up the money and are waiting to buy various consumer durables. [Text] [HK200224 Changsha Hunan Provincial Service in Mandarin 2315 GMT 19 Dec 80]

FUJIAN WORKERS' LIFE--The Fujian provincial people's government recently approved the report of the provincial economics committee and the Federation of Trade Unions surveying the life of workers. The report demanded that the whole province carry out an inspection of the life of workers and improve their living conditions. All leading comrades must attach great importance to the life of workers since it is directly related to the progress of the four modernizations. It is necessary to bring into full play the role of workers' congresses and carry out serious investigations of problems that are discovered. It is also necessary to educate the worker to struggle arduously and to consider the interest of the entire state. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 14 Dec 80 HK]

HEILONGJIANG WORKERS' LIVELIHOOD--The Heilongjiang provincial government recently held a meeting to urge governments at all levels and all provincial organizations to inspect workers' livelihood and solve their difficulties. Particularly, efforts were called for solving the workers' housing problems. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 6 Dec 80 SK]

LIAONING PLACES JOBLESS YOUTHS--Liaoning Province has placed 730,000 urban jobless youth, 530,000 of which were fully employed. It is expected that the provincial annual placement plan will be overfulfilled by the end of 1980. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 27 Dec 80 SK]

HOHHOT EMPLOYMENT MEETING--According to our correspondent (Cao Shuliang), the Hohhot municipal people's government recently held a labor employment meeting, putting forward the following four measures in this regard for 1981:
1) Vigorously develop the collective economy and properly develop an individual economy which does not exploit other people. Politically, all collective units should be treated equally without discrimination. Economically, the resources of such units should not be transferred indiscriminately. Assistance should be given them in taxation, loans, materials, and labor protection. Length of service should be calculated from the first day at work for those who work at organizations enacting various types of collective ownership. 2) Establish plants and farms for educated youths and develop agriculture-industry-commerce integrated complexes. As for those who voluntarily work in educated youth plants and farms, it is not necessary to change their registered domicile in the city or their grain distribution. 3) Actively develop various kinds of vocational education and open up study opportunities. All trades, enterprises and establishments are allowed to run vocational classes to enroll the children of workers and staff members. 4) Reduce the number of workers who are not included in the state plan. By the end of June 1981, all such workers at units owned by the whole people and by collectives should be dismissed after receiving their wages. All laborers working on public projects without the permission of the regional authority should be dismissed. [Excerpts] [SK280810 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 27 Dec 80]

SHANGHAI COOPERATIVES--The people who were waiting for jobs in Shanghai formed more than 770 cooperatives this year. About 73 percent of the more than 10,000 participants of those cooperatives are young people. Those cooperatives are much welcomed by the masses. They include restaurants, clothing stores, hotels and department stores. In order to further promote the forming of cooperatives, the municipal office in charge of collective enterprises held a meeting on the afternoon of 29 December to exchange experience in running cooperatives. [Shanghai City Service in Mandarin 1130 GMT 30 Dec 80 OW]

SHANXI LABOR EMPLOYMENT MEETING--The Shanxi Provincial CCP Committee recently held a meeting in Taiyuan on labor employment. The meeting exchanged experiences on settling unemployed people in the province and studied policies to develop the individual and collective economies. The meeting held: We must vigorously develop the light and textile industries, handicraft works, services and other trades to provide employment for more people. All units must strive to provide employment for more people in accordance with their local conditions. The province will encourage the setting up of individual enterprises by means of exempting them from taxation. The meeting also demanded that all areas and departments strengthen leadership and attach importance to settling unemployed people to make full use of the adequate labor force in the province. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 3 Dec 80 HK]

XINJIANG URBAN JOBLESS YOUTHS--A number of deputies to the third session of the Fifth Xinjiang Regional People's Congress have shown deep concern for the employment and ideological education of jobless youths. They pointed out: It is necessary to strengthen political-ideological work on urban jobless youths, pay attention to their vocational training and increase employment opportunities so that they can receive a good education and have work to do. [Text] [OW152028 Urumqi Xinjiang Regional Service in Mandarin 1620 GMT 15 Dec 80]

YUNNAN TRADE UNION MEETING—The first plenary session of the Fifth Committee of the Yunnan Provincial Federation of Trade Unions has elected the chairman, vice chairmen and standing committee members of the Fifth Provincial Federation of Trade Unions Committee. (Cao Liangzhu) was elected chairman, (Xu Renlong) and (Deng Xiaoshu) were elected vice chairmen. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 8 Dec 80 HK]

CSO: 4006

TRANSPORTATION

WATER TRANSPORT ENTERPRISES OUTLINE 1981 TASKS

OW311122 Beijing XINHUA Domestic Service in Chinese 1447 GMT 29 Dec 80

[Text] Beijing, 29 Dec (XINHUA)--It was pointed out at a recent work conference of enterprises directly under the Ministry of Communications that the major communication work tasks in 1981 are to continuously eliminate the influence of left-deviationist thinking, proceed from reality in doing everything, carry out the readjustment in a down-to-earth manner and to strengthen port construction and other weak links.

Water transport enterprises are directly under the Ministry of Communications. Delegates attending the work conference reviewed the initial success in implementing the policy of readjustment over the past year. In 1980 each and every enterprise directly under the Ministry of Communications earnestly put its own capital construction projects in good order, readjusted the proportions between ports and shipping, transport and loading and unloading, the operational frontline and rear services, and production and livelihood, suspended and deferred a certain number of construction projects and shifted the focus of investment to port construction, scientific research and education. Thanks to the efforts to tap potential and transform existing ports while stepping up the unfinished and supplementary projects of new ports, the loading and unloading capacity of ports increased by 4 million dun in 1980. Fairly good progress was also made in building workers' housing projects. Some 980,000 square meters of floor space are expected to be finished by the end of this year.

The conference also pointed out: Because ideological understanding lagged behind developments and because there was less determination and insufficient measures in the past 2 years, the expected achievement in readjustment work has not yet been made. In 1981 it is necessary to further raise our understanding, proceed from the overall interests of the national economy and to resolutely implement the readjustment policy. Building capital construction projects, efforts should be made to implement the principle of giving priority to tapping potential, technical renovation and transformation and to guarantee the needs of port construction while arranging construction investment for key projects. Efforts should also be made to grasp well the construction of such key ports as Shanghai Tianjin, Huangpu, Qinhuangdao, Dalian and Lianyunkang, give priority to the construction of ports especially designed for containerized freight, coal, grain, timber shipment and facilities for passenger transport service, and do an even better job on the unfinished and supplementary projects as well as on other projects which can be put into operation within a short period.

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BRIEFS

CIVIL AVIATION STATISTICS--Beijing, 16 Dec (XINHUA)--China's Civil Aviation Department has fulfilled this year's passenger and cargo transportation quotas 21 days ahead of time. As of 10 December, the total transport turnover volume was 13 percent over the same period last year. During the same period, the passenger transport volume increased 11 percent. The entire year's profit-to-the-state plan was fulfilled 3 months ahead of time. [Beijing XINHUA Domestic Service in Chinese 0712 GMT 16 Dec 80 OW]

SHAANXI-GANSU RAILWAY ELECTRIFICATION--The electrification of the Baoji-Tianshui railway has been completed. The opening ceremony was held on 8 December. This line, 150 kilometers long, was built at the beginning of the 1940's. It has always been a bottleneck due to complex terrain. The electrification project began in May 1978. [HK130738 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 8 Dec 80 HK]

ANHUI HIGHWAY MANAGEMENT--The Anhui provincial people's government recently issued a circular on improving the management of highways. The circular prohibits the use of highways, highway bridges and other highway facilities for other than transport purposes, such as drying grain, threshing grain, storing materials. It also prohibits people from destroying or damaging road signs or felling the trees by highways. All prefectural administrative offices and municipal and county governments are requested to take measures for the implementation of the circular. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 28 Dec 80 OW]

GUANGXI SHIPWRECK--According to a GUANGXI RIBAO report, the wreck of the passenger ship, Guilin 302, has already been salvaged. As revealed by departments concerned, there were 364 passengers on board the ship including 31 crew members, and the total number of casualties was 100. [Nanning Guangxi Regional Service in Mandarin 1130 GMT 4 Dec 80 HK]

GUANGZHOU-HONG KONG SHIPPING--Cargo shipping between Zhuhai Municipality and Hong Kong officially began on 18 December. The cargo shipped from Hong Kong to Zhuhai include motor vehicles, motor bicycles, refrigerators and other electric appliances, while local products were shipped from Zhuhai. [HK290946 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 25 Dec 80 HK]

HENAN MOTOR VEHICLE PURCHASE--From January to November, Henan Province purchased 1,141 motor vehicles. The reason for such a large amount of vehicles purchased within 11 months was that some units had illegally purchased these vehicles at high prices. As a result of this, gas supply became short. In order to cut unnecessary expenses and save energy, the Henan Provincial CCP Committee and people's government demanded that no organs and units purchase motor vehicles without permission of the provincial CCP committee. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 26 Dec 80 HK]

HUBEI RAILWAY TRANSPORTATION--Wuhan Railway Bureau has strengthened management over transportation and has fulfilled the year's passenger and freight transport quota 1 month ahead of schedule. Wuhan Railway Bureau's scheduled freight volume decreased by 8 percent over last year, but in order to increase work and profit, they worked hard to organize more transportation of minerals and other materials. [HK200616 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 6 Dec 80 HK]

JIANGSU HAULAGE RECORD--Nanjing, 2 Jan (XINHUA)--Transport workers in Nanjing, Jiangsu Province, have set a national record for a single load by moving a complete reaction tower weighing 374 tons from the dock to the site of a new chemical plant 4 kilometers away by highway. The tower, to be installed at the Nanjing Chemical Works, is 27.2 meters long and 4.12 meters high. The workers buttressed several bridges along the highway before they moved the tower. [Text] [Beijing XINHUA in English 1204 GMT 2 Jan 81 OW]

LIAONING COMMUNE HIGHWAYS--Liaoning Province has established a complete highway network for all the 1,149 communes throughout the province. All the communes have highways connected with their county seats. The total length of these highways is 14,000 kilometers. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 7 Dec 80 SK]

LIAONING PORT IMPROVEMENT--Shenyang, 25 Dec (XINHUA)--Foreign export operation has been resumed in Liaoning's Yingkou port, one of the major seaports in northeast China, after renovation. Recently two shipments of pig iron by two Chinese oceangoing freighters left this port for Japan. During renovation, the port's fairway was dredged and 21,000 square meters of concrete storage yards and roads were built. [OW291131 Beijing XINHUA Domestic Service in Chinese 0110 GMT 25 Dec 80 OW]

SHANDONG RAILWAY LINE--In Shandong, a 161-kilometer long railway line, starting from Xindian station along the Jiaoji railway and passing through 19 stations to Taian station to link up with the Jingfu railway, opened to traffic 1 January 1981. Construction of this line took 6 years and 200 million yuan of investments. [SK021253 Jinan Shandong Provincial Service in Mandarin 2300 GMT 31 Dec 80 SK]

SHANGHAI TRAFFIC SITUATION--The Shanghai municipal people's government this afternoon called a mobilization meeting to improve Shanghai's traffic situation. The meeting urged the masses of people to observe traffic rules, maintain traffic order and insure traffic safety. Attending the meeting were also Acting Mayor Wang Daohan and Vice Mayors Han Zheyi, Zhao Zukang, Wang Jian and Yang Di, and responsible personnel from various departments concerned, totaling 1,000 persons.

Speaking at the meeting, Acting Mayor Wang Daohan called on leading personnel at all levels to fully understand the importance of traffic control, fully publicize traffic control, and adopt effective measures to improve Shanghai's traffic situation. [Shanghai City Service in Mandarin 1130 GMT 23 Dec 80 OW]

XINJIANG HIGHWAY CONTROL--Detailed measures were issued recently by the people's government of Xinjiang Autonomous Region to strengthen highway control, safeguard highway facilities and improve traffic conditions. The measures point out that highways and other highway facilities are state property, and that no one is allowed to damage or illegally seize such state property. Piling up construction materials along highways or using highway facilities for threshing or other farming purposes are strictly prohibited. The measures also call on all localities to protect highway bridges and tunnels when launching farmland capital construction. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 18 Dec 80 OW]

ZHEJIANG HIGHWAY CONSTRUCTION--The Zhejiang Provincial Communications Department recently held a discussion meeting on highway construction in mountainous areas of the province in Jinyun County. In the past 4 years, more than 5,500 kilometers of mountain highways have been built. Now 77 percent of the communes in the province are served by motor vehicles. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 27 Dec 80 OW]

BEIJING NO 2 RING ROAD--Beijing, 25 Dec (XINHUA)--A new road ringing downtown Beijing opened to traffic today, with construction of three cloverleaves and the bicycle lanes in the eastern and northern sections still to be completed. The new No 2 ring road runs for 23.3 kilometers, basically following what used to be the old city wall. It has a total of nine cloverleaves at junctions with main roads. Its driving lanes, 22.7 to 28.4 meters wide, are separated from bicycle lanes which are six to nine meters wide. This is part of a master road scheme for the city, laid out like three concentric rings. The two other roads, the inner city ring road, and the No 3 ring road which is still under construction, connect with all the main highways leading to the outskirts of the city and to other cities in the country. The No 2 ring road is designed to ease some of the traffic load in the city proper and improve the traffic for the 3 million bicycles in the city, said an official of the Capital Construction Engineering Corps. [OW271231 Beijing XINHUA in English 1201 GMT 25 Dec 80 OW]

JIANGSU DEEP-WATER BERTHS--Beijing, 20 Dec (XINHUA)--Two 10,000-ton deep-water berths at Nantong harbor in east China's Jiangsu Province went into operation today, according to the Ministry of Communications. The new anchorages will increase Nantong harbor's annual handling capacity from 3 to 3.8 million tons. This is the first time that deep-water berths have been built at Yangtze River ports. They will speed both domestic and foreign shipping by allowing certain cargoes to bypass crowded Shanghai harbor, the largest of its kind in China. Ships carrying coal from north China destined for Yangtze River cities can now anchor directly in Nantong harbor. Cotton can be shipped directly from Nantong to north China. The areas around Nantong are one of China's major cotton growing centres. Imported iron ore, which used to be transshipped through Shanghai, will be handled through Nantong, while berite produced in central China's Hubei Province, will be exported to the United States from the new Nantong berths. Another deep-water berth is being planned. [Text] [Beijing XINHUA in English 1201 GMT 20 Dec 80 OW]

TIANJIN PUBLIC WORKS CONSTRUCTION--Tianjin, 23 Dec (XINHUA)--Tianjin, one of China's major industrial and commercial centers and north China's biggest trade port, has managed to build badly needed public facilities over the last 2 years by greatly cutting its investment in industrial construction projects. The Municipal Statistics Department said that the city's investment this year in housing and public works accounts for 55 percent of the total. This compares favorably with 46 percent in 1979, and 31.7 percent in 1978. Over two-thirds of all construction workers are now engaged in this work. Tianjin added 1.26 million square meters of residential floor space from January to October this year and 2.05 million square meters in 1979. The total floor space in the past 22 months is 190,000 square meters more than in the whole period of 1966-76. In addition, the city built 45 primary and middle schools, 190 shops and stores and 5 cinemas and theaters. Hospitals, roads, bridges and sewers were repaired. [Beijing XINHUA in English 1221 GMT 23 Dec 80 OW]

TIANJIN PORT CARGO BERTHS--Tianjin, 24 Dec (XINHUA)--Five cargo berths capable of handling ships of up to 10,000 tons went into operation today at Tianjin harbor, one of the largest ports in north China. The harbor now has 22 berths of the 10,000-ton class and a total annual cargo handling capacity of about 11 million tons. Tianjin is next only to Shanghai in the volume of export and import general cargo goods it handles and every year it accommodates more than 1,600 Chinese and foreign cargo ships and dozens of international tourist passenger liners. A new container berth is expected to be completed in 1981 and two more general cargo berths and three other container berths are under construction. [Beijing XINHUA in English 1207 GMT 24 Dec 80 OW]

CSO: 4006

GENERAL

BRIEFS

BEIJING UNDERGROUND FACILITIES--Over the past year, the Beijing municipal party committee has made full use of people's air defense projects to better serve the people. Built in the air defense projects are 53 hotels and reception centers with 6,060 beds, 7 shopping centers with annual sales of 30 million yuan, 56 underground workshops with annual output value of 61 million yuan and 290 underground warehouses. The municipal party committee has also used the underground facilities to provide mess halls and gathering places for factory workers. [Beijing Domestic Service in Mandarin 0400 GMT 12 Dec 80 OW]

GUANGZHOU ZHOU ENLAI'S WORK--The Guangdong XINHUA Printing House and the Guangzhou Municipal HONGQI Printing House have fulfilled the tasks of printing the first edition of the "Selected Works of Zhou Enlai" in recent months. These two houses received these tasks in early November this year. They were told to print 150,000 copies of the "Selected Works of Zhou Enlai" and have now fulfilled the tasks on time. [HK290946 Guangzhou Guangdong Provincial Service in Mandarin 1120 GMT 25 Dec 80 HK]

LIAONING EMBEZZLEMENT--People's procuratorates at all levels in Shenyang Municipality have been engaging in economic procuratorial work with emphasis on dealing with embezzlement. Some 1.47 million yuan of losses have been retrieved. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 8 Dec 80 SK]

LIAONING COMPLEXES--According to incomplete data, Liaoning Province has invested 70 million yuan to establish 449 agriculture-industry-commerce complexes in the past year. These complexes have hired some 33,000 people and have earned 16.8 million yuan. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 12 Dec 80 SK]

JIANGSU DAMAGED HOUSES--Because of frequent rainstorms this year, some 220,000 houses collapsed and 350,000 houses were damaged in Jiangsu Province. The provincial authorities allotted 4 million yuan along with 60,000 bamboo poles, 8,400 cubic meters of lumber and 1,500 dun of cement for the reconstruction of the houses. At present most of the houses have been rebuilt or repaired. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 5 Dec 80 OW]

LIAONING CORRUPTION CASE--Shenyang, 14 Dec (XINHUA)--Na Handong, responsible person of a factory run by No 104 middle school in Huanggutun District of Shenyang, Liaoning, who took some 100,000 yuan of illegal commission from signing processing contracts with local communes, was recently arrested in

Guangdong's Shantou City while attempting to escape abroad. He was returned to Shenyang with some 40,000 yuan of illicit money recovered. Na Handong, who is now 28 years old, was convicted in the past on charges of larceny, speculation and profiteering, and extortion, and sent to reeducation through labor. He escaped three times from the reeducation center and has been wanted by the law since 1976. [Beijing XINHUA Domestic Service in Chinese 0123 GMT 14 Dec 80 OW]

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19 January 1981

China Report

ECONOMIC AFFAIRS

No. 110

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19 January 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 110

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DEVELOPING MARKET FOR MEANS OF PRODUCTION

HK240344 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 80 pp 35-37

[Extracts from speeches Delivered at Biweekly Discussions on Economic Problems (Part II)--Article by Zhang Shenyi [4545 1957 5030]: "Carry Out the Principle of Combining the Two Regulations To Develop the Market for Producer Goods"]

[Text] Since the party Central Committee introduced the policy of combining regulation by planning mechanism with regulation by market mechanism, people have come to realize that the means of production should be treated as a part of commodities. Thus, the market for the means of production is gradually being enlivened.

The Capital Goods Market Is Becoming Enlivened

The circulation system for the means of production in China was established in the early 1950's in accordance with the guiding principle that the means of production are not commodities. The means of production are mainly distributed and allotted according to the state plan, thus restricting free circulation. For a long period, this system of circulation has given rise to many setbacks such as excessive control of distribution by planning mechanism, failure to link production with demand, excessive number of links in the chain of circulation and rigid control of price management. All this is not conducive to activating the national economy. However, the situation has taken a turn for the better since last year and the changes can be discerned in the following four aspects:

1. There is a considerable amount of free circulation of the means of production on the market. For example, in Shanghai, 0.2 million tons of steel products and 0.1 million cubic meters of timber were directly purchased through the means of free circulation last year; likewise in Liaoning Province, 0.16 million tons of steel and 0.1 million cubic meters of timber were purchased. Taken as a whole, in most provinces, municipalities and autonomous regions, the means of production purchased through free circulation accounted for about 10 to 20 percent of the total amount of consumption. However in some provinces such as Jiangsu, 20 to 40 percent was attained and the nearer one got to the grassroots, the more lively free circulation became. Take Jiangmen Municipality in Guangdong Province for example, where 44 percent of

coal, 27 percent of steel products, 55 percent of timber and 20 percent of cement was purchased through free circulation. In Changshu County of Jiangsu Province, 70 percent of all kinds of means of production was purchased through free circulation.

Where do the means of production in free circulation derive from? Apart from the products which are marketed by the industrial enterprises themselves, they are the results of mutual coordination among enterprises, exchange of goods kept in stock and the results of processing and refitting. In addition, the means of production in free circulation are obtained from the three categories of the means of production which are not subject to unified distribution. Last year, through coordination among production units all over the country, we got a considerable amount of the means of production--10 million tons of coal, 6 million tons of coke, 0.7 million tons of pig iron, 0.8 million cubic meters of timber and 0.8 million tons of cement; through exchange of goods kept in stock, over 3 million tons of steel products and some 3.8 billion yuan's worth of mechanical and electrical products were redistributed; in Jiangsu and Guangdong provinces alone, some 0.1 million tons of wire rods and small-scale steel products were processed; the means of production (including the three categories of the means of production) purchased, sold, processed and transported under the contract by the capital goods service companies, which are subsidiaries of supply departments, amounted to 3.5 billion yuan.

2. Part of the means of production distributed according to state plan are supplied in more flexible ways. The main aspects are summed up as follows. First, impose no restrictions on the purchase of some means of production so that they can be bought freely on the open market. This system is carried out in accordance with productive capacity: Some items are fully supplied without any restrictions. Take mechanical and electrical products for example. Of 157 products distributed by the State Planning Commission and the State Bureau in charge of handling goods and materials, most of the products could be ordered and bought freely on the open market this year with the exception of 11 items which were in fairly short supply. In Sichuan Province, out of 356 items of the means of production subject to unified distribution, 300 items were fully supplied without any restrictions; some can be bought freely on the open market but the amount is restricted to some extent. Take chemical materials distributed according to state plan in Shanghai for example. Over 90 percent of the small clients (the requirement accounted for less than 10 percent of the total volume of supply) could purchase the material freely on the open market and restrictions were only imposed on less than 10 percent of the large clients (the requirement accounted for more than 90 percent of the total volume of supply). In some localities, equipment for scientific research or maintenance could also be bought freely on the open market. Second, put into practice a system of rationing by coupons: after receiving the coupons allotted in a planned way, clients are able to purchase the materials at any branch of the supply departments whenever they need to. As the supplies are guaranteed, the clients are not in a hurry to purchase new materials. Instead, they make use of their own reserve of materials. Take the coupons for non-ferrous metal materials for example. Coupons for purchasing 104,000 tons of

materials were issued last year but by the end of the year, only 1,371 tons of materials were allotted. As a result, the stockpiled material kept by the clients was decreasing and the supply departments could turn over a part of their surplus reserve materials to the national treasury. Third, materials are provided on the basis of verification. Take Changsha, Zhuzhou and Hengyang, three municipalities in Hunan Province for example. Last year, the steel products which were needed for production in 24 machinery plants were provided by supply departments concerned in accordance with the production plans and on the basis of verification. As a result, the actual consumption of the materials was 17 percent less than the quota fixed by supply departments. Fourth, break down the conventions that no capital goods are provided for civil use. Take Shanghai for example. Last year, the supply department set up supply and marketing shops for steel products and more than 80 tons of zinc-plated pipes were provided for installing water meters in more than 7,000 households. In addition, some 250 tons of small circular steel products were supplied so that over 3,400 dwellers could have enough materials to repair their houses. All this was warmly welcomed by the masses.

3. New forms and experiences of promoting regulation by market mechanism have been created. First, the setting up of individual markets for the means of production: at the beginning, markets were temporarily set up for dealing with overstocking of products and selling goods in stock but now they have become permanent and thus promote the scale of new products and deal in futures. In addition, the markets have turned into commodity exchange centers selling and purchasing goods with flexible prices and without any controls. At present, such markets for the means of production have been set up in more than 60 big or medium-sized cities, of which Shanghai has become the nationwide exchange center for the means of production. Second, putting goods on the market through purchasing and selling at negotiated prices. Take the wire rod market in Changzhou Municipality for example. Last year, the price once rose to 900 yuan per ton but it dropped to 850 yuan after the supply department put the goods on the market through purchasing and selling at negotiated prices. The market price of wire rod in Guangdong once reached 1,300 yuan per ton but was soon reduced to 800 yuan after the supply deparment succeeded in processing the wire rod in batches and put the products on the market. Third, opening a path for developing overseas markets. Take Shanghai supply departments for example. In the purchasing and marketing of chemical materials, they sold the goods which had been kept in stock for a long time and bought materials which were in short supply. In so doing, they succeeded in earning $4.8 million of foreign exchange and importing some 7,000 tons of chemical materials last year. In addition, an international trust business was established in Shanghai last October and as much as $120,000 of foreign exchange was gained by the end of last year. In the first half of this year, foreign exchange earnings amounted to $560,000 and the profits turned over to the state totaled more than $100,000. Fourth, publishing journals introducing market conditions and business forecasting. The following journals are already in circulation: "Market Conditions of Goods and Materials" published by the State Goods and Materials Bureau, "Shanghai Goods and Materials Market" published by Shanghai, "Market Conditions of Materials in Sichuan" published by Sichuan Province, "Liaoning

Materials Market" published by Liaoning Province, "Trends in Goods and Materials" published by Hebei Province and "Trends in the Flow and Circulation of Materials" published by Guangxi Autonomous Region. These journals cover a wide range, such as reports on market conditions, advertisements, vocational knowledge and exchange of market experience. All this has played a big role in enlivening the markets for the means of production.

4. There has begun to be some competition on the market. The markets for the means of production have begun to be enlivened. However, when the enterprises are given the right to market their own products, some people are worried that the supply departments will have little business to do. As a matter of fact, competition is conducive to overcoming the bureaucratic workstyle and raising the level of management and service. Therefore, in those places where competition is encouraged properly, business is brisk and expanded. Take the supply departments in Beijing for example. Spurred on by competition, last year the total sales volume increased by 37 percent compared with the previous year. In the first quarter of this year, the sales volume of the Shanghai Mechanical and Electric Company rose by 8 percent over the corresponding period of last year. Of course, socialist competition should include both competition and cooperation. The enterprises should sell their own products according to the state policies and the supply departments should be active in marketing products or acting as commission agents so as to help the enterprises promote the sale of their goods.

Some Problems That Require Research and Improvement

The circulation of the means of production in China is subject to the direct control of state planning but the institutions for handling the circulation are set up by various departments or regions in accordance with the division of the administrative system. Such a state of affairs is harmful to promoting socialist production or circulation. To meet the needs of socialist commodity production and further develop the markets for the means of production, it is necessary to improve the work of planning according to the principle of integrating regulation by planning mechanism with regulation by market mechanism. In the system of planning and circulation, some reform should be made so as to fill the gaps and complete the links. Therefore, problems concerning the four following aspects must be dealt with properly:

1. There should be a steady and practical long-term plan. By observing the trends in the circulation of the means of production, it is obvious that for a long period, it is precisely such guidance afforded by long-term planning that we have been lacking and we do not leave a sufficient margin when drawing up a plan each year. In addition, there is a considerable gap with regard to the means of production. Thus the concept has been formed suggesting that under a socialist system, the supply of the means of production can never meet the demand. From the view of planning, there are not enough resources to go around and as far as production is concerned, people purchase whatever is produced and there is no competitive pressure at all. Under such circumstances, it is impossible, in fact, to enliven the circulation of the means of production.

Since the policy of readjusting the national economy put forward by the party Central Committee was implemented last year, the capital construction front has begun to be curtailed and the production quotas been comparatively put into effect. As far as the national economy is concerned, what is in short supply and what is overstocked can be seen more clearly. All this has provided conditions for reducing the scope of distribution of the means of production, enlarging market supply, carrying out competition and enlivening circulation. Therefore, it can be said that without the readjustment of the national economy, the market for the means of production could hardly be as active as it is today. We must have a stable and long-term plan in order to prevent the occurrence of guidance by planning which is divorced from reality and develop the present favorable situation which is based on readjustment.

2. The scope of production plans and construction projects which are of a mandatory nature should be gradually reduced. All this calls for reform of the current planning system so as to give the enterprises even more power to purchase and market the means of production and further enliven the circulation of the means of production. We hold the view that as long as the state manages to control the ratio between accumulation and consumption and bring about an overall balance, the scope of targets which are of a mandatory nature should gradually be reduced whereas the scope of targets which are for reference be enlarged. Otherwise, it will hold back the business operation of enterprises and the circulation of the means of production.

3. Production and circulation must be regulated by conscious use of economic levers. One of the striking contradictions in the circulation of the means of production lies in the sharp increase of such stockpiled goods as rolled steel and mechanical and electrical products. Such a situation is mainly caused by planning errors. However, there are also some contradictions between self-marketing (this refers to the principle of enterprises being allowed to market their own products) and the utilization of stockpiled materials. These contradictions cannot be solved simply by imposing restrictions on self-marketing but they should be handled by economic means taken on the basis of the improvement of planning. First, change the irrational phenomena of the current planned price system whereby products which are in excessive supply are profitable and fetch a high price whereas those in short supply are less profitable and of low price, so steer the enterprises toward going in for production according to demand. Second, implement a system whereby circulating funds cannot be used without compensation to enable the enterprises to strengthen their economic accounting, overcome blind accumulation of goods and ensure that the surplus means of production are "disgorged." Third, bring into full play the regulatory role of supply departments so as to maintain the equilibrium between supply and demand, lower the price of overstocked materials which are in excessive supply and make them available for the market. On one hand, the enterprises have to cut down the production of products which are kept in stock for a long time; on the other hand, they should enlarge the production of products in short supply by actively organizing processing, reforming the system and coordinating and ensuring that they earn certain profits. In so doing, the results are much better than those achievable by merely issuing administrative edicts and the market for the means of production will become more active than it is today.

4. Supply departments which distribute the goods and materials should be run as commercial departments for the means of production. Under socialism, the means of production are treated as commodities. The commercial departments for the means of production should promote circulation according to the principle of commodity exchange and expand the market for the means of production under the guidance of state planning. We hold that first, the scope of unified distribution should be reduced and the channels for commodity circulation be enlarged. Generally speaking, the means of production can be divided into three types of purchase system--namely planned purchase, priority purchase and free purchase--according to the roles they play in people's livelihood and the situation of supply and demand. The enterprises can sell all of their own products except those which are subject to purchase by the commercial departments for the means of production. All types of means of production should be supplied in full without any restrictions if the conditions allow. Those which are in short supply should be restricted by coupons. Therefore, the supply of the means of production should be based on the principle of speeding up the turnover and variety according to different conditions. Some of the means of production are directly supplied while others are transferred from nearby supply shops. All the supply shops must maintain an equilibrium between supply and demand and offer good service so that more means of production can be transferred, and commodity circulation on the market and turnover of funds can be accelerated. Second, regulate supply and demand by using the law of value. In order to keep abreast of the three types of means of production, it is necessary to carry out three kinds of price control system, namely prices fixed by the state, floating prices and free prices. Prices fixed by the state should be regularly readjusted in accordance with changes in supply and demand. Third, the circulation of the means of production should be promoted according to different economic regions and irrational links for commodity circulation should be reduced. Specialized companies or supply shops for the means of production must be set up in accordance with economic regions centered in the cities and it is necessary to provide supplies for the nearby production units or inhabitants and change the circulation systems which are divided by administrative departments or administrative regions into unified markets under socialism. Fourth, the specialized companies or supply shops of the commercial departments for the means of production should be developed into specialized commercial enterprises thus gaining initiative in business management. At the same time, the markets for the means of production should be run seriously. All production enterprises, no matter whether they are run by the whole people or the collective, or whether they be specialized companies or supply shops of the commercial departments for the means of production, can carry out transactions on the market, purchase freely and operate outside their own areas, thus enlivening the commodity circulation of the means of production.

CSO: 4006

MERGING OF MAANSHAN STEEL ENTERPRISES DISCUSSED

HK150910 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 80 pp 35-36

[Article by Lin Qiongquan [2651 3890 3123], Liu Xingli [0941 5281 0448] and Gui Yuming [2710 3768 2494]: "Three Factories Merge Into One and Develop Production Drastically--Before and After Merging of Three Steel Enterprises in Maanshan"]

[Text] There are three steel enterprises in Maanshan Municipal District; a big one, a medium-sized one and a small one. The first is the Maanshan Iron and Steel Company with a history dating back 40 years. It is one of the 10 biggest steel factories in China; the second is Zihu Municipal Iron Mill that was set up in 1958 (it first belonged to the company but was later taken over by the province in 1963); and the third is the Maanshan Municipal Iron and Steel Plant which was built in 1969 and began production in 1970. The three enterprises are situated in the same city, engaged in the same trade and are contiguous. Now the three units have merged into a single entity.

The Reasons for Merging

In early 1978 a merger between the Zihu Iron Mill and the Maanshan Iron and Steel Company was considered because when the province took over the Zihu Iron Mill it had four furnaces with a capacity of 72 to 74 cubic meters. Following the patternof "small and complete," the mill built a 25-aperture coke oven and an 18-square meters sintering machine in a bid to produce 200,000 tons of iron a year. From 1963 to April 1978, its total investment came to 23.79 million yuan. But it achieved half the result with twice the effort and suffered a deficit for years. From 1969 when it resumed production to theend of April 1978, when it was officially merged with the Maanshan Iron and Steel Company, it lost 55.51 million yuan, more than twice the amount invested. Its highest annual output was only 60,000 tons and the tonnage ratio between iron and coke was above 1,000 kilograms (comprehensive coke ratio of the Maanshan Iron and Steel Company last year was 580 kilograms) and its best furnace utilization rate was less than 1. In addition, the Zihu Iron Mill has no material base of its own. Therefore, it had to purchase iron ores and dolomite from other places. It lacked transportation facilities and often sought help from the Maanshan Iron and Steel Company for bringing in raw materials and transporting products off the premises. It was not in a position to undertake comprehensive utilization and recover chemical products. All coke oven gas, blast furnace gas and cinders were discarded. Around 1977 the mill was even harder put to maintain production, let alone promoting production. It was first planned during mass repair and maintenance work in 1977 that the No 4 blast furnace be expanded to 1,000 cubic meters. But the lack of funds was so serious that it failed to even repair the furnace, let alone expand it. Eventually, the No 4 furnace was discarded, leaving three furnaces that were just enough to manage production. This situation has forced people to find another way out. It was under these circumstances that consideration was given to merging the mill with the Maanshan Iron and Steel Company.

The Maanshan Municipal Iron and Steel Plant was built on the former site of a coke oven within the area of the Maanshan Iron and Steel Company. When the building of the plant was under preparation, it was reckoned that the plant could use the leftover bits and pieces (bits of coke and running gates) of the company. The plant was first installed with two furnaces with a capacity of 9.2 cubic meters (later expanded to 20 cubic meters and 14.5 cubic meters respectively).

In 1972 the Maanshan Iron and Steel Plant added a 250 rolling mill [as published] with billets provided by the Maanshan Iron and Steel Company. Yet, it still suffered a deficit. During the 10 years from 1970 to 1979, it lost 6.85 million yuan (excluding political compensation for small furnaces). From 1972 to 1978, the average cost for small-sized materials was 512 yuan per ton. Under this situation and witnessing the changes experienced by the Zihu Iron Mill after it was merged with the Maanshan Iron and Steel Company, the Maanshan Municipal Party Committee decided at the end of 1979 to merge the Maanshan Municipal Iron and Steel Plant with the Maanshan Iron and Steel Company. Thus, the three units merged into a single entity.

The Methods Used

The Zihu mill was officially merged with the Maanshan Iron and Steel Company on 1 May 1978. The provincial and municipal party committees presided over the signing ceremony and the two sides agreed to amalgamate under the following three principles. First, all the fixed assets of the Zihu Iron Mill must be handed over to the Maanshan Iron and Steel Company. Second, the company must supply the province with 80,000 tons of pig iron every year at selling price. Third, all the staff and workers of the Zihu Iron Mill must be transferred to the company with their wages temporarily frozen.

In January this year, the Maanshan Iron and Steel Plant was officially merged with the Maanshan Iron and Steel Company according to the following six principles. 1) Following the merger, the company must supply the municipality for a protracted period with 10,000 tons of pig iron and 10,000 tons of rolled steel every year at selling price with the specification and variety of goods to be decided by the municipality. 2) The fixed assets of the plant must be transferred to the company according to their net value as of the end of 1979 and must be repaid within 2 years with three-fifths of the assets to be repaid by April this year and the rest in the first quarter of 1981. 3) The current funds of the plant must be transferred to the company for its own use. 4) All the staff of the plant must be transferred to the company and must be returned to the municipality by stages to meet the needs of the municipality and when the company itself has set a standard for recruiting workers. 5) The Maanshan Iron and Steel Company must be responsible for all the welfare accorded to retired staff as well as accident compensation. 6) Following final accounts by the end of 1979, all surplus capital construction material must be handed over to the company after deducting the materials owed as debts to other units.

The Results

The merging of companies is a good measure because it has helped develop production drastically and beyond expectation. After its merger with Maanshan Steel, the Zihu Iron Mill changed its name to the Third Maanshan Steel Iron-Smelting Plant. It suspended production for 4 months from August last year to carry out restructuring work. The 25-aperture coke oven that caused debts for many years was dismantled. The three furnaces were restructured to specialize in producing ferromanganese with an annual capacity of 30,000 tons. In May this year, the furnaces turned out 2,273 tons of ferromanganese with the cost per ton dropping from 1,117 yuan in January this year to 712 yuan, a decrease of 26.2 percent. Consumption of raw materials also decreased. The utilization rate of manganese increased from 66 percent to 74 percent. Iron ore consumption dropped from 3.9 tons to 3.3 tons. In April this year, profits amounted to 100,000 yuan, followed by 146,000 yuan of profits in May. In the past, gas was wasted. The plant has been producing enormous quantities of gas (8,000 cubic meters per hour). Therefore, the company plans to lay pipes for transporting the gas to the blast furnace of a rolling mill.

The Maanshan Municipal Iron and Steel Plant changed its name to Small Rolling Plant of the Maanshan Iron and Steel Company. The small furnaces were restructured into blast furnaces and the plant consequently stopped producing pig iron. The processing technology of the existing rolling machines was readjusted while heavy manual work was replaced by mechanization and automation. This plant mainly produces 50,000 tons of 8 to 14 millimeters steel rods and threaded steel urgently needed by the state each year. The company has decided to use the former site of the dismantled furnace to build a workshop with an annual capacity of 200,000 tons of small-sized materials. The workshop will be installed with equipment made by the company itself. The project was started in July this year and is expected to be completed by the end of next year. It was planned that 3 years after the workshop began operation, its capacity would be increased to 250,000 tons to enable the company to rectify the situation whereby the amount of materials used exceeds the quantity of steel produced. In the first half of 1980, this rolling plant produced 17,000 tons of materials with costs decreasing every month. It made 2.138 million yuan profit in the first 5 months.

The merging of the three enterprises also promotes the production of a number of industrial enterprises in the city. The Maanshan Municipal Party Committee has decided to invest 3 million yuan from the fixed assets of the former Municipal Iron and Steel Plant that were paid by the company this year in light industry, textile industry and the construction material industry. Of this amount, one-third will be used in the leather, garment and textile industries.

The merger has achieved drastic economic results because: 1) The enterprises proceeded from their own reality and made a clean break with the business method of seeking a system of "small and complete"; 2) The overall arrangement of production is rational and avoids duplication in construction and production and encourages each unit to fully display its productivity, and 3) Resources are used rationally.

CSO: 4006

PROTECTION OF ENVIRONMENT, RESOURCES DISCUSSED

HK220438 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 80 pp 28-29, 39

[Article by Ma Shijun [7406 0013 7486], chairman of the Chinese Physiology Society and committee member of the Chinese Environmental society; Yang Hanxi [7122 0698 3556], secretary of the State Committee of Man and the Biosphere of the People's Republic of China and committee member of the Chinese Forestry Society; and Chang Shuzhong [1728 2885 0022], chairman of the China side of the Associated Committee of the China and World Wildlife Foundation: "It Is of Immediate Urgency To Protect Our Environment and Natural Resources"]

[Text] Editor's Note: The following article is jointly presented by some famous Chinese environmentalists and physiologists to draw attention to the above issue and to make suggestions. It should be highly appreciated by the departments and production enterprises concerned. Our natural environment is the material foundation of our economic development. Even our ancestors realized the stupidity of "draining the pond to catch fish" and "killing the goose that lays the golden egg," how can we not take the protection of the environment and our natural resources into consideration when we are carrying out the modernization process. To protect our natural environment first, we should prevent pollution and second, we should reasonably exploit the natural resources. This issue concerns not only our present economic life but also the interests of our descendants. Our socialist system has created for us the greatest possibility for coordination of the state's economic activities on the basis of all-round and long-term interests. The state should avoid direct control of the activities of economic units which should be encouraged to take an active and enthusiastic role. Only in this way can the economy be enlivened. But this does not imply that the different districts, departments and economic units can have complete freedom to do what they want. On some questions which involve the entire national and long-term interest, this is where our socialist economic system should make use of its advantages of centralized planning and uniform control. The protection of the environment and natural resources is an issue that urgently requires comprehensive regularization, legislation and tighter control by the state. This is indeed a matter of immediate urgency. [end editor's note]

Man's natural environment consists of an assortment of natural elements which surround us: the sun, the atmosphere, water, soil, living organisms and rocks. They are the fundamental resources for human survival and production. Environmental protection really entails the prevention of pollution and the protection and appropriate exploitation of natural resources.

Our country is huge in area and rich in resources. But since the founding of the People's Republic, the natural resources in some districts have been seriously damaged because of misguidance, problems in interpretation of ideology and defects in the management system. The extent of forest cover in our country ranks 120th in the world. In other words, we are lacking in natural forest. However, each year, about 200 million square meters of forest are consumed. Two-thirds of the figure is due to overcutting, woodland clearance and forest fires. From 1956-1965, an annual average of 16 million animal furs and skins were harvested. But now, it is only just over 7 million. Since liberation, about 10 species of wild animals have become extinct or virtually extinct, including wild horses, high-nose antelopes, a red species of threskiornis aethiopica melanocephala and so forth. More than 20 species are nearly extinct, including the long-armed gibbon, hill deer and the white-fin dolphin. The total area of grassland which can be used is over 3.3 billion mu but of this, over 700 million mu yields less than half of its former quantity of grass because it contains too much sand, has degenerated or is too saline. Each year, between winter and spring, the loss of meat caused by death and sickness of farm animals due to inadequate fodder is way in excess of the total amount purchased by the state. In the 1970's, the catch of fresh water fish was less than one-half that of the 1950's. The comparatively serious erosion of soil by water amounts to 1.5 million square kilometers. This is about one-sixth of our country's total surface area. The Huang He and Changjiang together carry away 2.6 billion tons of soil a year. This is equivalent to 6 million mu of good land. Since liberation, the surface area of land that has reverted to desert has increased by nearly 65,000 square kilometers (nearly 100 million mu). Of this, 91 percent has been caused by improper human economic activities. Because of the lack of unified management and proper planning, the amount of waste and damage inflicted on water and mineral resources has also been astonishing.

The natural environment is an organic entity in which each element is mutually connected, regulated and transformed. These connections and changes all occur according to predetermined natural laws (principally physiological laws) and are not subject to man's will. For example, overcutting in the upper reaches of a river may cause soil erosion in the lower reaches. Sedimentation may raise the river bed and result in flooding. Moreover, some forest animals may also disappear. Again, if physiological laws are not taken into consideration when dams are built for generating power this may obstruct the coming and going of marine life and cause the extinction of some valuable fish. It may also result in inadequate water supply in the lower reaches so that fields lack irrigation.

To take another example, if we indiscriminately reclaim land from lakes to grow more grain but the climate becomes drier, this can still cause a decline in production in fields over a wide area, including the fields around the lake. At the same time, the lake's ability to resist drought and flood may also be reduced. Moreover, the fishery resources and reeds used for making paper may also cease to exist. Many examples of this sort of problem can be cited.

Hence, there should be coordinated investigation into environmental protection and an overall plan should be devised. But now, the fact is that the whole body of our natural environment has been cut up and mined. The different production departments and the different districts consider only their own interests when utilizing natural resources. They care only about exploitation but not about protection, stress development but neglect management and they only get what they want without considering the situation as a whole or long-term benefits. Their views are partial and short-sighted. They do not adopt a scientific attitude towards the state's valuable resources and cause serious destruction of the country's natural environment. This has and will continue to cause heavy losses to industrial and agricultural production. Because of the continuous development of production, we may expect greater and more permanent changes in our environment accompanied by a much greater demand for natural resources. Hence, how to reasonably exploit our natural resources to the greatest extent is a very important topic which should be discussed during the process of modernization. For those resources which can be replenished, protection and reproduction are the bases of exploitation. The rate of consumption should be smaller than the rate of replenishment. Only this can insure that the resources will increase in quantity and improve in quality. Otherwise, we are 'draining the pond for fish' and causing damage even to our descendents. Our state has plans for management of the economy. The present damage to resources shows that there is a serious imbalance between the consumption of resources and the protection and management of them. During the present period of adjustment, this issue should receive serious attention. We should lay off renewable resources and give them the opportunity to flourish and recuperate. Those that cannot be replenished should be exploited with coordination among the different departments and also be put under scientific management. Therefore, to strengthen the protection of our natural environment is an urgent task during the present process of economic development. Our suggestions are as follows:

1. Under the leadership of the Central Government, the different departments responsible for planning should set up practical rules to protect, replenish (in the case of renewable resources) and enrich our natural resources. The departments concerned with development and consumption should at the same time have appropriate plans for the protection and rational utilization of natural resources. Environmental protection departments should participate in the formulation of rules and plans.

2. Each production department should set up and strengthen organs for the protection and management of resources. At present, in many departments and headquarters, the above task is only looked after by small sections with only executive power. Some departments do not even have anybody who is responsible for this task. Departments such as forestry, animal husbandry, agriculture, marine production, coal mining and metallurgy should each be responsible for the protection of forest, grassland, farmland, marine and mineral resources.

3. When carrying out the development of natural resources and constructing large-scale industrial projects, we should also evaluate their effect on the physiological system of our natural environment. Large-scale projects such as the building of the Three Gorges Reservoir, the direction of water

from south to north, and the development of the Three River Plain will have an enormous influence on our natural environment. In order to predict and control such influence, it is of vital importance to begin evaluation work on the quality of our environment. This will also enable us to remedy any possible damage to our natural development.

4. When a question concerns many departments, when it has a great effect on our natural environment and where there is no unified and powerful management department in charge, it should be brought under the control of the Environmental Management Department which should adopt an active role. Questions concerning soil, water and wildlife and the setting up of national conservation areas are some examples. The reasons are: 1) The production departments, though they should play the dual role of exploitation and protection of resources, tend to care only for the former, and neglect the latter. They do not realize that protection is for the sake of prolonged exploitation. They usually do not comprehend the serious consequences of continuous damage to our environment caused by inappropriate exploitation of resources. 2) Interfering with the physiological cycle will affect many departments and may cause imbalance and maladjustment in the production department. Take land as an example. The Agriculture and Plowing Department blindly clears forests and grassland. This may lead to bad windstorms and serious soil erosion. This will affect agriculture, forestry, animal husbandry, water supply and transportation. Projects undertaken by transportation, industry and other basic construction may unreasonably occupy land, thus affecting agriculture, city planning, transportation and industry and other departments concerned. To reclaim arable land from the lake will damage marine resources and reduce the water surface area. This will involve the Marine Product and Water Supply Department. Because of that, rational exploitation of land resources concerns many departments. Hence, it needs coordination in both professional knowledge and scientific management techniques. 3) The Environmental Protection Department should act as an organ for organization, coordination and balance among the different departments. It treats the environment as an entity and considers the different aspects that can influence the natural environment. We should begin with the question of appropriate exploitation of natural resources, and carry on the positive task of maintaining the equilibrium of the physiological cycle. Only thus can we achieve the aims of protecting our environment, prolonging the life of our natural resources and fully developing the national economy.

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DISCUSSION ON TURNING BUREAUCRATS INTO MANAGERS

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[Article by Wan Xiang [1360 6763]: "From Bureaucrat to Manager"]

[Text] (I)

In order to speed up the tempo in realizing the four modernizations, important reforms are being progressively carried out in the economic management system in our country. The key problem in the reforms is still the transformation of people. That is to say, the kind of bureaucratic leadership in the past must be discarded. It must be exchanged for modern leadership by managers. Therefore, I wish to air my personal views on this problem.

The word bureaucrat is not a bad word in several foreign languages. It generally refers to government administrative personnel. Before the 19th century the word was broadly used. In the early 20th century, it had both a commendatory and a derogatory connotation. After World War II, the derogatory connotation superceded the commendatory one, but the commendatory sense was still retained. For example, in the West and Japan, to call someone a bureaucrat was not necessarily derogatory. It merely showed his status.

From the viewpoint of Western politics, bureaucrats are indispensable in any country. What counts is whether they are good or bad and whether they practice bureaucracy or genuinely do their own jobs in the interests of the country. We have recently done some study into the history of the modernization of several countries such as Japan and the Soviet Union and discovered that when they started their modernization, the number of bureaucrats was insufficient and had to be supplemented.

Let us take Japan for example. During the Meiji Restoration, the chief bureaucrats were drawn from the samurai. At that time, there were only 10,000 or so samurai. They were in fact ruling bureaucrats replacing feudal lords. By the time Japan started its modernization, the number of bureaucrats was insufficient. So a large number of minor feudal lords were recruited as bureaucrats. Thus, the stratum of bureaucrats increased from 10,000 people to 40,000 and then 50,000. The development of the modernization of Japan depended on these people. At the same time, Japan took some new measures to train a new stratum of bureaucrats. This shows that in the division of work in society, the profession of bureaucrats exists. In the early stage of the course of modernization, this profession is indispensable. Later on, Japan gradually discovered that the strata of samurai, minor feudal lords and small gentry could not completely meet the needs of the development of modernization. Although new bureaucrats were being trained, there were still not enough. Japan was a capitalist society. If the enterprises were not run properly, it was bound to come to grief. This forced the bureaucrats and samurai to remold themselves conscientiously and turn themselves into better bureaucrats to lead modernized enterprises. It was because of this that Japan's capitalism at that time was strongly tainted with feudalism.

Besides, Japan at that time exercised an imperial policy and forcibly took over the markets in Korea, Taiwan, Southeast Asia and the greater part of the Chinese mainland. Even though the products they produced were not good, they could still resort to military and political measures to pursue their economic and trading policies in order to stimulate domestic economic development. Therefore, although Japan's bureaucrats were no good, they were still able to complete the modernization at that time.

After World War II, the American army occupied Japan. The American occupation administration took many measures such as carrying out land reform on a large scale, disbanding financial magnates and introducing the Western democratic system to weaken the imperial system acting in concert with the Japanese feudal system. This greatly reduced the feudal characteristics of Japan's capitalist system, enhancing the rapid development of Japan's capitalism. Simultaneously, the American occupation administration also took measures to reform the semifeudal bureaucrats in Japan, especially to dismiss all important managing staff in enterprises who were connected with old financial magnates. Large numbers of intellectuals returned from Europe and America, and petty intellectuals were substituted in place of the former feudal and semifeudal management personnel. After passing through a reform period of almost 30 years after the war, the present management personnel in Japan can be said to have been modernized. This accounts for the rapidity with which Japan's economic modernization is developing at present.

The modernization of the Soviet Union started in Lenin's time. It also found that there were not enough leaders, so some intellectuals and managing personnel of the czar's time had to be reinstated to lead the economic construction of the whole country. But at that time Lenin had already noticed the development of bureaucratism and hated it bitterly. Four or five years before his death, he continuously mentioned, in each of his articles concerning the economy, the necessity of guarding against bureaucratism. The modernization being carried out in the Soviet Union at that time adopted the capitalist method of large-scale production in enterprises and adopted the management methods of the capitalist Taylor system [Frederick Winslow Taylor (1856-1915), Pennsylvania and New Hampshire-educated inventor and engineer known as father of modern economic management] in the management of workers, but everything was controlled by central government planning. This could not but increase the number of bureaucrats. Even during the time of Lenin, the number of bureaucrats grew very fast. Lenin saw that it was very dangerous to let bureaucratism proliferate like that without controlling it. Therefore, it was mentioned in many articles that bureaucratism should be opposed, the bureaucratic system should be changed and this should be done when the time was ripe. After Stalin succeeded Lenin, he did not act according to Lenin's desire in his life time. It turned out that the number of bureaucrats grew even larger and the bureaucratic system was even further consolidated. Nowadays, the number of people in the industrial bureaucrat group controlled by the Soviet Union amounts to about 600,000. If the military and administrative bureaucrats are added, the number is even greater.

Another big problem in the Soviet Union is the problem of workers' rights. In Lenin's time, staff members and workers in the Soviet Union still had the right to a say in the management of the economy. In Stalin's time, the system of one-man leadership was practiced, turning rule over the economy into something like a pyramid. The workers' right to speak gradually diminished and now they are practically without any right to speak. In Lenin's time, great importance was attached to the function of supervision of staff members and workers' congresses. In Stalin's time, the power of staff members and workers' congresses diminished. After the 1930's, the workers were practically deprived of the right to speak and the right of supervision from below disappeared.

In comparing the bureaucratic systems of Japan and the Soviet Union, we can see that the way of developing bureaucrats in the Soviet Union was quite different from that in Japan. After the protracted rule of the American army of occupation, the new bureaucrats managing the economy in Japan were attuned to the demands of the development of a capitalist economy. Whereas, in the Soviet Union, neother a comparatively good and effective format for the development of the socialist economy was established nor did a great number of administrative and management personnel really au fait with the demands of the development of a socialist economy emerge, that is to say, a new stratum of bureaucrats for the management of a socialist economy. Therefore, the economic development of the Soviet Union could only stagnate.

Over the past 20 years, the Soviet Union has discovered the seriousness of this problem and is carrying out some reforms. But these reforms have been fettered by dogmatism. To date, no fundamental changes have taken place. The system is still the one established in Stalin's time, in which bureaucrats control the economic life. Its method of administration and management is still the old method of administration and management of issuing administrative orders and is not carried out by using various kinds of economic levers to guide the development of the economy. In the Soviet Union, there is a faction of people who have some new ideas. They think that their set of centralized state power and control by administrative decree is still correct. What should be done is simply to employ more of the new discoveries in science and technology like computers to help improve the centralized controls. They consider that not only should centralized control not be weakened, but also that a computer network should be built throughout the country capable of quickly collecting and analyzing the situation throughout the country so as to perfect the policy of centralized control.

From the above comparison, it can be seen that Japan is progressively turning its bureaucrats into managers of enterprises and establishments, but that the Soviet Union wants to employ computers to strengthen bureaucratic centralized control. Evidently, the method of the Soviet Union will not succeed. Its economic stagnation will continue.

(II)

Let us talk about China. The bureaucratic system of economic management in China is the worst and the most backward in the world. I think there are subjective and objective reasons. The subjective reason is the human factor and the objective reason is a question of system.

Let us first talk about the subjective reason: First, the great majority of the chief persons managing enterprises are laymen. According to an investigation made by the Liaoning economic committee, only about 20 percent of the people in the leading groups of the provincial industry and communications enterprises understand their professions. Even in Anshan which has a better foundation in enterprise management, expert leaders make up only about 30 percent of the members of the leading groups. The No 1 Machinery and Electricity Bureau of Shanghai has investigated 2,000 production management cadres in 64 key enterprises, of them only 16 persons are university and college graduates, that is to say, only 16 persons know some theory and have practical experience, amounting to 0.8 percent. The No 1 Machinery Department has investigated 249 key enterprises and has obtained statistics of cadres at factory level in more than 2,400 factories. Among them factory directors with primary and junior middle school education amount to 64.3 percent. Factory directors with senior middle school and college levels amount to 21.4 percent. Factory directors with a university level of education amount to 14.3 percent. The great majority of leading cadres in enterprises like these, including those with a university level of education, have not made a systematic study of enterprise management. They do not understand modern scientific management. Some even lack basic professional knowledge. Shanghai and Liaoning are two of the most solid industrial foundations in our country. If this is what the level of management personnel is like there, we can well imagine what it must be like elsewhere. This situation is evidently the direct, disastrous effect of the erroneous theory of "laymen all along leading experts" over the past 20 years or more, which resorted to lame arguments. It should definitely not be allowed to continue.

Second, as far as the chief management personnel themselves are concerned, they are chief management personnel of enterprises but they do not devote time and energy to learning the relevant professional knowledge and knowledge of management techniques. They rely entirely on their past experience of being senior officers and leading cadres to "command" (but not to manage) economic construction. Some senior officers are good at carrying on political movements while others are accustomed to compelling others to act recklessly. When they come to new posts they do not reeducate themselves and do not change themselves from laymen into experts. Their way of thinking and working methods are the same old stuff. They do not calculate economic costs, do not care about economic results and do not give consideration to normal production order. They frequently use "putting politics in command," "doing political accounts" and "paying some school fees is truly fair and reasonable" and so on to defend their actions. They mechanically use political movements with a terrific din and mass campaigns regardless of manpower and materials in administering and managing economic undertakings, labeling them as "advanced" and "following the mass line." How can they avoid making mistakes? Incidents like "Bohai No 2" are by no means accidental and are not rare.

Third, they do not study, do not read newspapers and are completely divorced from reality. Although they have been involved in economic work for many years, they are still laymen in economic policies and economic decrees. Some have been factory directors and managers for many years. To this day, they cannot explain clearly what the eight specific economic targets are. These comrades are content to rest on their laurels, looking upon enterprises--such important economic undertakings of the country--as places for drawing official salaries and for enjoyment. They do not care about enterprises losing money, nor are they distressed by waste in production and construction. They drift along aimlessly relying entirely on their being old-timers. Formalism is very serious and extravagance and waste are also very serious. Rules and regulations are only followed mechanically.

Fourth, ideologically speaking, they care first and foremost about not losing their official positions. They pay attention only to what their superiors think of them, but they never care about the situation of the market. They do not pay attention to the variety, specifications or quality of the products. They disregard the question of profit in their factories. They simply use "fulfilling plans" and words like "overfulfilling plans" to protect themselves. They even make false reports. Such is the case in industrial enterprises and it is the same in agriculture. For example in Xiyang, they made false reports to win the praise of their superiors so that they themselves could be promoted and make a fortune. They completely neglected the livelihood of the masses of the people and never considered economic efficiency.

Fifth, they put fear before everything. No matter what the matter may be, they ask for instructions and make reports. They kick problems to be solved back and forth like a ball, without any ideas or thoughts of their own. A most typical example is the event of the Xian ball factory exposed by the press. They never make decisions on any problems but await the ideas of their superiors. They do not even handle matters which are within their functions and powers but submit them to the party committees for discussion. They fail completely to fulfill their duties as managers. Here we are not ready to mention other problems like the dilatory style of work, red tape and so forth.

(III)

Now let us talk about the objective reason. This is the problem of the economic management system.

First, government administration is not separated from enterprises and communes. The party is not separated from enterprises and communes. This then turns enterprises and communes, which are economic units, into appendages of party and government organs. Our country's economic system has been shifting back and forth from "stripes" leadership to "patches" leadership. It has never changed its nature of enterprises being under the leadership of government administrative organs. "Stripes" refers to the administrative leadership of central leading organs and "patches" refers to leadership of local government administrative organs over enterprises. At present, everybody is still talking about "combining government administration and people's communes," and the phenomenon of schools and factories "running society" has not yet been removed. Of course, it is difficult to have it removed at one stroke, but the problem must be solved in this direction. The outcome of investing administrative organizations with the power to administer powerless economic organizations is bound to be that whole sets of methods adopted by government administrative organs will permeate into enterprises giving rise to "official factories," "official commerce" and "official agriculture" and so on.

Second, whether the system of factory directors assuming responsibility is good or not should be studied seriously. I consider the system a great hindrance to the development of our enterprises. The leader is a nonprofessional. He has power but he is not able to assume responsibility, and those who actually shoulder the responsibility are without power. With the so-called factory directors assuming the responsibility under the factory party committee, nobody can work well and nobody carries on the work. The outcome is that the party does not lead properly and the enterprises do not lead properly. It is high time that this system of factory directors assuming the responsibility under the leadership of the party committee was changed.

Third, the highly centralized planned management system deprives enterprises of the right to decide for themselves, binds leaders of enterprises hand and foot and stifles their initiative and creative spirit. In production, enterprises have to fulfill or overfulfill production plans assigned by the government. Leaders of enterprises hold themselves responsible only to plans from upper levels but not to factories, users or society. Whether things produced meet the needs of society or not does not concern enterprises and enterprises do not care. Such a system gives rise to the following. There may be 19 million tons of steel goods in store, but it is impossible to buy steel goods badly needed by society, and a large amount of foreign exchange has to be spent in importing steel goods each year. In the distribution of goods and materials, the state adopts the method of monopolizing purchase and marketing. Enterprises have not the slightest decisionmaking powers in handling goods and materials. All materials needed for production by enterprises are distributed by the state. No matter how unsuitable they may be, the enterprises have no choice. All commodity goods and materials produced are taken away by commercial departments. A steel plant even has to apply to goods and materials departments for steel products needed for its maintenance. Such a rigid system of distributing goods and materials, in which production is divorced from necessity and enterprises are divorced from marketing, not only causes great losses to our country's economy but also results in leaders of enterprises showing no interest at all in the results of management activities. Usually a manager should be responsible for two main things: one is management and the other is administration. Nowadays a manager never worries whether his products can be sold. In the absence of competition, it is not necessary to carry out market investigation and market forecasts. Neither is it necessary to decide important matters and study the development of new products in accordance with the needs of the market. In this way, the national economy is without vigor and enterprises are without vigor. In finance, we practice state monopoly of revenue and expenditure. This brings a lot of problems in our economic activities. They are: 1) Enterprises are without certain rights of financial expenditure and cannot develop themselves with their own efforts. They cannot develop new products by making use of or acting according to, market demands. This causes enterprises to lose their vigor. 2) Enterprises lack the financial capacity to encourage staff members and workers who have made contributions to the production and management activities of the enterprises. It is difficult to implement or consolidate the principle of working more and receiving more. It is difficult to give play to the enthusiasm of the broad masses of staff members and workers. 3) All profits are turned over to the higher authorities and the government subsidizes losses. There is no significance to whether an enterprise does well or not. This causes leaders of enterprises to lose the spirit of forging ahead to run their enterprises well. Since enterprises lack the internal motive force to run production properly, production cannot be developed rapidly and difficulties in financial sources emerge. Enterprise losses are a rather common phenomenon in our country. In foreign countries, if an enterprise is not managed properly, it is closed. However, the reason why no enterprises are closed in our country is because artificial support is given them. In foreign trade, we monopolize all imports and exports. Enterprises do not know what is needed on the international market, and do not know quotations there. They receive no information about advanced technology. They are in a state of complete isolation from the world. It is impossible for an enterprise without internal motive force and external pressure to improve its products and to raise the competitiveness of its products on the international market. In enterprises without external pressure of competition, without internal motive force to run the enterprises well, and without the right to decide for themselves, it is very difficult to train large numbers of management personnel. As some comrades have pointed out, even the very best enterprise management personnel cannot give play to their wisdom in China's enterprises, nor can they run them well; and the worst and useless enterprise leaders can live in ease and comfort there.

Fourth, the cadre management system also quickens the government administrative character of enterprise leadership groups. In allocating leading cadres to enterprises, whether they are experts or not is not considered as the fundamental criterion. Seniority is arranged according to records of service. If one is at a certain level, one is destined to be a leader at that level. A newly demobilized deputy regimental commander who had never worked in industrial or commercial enterprises before was assigned to a machinery factory in Shanghai with over 3,000 employees. The only reason for doing so was because his record of service placed him at that level. This equates economic work with work in the army and government administrative work. All cadres are state officials. They are at a certain level and they are appointed as officials at that level, regardless of the necessary criteria for enterprise management personnel. Since the systems of appointment used for enterprise management personnel and government administrative personnel are similar, a great deal of government administrative cadres are assigned to assume a leading role in enterprises. In enterprise leadership groups in our country, the ratio of lay cadres sent from the army, and from central or local government administrative units is very high. Naturally, the ways and methods used for government administration are brought to enterprises and things going against the laws of economics are bound to happen. Since enterprises are entitled to the same level as government administrative departments, leaders in some enterprises try hard to show off in accordance with the government administrative level by making their factories look more extravagant and grander. The phenomenon of enterprises being overstaffed has much to do with this. Furthermore, the erroneous guiding idea of "laymen all along leading experts" and frequent political movements prevent leading personnel in enterprises from trying conscientiously to turn themselves into experts. Under certain historical conditions, it is permissible and possible for "laymen to lead experts" but it is wrong to say "all along" it has been done.

Fifth, there is little democracy in factories. It is impossible to run and manage enterprises well without democracy. To be a good manager, self-motivation is needed, and at the same time, there must be supervision from below. Even in the Western countries, the enterprise workers' right to have a say is stressed in varying degrees. In countries with comparatively well-developed economies like Sweden, West Germany and Japan, the workers participate in the management or they have a considerable say. The slogan of "two participations, one reform, and three cooperations [cadre participation in productive labor and worker participation in management; reform of irrational and outmoded rules and regulations; close cooperation among workers, cadres and technicians] was originally put forth by Comrade Mao Zedong, but we have not implemented it properly. It was taken to Japan and has been realized to a certain extent in enterprises there.

(iv)

The combined action of the subjective and objective factors mentioned above has reduced our entire economy to a state of rigidity. An American economist, after comparing the existing socialism with capitalism, made some remarks which are worth serious consideration. He said, "People in socialist countries say that the capitalist system will inevitably perish. This may be right. But I think it will not perish immediately. On the contrary, it will still develop to a certain extent. The main reason is that its cells are still alive and have vitality. These cells are our enterprises. They have vigor and competitive power and can weather storms. People go on and on about how wonderful the socialist system is. However, from the Soviet Union to China, I have discovered that your cells--enterprises--are rigid, without vigor and unable to withstand competition. This does not seem good because it cannot withstand a storm." Another American economist who has been in China said, "The equipment in China's factories is not bad. If the management methods in factories are changed properly, and the mental attitude of the workers and especially that of the enterprise management personnel are changed, the potential of the factories will be more realizable. At present, your enterprises lack vigor and are too constrained by rules and regulations. In addition, they are managed by people who are unable to adapt to the competitive situation in the world today, cannot adapt to the tremendous changes taking place on a global scale and cannot give play to the superiority of socialism. The reform of the economic management system must start here." One of our cells is the countryside and the other is the enterprises. Now we must adopt various methods to enliven them. Otherwise the reform of the economic system is hopeless.

How can we attain this? Personally, I think five changes should be made:

1. Enterprises must be changed from a pure production pattern to a managed production pattern. In the past, production was the only thing an enterprise did. It never concerned itself with the purpose of production. If an enterprise produces purely for the sake of production, it will easily become ossified. If production is changed to a managed pattern, a thoroughgoing change will immediately take place in our enterprises. We must have production of a managed pattern, must continuously improve our products and must study and strive for economic results. It will not do if we simply produce several big steel ingots and put them on display when we are asked by the government to produce a certain amount of steel. We must carry out production to manage and develop the economic cause of the whole country and to develop our own undertakings. Only in this way can we continuously set new demands for enterprise management personnel and force them to take a new attitude toward production and to adopt new methods of organizing production. This will also force them to pay attention to changes on market and to learn to compete.

2. Enterprises must be changed from units which merely carry out orders into units which make their own decisions. In the past, plans were decrees and everything had to be done according to plans. This left loopholes for people to exploit. If you asked me to produce a certain amount of steel, I would produce that amount of steel ingots. Whether they were needed or not I did not care. Anyhow, in quantity, the plan was fulfilled. Enterprises cannot just carry out orders. Changes are also needed in our planning system. Plans can only be for reference. They can never be decrees. Enterprises should be allowed to make their own policies under the guidance of the state plan. This change is very important. It requires enterprise management personnel not only to possess common management knowledge but to be able to

make a concise assessment of the market situation and to formulate correct policies. This actually places the prospects for development of an enterprise on the shoulders of the manager and not on the state plan. The state can only guide and cannot look upon enterprises merely as organs to carry out its orders.

3. Enterprises must be changed from organs without internal or external pressure into organs with internal and external pressure. Internal pressure is to link the good or bad management of an enterprise closely with the direct interests (such as wages and bonuses) of the staff members and workers. Then there will be internal motivation. On the basis of democratic management, everyone will try their best to run the enterprise well. Externally, there must be competition. Competition is the outside pressure. Without some pressure, things cannot be done well. Pressure pushes undertakings ahead.

4. The present command pattern for the economy (where everything is done according to instructions from above) must be changed for a democratic pattern. The personnel relations in modern enterprises are more complicated than ever before. Whether production is handled well, whether it is increasing and whether relations are coordinated well or badly are all extremely complicated. They require the manager of an enterprise to do a good job of organization. While visiting the United States and Japan, I felt that really big enterprises (big and complete) were rare. In most cases there were numerous medium and small enterprises surrounding a big one and serving it. Why do they pay attention to these medium and small factories? They said that medium and small factories have many advantages: 1) The flexibility of medium and small factories is great. They can be changed as their products are continuously improved. The cycle is short and the expenses small. Products can be frequently updated. This helps in competition. 2) Medium and small factories involve less risk and the capital can be used more freely. 3) Here many technical tests can be carried out to expedite the emergence of new techniques. 4) It is easier to handle personnel relations. The factories are smaller and there are fewer people. Managers and workers get along well. We have set up so many big and complete factories in our country. It is better to have more medium and small enterprises and at the same time to handle properly the relation between specialized trades and coordination.

5. The situation of ignoring science and technology and ignoring knowledge must be changed into a situation of attaching importance to knowledge and technology. Enterprises must be gradually changed from the labor-intensive pattern to the technology-intensive pattern. Some foreigners who have visited China say that our machines and equipment are not bad, but, of course, there is still room for improvement. At present, how to give full play to the efficiency of them is not just a problem of utilizing them but also a problem of fully mobilizing people's enthusiasm and initiative to give full play to the efficiency of the machinery. It is a world tendency to change enterprises from the labor-intensive pattern to the knowledge-intensive pattern. In this way our managers can no longer ignore science and technology or ignore knowledge, but have to increase their knowledge before they are qualified to be managers and are able to adapt to the developments of our time.

Only if the above five changes are put into effect in our enterprises can our present bureaucrats be changed into managers. Of course, I mean good bureaucrats with a strong enterprising spirit. As long as they have the inclination to do something and the environments for them to do such a thing is objectively provided, and as long as they work in a thoroughgoing manner in the direction of the five changes, I believe a great number of our comrades can be changed from bureaucrats into managers.

(V)

What are the criteria for a manager of a socialist enterprise? My personal view is that he must at least possess the following points:

1. He must have a strong, revolutionary and enterprising spirit, love his own job and be willing to devote himself to the four modernizations. As a manager, he must be eager to forge ahead, be content with his own job, wise and able to make good judgment, strive for high efficiency in his work and actively push his enterprise forward. He must be able to make full use of objective conditions to change the production conditions of the enterprise in order to create more wealth for the socialist society. This enterprising spirit includes the spirit to learn modestly. He neither relies on the authority of his superior in his work, nor does he take his cue from his superior, but he actively carries out the state plan according to the guidance of the state plan.

2. He must be highly capable of carrying out organizational and leadership work, and must have acute powers of judgment. He must be able to utilize his capacity of logical thinking to systematically analyze the cause and effect of each matter. He must carefully observe the situation of the market economy. He must keep abreast of technical and economic information. must be able to deduce regular developments from it and must be able to make correct judgment and policies. While reforms are being carried out in our economic system, the production in enterprises must not only suit the ever-changing needs of the domestic market but must also suit the needs of the international market. Management personnel must be ideologically prepared to adapt to change, must be capable of adapting to change and must set up scientific research organizations in enterprises and institutes for adapting the enterprises to the changes. They must link up internal production with scientific research and must adjust manpower, material resources and financial resources on a timely basis according to market fluctuations so as to produce products badly needed on the market. He must also be able to organize the enterprise to carry out management activities. The manager of a big enterprise must be broadminded. He must possess both national and international management knowledge. Proceeding from a broad scope, he must effectively organize and lead the work of market surveying and forecasting, and the work of formulating administration and management policy. He must also be able to launch a comprehensive technical service and collection of data to improve the products, and to continuously raise the competitiveness of the products at home and abroad. One very important point also included in the ability to conduct organizational work is to practice democracy within enterprises.

Shortly after liberation, great importance was attached to staff members and workers' representative rallies, but later on they were gradually overlooked. Democracy within enterprises is very important. It can make staff members and workers feel that they are members of the enterprises and inspire them to dedicate their lives to the enterprises. The manager of an enterprise should know how to rely on the masses of the people and mobilize them to run the enterprise well. Besides the motivation of material interest, there must also be the guarantee of democracy in politics.

3. He must have profound knowledge and also have knowledge and experience of special trades, that is, he must be an expert in his profession. This is also related to our educational system. I always think that in our educational system, the training of our students in basic knowledge is too poor, and the courses are divided too early and too narrowly. A student after his graduation knows something about the subject he has majored in but knows nothing about anything that goes slightly beyond that. Social science has the same problem. In my contacts with foreign specialists, I have discovered that their basic knowledge is broader and the foundation of knowledge in colleges and high schools is more solid. A manager must have broad knowledge before he can become a man of wide experience and can handle all kinds of concrete problems.

Bureaucrats exercise power from above, but managers depend on their ability and not on power and influence in leading work. Bureaucrats are satisfied with not breaking the law but managers must do everything possible to develop their enterprises. There are great differences between government organs and enterprises. Government administrative functionaries are not the same as management personnel either. If we are to create a course conforming to a Chinese pattern and to enliven our economy, the present method of government administration will not do. If the right of deciding for themselves is extended to the reformation of the system of organization in enterprises, and the state gives guidance to enterprises at the same time, our enterprises can then be developed. In short, turning bureaucrats into managers has become a very important problem at present. And at present, we do not have enough management personnel. Therefore, on the one hand, we must help the existing management personnel to study harder of their own accord and to remold themselves. On the other hand, the party and the government must hasten to take educational measures in training with great efforts, new and young administrative and management personnel. Furthermore, comrades who are doing economic work and those who are not doing economic work, all need to remold themselves and to conscientiously study harder to gain knowledge in current economic management and in modern management. Institutes for acquiring knowledge in economic management must be established and new, outstanding economic management personnel must be trained. The general aim is nothing more than the enlivenment of the cells in China's rural areas and enterprises through modern economic management personnel. Only in this way can the superiority of socialism be given full play and modernization among Chinese lines be realized.

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ECONOMIC JOURNAL DISCUSSES INTEGRATION, COMPETITION

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[Article by Ma Hong [7456 3163]: "Integration and Competition in the Socialist Economy (II)"]

[Text] (II)

Competition in the Socialist Economy Has Begun To Show Its Vitality

Integration in the socialist economy can be easily understood by most people. But many are skeptical about competition in socialist economy. There even exists various obstacles to competition. Although competition has met with various obstacles in practice and competitive activities have only recently begun, the situations in many places show that competition plays an active role in our economic activities, and it has demonstrated its vitality.

Competition will help enterprises to produce what is needed in market and overcome the defects of making products that are not needed and of the supply that is divorced from demands. It will force enterprises that are making unsalable products to turn to producing products that are in short supply in the market so that these enterprises will be able to readjust their production quickly to become competitive.

Competition will help enterprises improve economic management, strengthen economic accounting and increase economic results. Through comparison in quality, prices, salability and services in the market, enterprises will strengthen their economic management, improve quality, lower costs and increase profits for the interest of the state, their customers and themselves.

Competition will help enterprises to step up research work, develop new technology, invent new products and constantly increase varieties of their products to enliven the market and meet people's various needs.

It will also help enterprises take the road of coordination and integration and increase labor productivity. Some enterprises, particularly small enterprises with limited conditions and a weak competitive position urgently need specialization and coordination in production. They even demand integration so as to strengthen their competitive position. It is justifiable when some people said that competition is the catalyst for promoting integration among enterprises.

Why Is Competition Necessary in the Socialist System?

Socialist economy is commodity economy under the influence of the law of value. Therefore, basically it needs competition in order to fully display the role of the law of value and promote competition.

Under the condition of commodity production, the role of the law of value is mainly shown in the following two aspects: First, it improves labor productivity. That is to say, it lessens socially needed labor time that is required to produce per unit products. Second, it helps various departments to rationally distribute the labor force and readjust the relations between production and demand. But such role can only be displayed through competition. Experiences in our country and abroad prove that if we prohibit competition and rely solely on readjustment by the planning departments, then we are unlikely to utilize the role of the law of value.

Competition in commodity economy includes competition among producers of commodities (major competition), competition among buyers and competition between producers and buyers of commodities. These three forms of competition have one thing in common, that is commodity prices which are decided by socially needed labor time. Marx said that "different individual values must be averaged into a social value, that is, the above-mentioned market value. Therefore, competition among producers of the same commodities are needed. In addition, a market is needed for the producers to sell their commodities." ("Collected Works by Marx and Engels," Vol 25, pp 201-202) Engels also said: "The role of the law of value in the production of commodities can be implemented and the value of commodities can also be decided by socially needed labor time through fluctuations in competition and fluctuations in the prices of commodities." ("Collected Works by Marx and Engels," Vol 21, p 215) Thus, it is apparent that with competition, the law of value will be able to play its role to help enterprises continually improve labor productivity.

It is because of competition that the law of value helps various production departments rationally distribute the labor force. Engels said the law of value means that supply and demand constantly adapt to each other. Competition causes fluctuations of prices and adjusts production. When prices increase it means that social demand is increasing and production will consequently be increased. Decreases in prices means that social demand in decreasing and production will consequently be affected. Should competition be banned, the law of value will not be able to automatically adjust production. To prohibit competition actually means to hinder the production of commodities and to prevent the law of value from playing its role.

Competition was not allowed in the past when we were following traditional Soviet theory. This theory bans competition and takes the view which regards socialist economy as similar to the natural or seminatural economy of feudal society. Following the revolution, commodity production was considered to no longer exist in the Soviet Union. It was then suggested that commodity production be abolished and military communism be set up. Such view in fact regards socialist economy as natural economy. Stalin later acknowledged that commodity production still exists in socialist society. But on the other hand, he said that the means of production are not commodities and that the role of the law of value is to affect and not to adjust. In fact, such an assertion regards socialist economy as seminatural economy. Practice proved that this assertion does not accord with the law of the development of socialist economy and consequently it can in no way promote the economy.

The majority of the economists and the economic theoretical circles in our country after conducting studies and research and summing up experiences and lessons in our country have acknowledged that the socialist economy is commodity economy. According to their view, both the means of livelihood and the means of production are all commodities and the relations between the ownership by the "whole people" and that of the "collective" and the relations within the "whole people" are all relations concerning commodities. They also hold that the law of value has its role to affect and to adjust and that this law has been used in economic activities. But such views cannot be said to be major progress either in practice or theory. It is natural that some comrades do not agree with such views because of the economic situation in our country. Owing to our backward productivity, our commodity economy is still very weak and it is largely composed of natural economy. Consequently, it is often that people easily hold the view of natural economy and use it in studying and handling problems. Therefore, it is understandable that people hold different views toward developing commodity economy and launching competition. This problem can be solved through investigations, studies and practice.

In short, in order to step up socialist construction it is imperative to develop commodity economy in a big way. But to do this, we must launch competition; otherwise it is impossible to combine planning adjustment and market adjustment as well as to step up the development of our economy.

The Difference Between Socialist Competition and Capitalist Competition

Both socialist competition and capitalist competition have their own roles in promoting labor productivity of enterprises and enabling various production departments to rationally distribute the labor force. But competition has a negative role that cannot be avoided in capitalist society. However, in socialist society we can prevent and overcome this negative role because competition in our country is carried out under public ownership and planned economy while competition in capitalist countries is carried out under capitalist ownership that is coupled with anarchic production.

The competition in socialist economy differs in nature with that in capitalist economy in many aspects.

The participants in competition differ. In capitalist countries it is private enterprises that are taking part in competition. They are carrying out a life and death struggle. But the competition in socialist society is carried out by all enterprises under public ownership. There exists competition among these enterprises but such contradictions are based on a common goal of developing socialist undertakings.

The aims of competition differ. Capitalist competition is carried out for the purpose of making maximum private profits. The aim of socialist competition is also shown in profits, but the ultimate aim of seeking profits is to develop social productivity and on this basis to improve people's material and culture lives.

The methods of competition differ. In capitalist competition, people resort to every means, including fraud, deception, tricks and creating scandals. But socialist competition can only be carried out under socialist principles. All enterprises can strengthen their competitive position only through improving management, carrying out technical renovations and improving labor productivity.

Restrictions in competition differ. In any social system, competition is restricted to some extent. Capitalist competition is mainly restricted by monopoly capital. Socialist competition is mainly restricted by state planning and the spheres of commodities (such as labor force and land that are not considered as commodities).

The results of competition differ. In capitalist competition, some people will win and become rich while some others will fail, go bankrupt and even lose their lives, only to enhance the contradictions of capitalist society. In socialist competition, the winners will get more economic interest but none will become rich immediately. Some enterprises will consequently be eliminated in socialist competition, but the staff of such enterprises will be taken care of properly. Socialist competition will result in higher social productivity and in developing the socialist economy.

It is because of capitalist ownership that capitalist competition is anarchic. In our country, competition is related with state planning because of the socialist public ownership. Competition in our country is carried out under unified state planning to avoid anarchy in production and market and to overcome the negative role of the competition itself.

How To Protect Competition

Under the current management system, our enterprises still do not have enough necessary autonomy, therefore competition is still restricted in many aspects. For example, in some places, markets are blockaded and no products from other places are allowed to enter; the relations of supply and marketing are forcibly formed and prices are forcibly fixed. Therefore, various measures must be taken to open up the way for competition. The measures that merit consideration are as follows:

The autonomy of enterprises must still be expanded. Competition can be motivated only when enterprises have necessary autonomy and business achievements are linked with economic interest. At present, enterprises only have very limited management autonomy and this is not helpful in launching competition. There are only a few enterprises that are experimenting on profits retention while the autonomy of most enterprises is yet to be expanded. The enterprises that are conducting experiments also have very limited autonomy in many aspects. The State Council has decided that beginning next year, all state enterprises will have their autonomy expanded through profits retention. The enterprises that are conducting experiments must have their autonomy in more aspects such as independent accounting, paying tax to the state and responsibility for their own profits and losses. This is a natural trend in the development of profits retention. Thus with these measures, enterprises will be in a position to distribute their income and to be responsible for profits and losses after they have paid various taxes and debts, including loans and the interest on them. These conditions are in fact the premise for launching competition.

Link various channels of circulation of products so as to open up markets for competition. One region may sell the commodities from or set up sales organizations in other regions and this is applicable to rural areas and urban areas. Commercial and goods enterprises may selectively purchase goods from various wholesale points or from producing areas. Factories may be combined with shops to engage in both wholesale and retail business. Goods circulation must be improved and the number of links must be lessened in number. Those production units that can directly sell their products to buyers must be allowed to do so without having to go through the various links of commercial and goods departments. The amount of the goods that are distributed through planning must be gradually reduced so that more means of production will enter the market as commodities. In line with the principle of "selecting the best, competition and integration," enterprises must be allowed to break through the limit of regions and trades and sell their products and select and purchase raw materials and equipment in other regions. More production means service companies and goods and materials sales points must be set up. More markets for displaying and selling the means of livelihood and the means of production as well as trading points must be set up so as to gradually set up various trading centers as markets for competition.

Prices for some commodities may be floated. The current management over prices is too centralized with too much unified pricing and stringent control. Thus with stringent control and unified prices it is impossible for advanced enterprises to lower prices once they decide to do so. On the other hand, backward enterprises with high production costs may take advantage of this pricing method to wrest market and raw materials from advanced enterprises that will consequently not only be unable to fully display their initiative but will also even be forced to reduce their production. It is impossible to develop competition under such situations in which price changes are prohibited. The nature of competition shows itself in quality, varieties and services and ultimately in prices. Too stringent control over prices is not in the interest of developing competition. The prices of the products with high quality and those which are exceeding demand as well as the prices of inventory goods must be allowed to fluctuate down. The products that are marketed by enterprises themselves without unified pricing by the state must be allowed to be sold according to their quality as a method of floating prices in the interior of developing competition. In principle, it can be defined that prices are allowed to drop but not to increase and the principle of less profits with more sales must be followed. This method is beneficial to customers, enterprises and the state.

Oppose blockade and monopoly. No regions and departments are allowed to blockade markets and prevent commodities from circulating normally. Any move to prevent the purchase of goods from other places on the pretext of protecting local industries is in a fact more to protect what is backward. Competition must be allowed within various economic elements and among various other elements; no monopoly is allowed. At the same time, both collective undertakings and individual undertakings must be respected.

Experiences of capitalist enterprises in setting up profits centers within a company merit studying. Lenin said that capitalist monopoly gives rise to stagnancy and decadence. In order to avoid such defects, capitalist enterprises strive to maintain competition within a company. A company may set up various business divisions as relatively independent profits centers. Such method of competition is also maintained within a group of companies.

Promote the system of economic contract. All contracts must be stringent and they must be protected by laws. Those who breached contracts must bear economic responsibility. Some projects that can be contracted are allowed to be carried out through bidding.

Encourage the advanced and support the backward. The vital economic role must be fully displayed in competition. Raw materials, fuel and electricity must first of all be delivered to those enterprises that are producing quality products with less consumption and lower costs. Bank credits must also be offered to the enterprises that are doing well. With regard to backward enterprises, the departments concerned must help them solve their problems so that they can make progress. The enterprises that are to be eliminated must be merged with other enterprises or directed to produce other products. But this work must be carried out along with economic readjustment.

Step up the work about market information. All management departments at various levels and enterprises must often investigate market demand so that they will be able to estimate market situations and improve their planning to avoid indiscriminate production.

Strengthen economic laws and regulations. In order to guarantee that competition is carried out normally and for the purpose of handling economic disputes, it is necessary to strengthen the work of legislation and administration of justice. All enterprises must observe state laws and resort to legal method in competition. They must develop their own prestige and follow business morality. Any fraud and other activities that violate laws and harm the state's and people's interests must be punished economically and legally.

The Questions That Are Yet To Be Resolved

In order to guarantee that competition is carried out healthily, it is necessary to study and solve new problems.

The question of economic confidentially. In the past, enterprises were eating out of the same big rice bowl. As a result, they did not care about profits and losses and neither did they care about the publicizing of technologies. Now as enterprises are carrying out economic accounting, profits and losses are now very important. Therefore, they are reluctant to have their technology made available to the public, but by so doing they are labeled by people as carrying out "technical blockade." Economic methods must be used in solving the problems of technical exchanges that are carried out after competition. It is also necessary to study and formulate the laws and regulations about transfer of technology and patents so that transfer of technology is compensated. The reason for such compensation is that the technical developments are innovated after study that required money and labor. The results of study cannot be possessed by others without developer being compensated. One way is for the state to purchase a patent so that other enterprises can use it, another way is a patent may be purchased by awards from technical and scientific achievements. In short, laws and regulations must be formulated to promote technical inventions and popularize new technology.

The question of prices. The current pricing system is far from being rational in many aspects and restricts the launching of competition. It is, therefore, necessary to study how, according to the need of launching competition, to readjust the system gradually and in a planned way. Enterprises must be allowed to lower prices themselves, but such an act will cause the financial departments to worry that their income may drop. This problem can be solved by levying income tax instead of handing profits over to higher authorities. Some enterprises of the same trade with a weaker competitive position also oppose lowering prices. It still remains a question of how to help such enterprises improve their competitive position.

The questions of differences between economically backward regions and advanced regions. As the economic situations of these two types of regions differ so much from each other, the conditions for their competition also differ from each other. A country may implement a policy of teriff barrier to protect its industry against other countries. But it warrants consideration whether to implement a protectionist policy within a country. Some regions in our country now have taken measures to blockade their markets. Such measures not only restrict competition but are also not in the interest of developing national economy and their own economy. To blockade markets is in fact a measure to protect the weakpoints and disadvantages of the locality itself and not to protect its advantages. Quite a number of the economists in capitalist countries now no longer agree that instituting the protectionist policy of blockading market and increasing tariff is an effective measure. The formation of Common Market in Western Europe was a measure to break down blockades. To blockade the market as a way of solving the contradictions between the backward and the advanced regions is not a clever move. One way to solve the differences between these two types of regions is to study how to help the backward regions develop their advantages. Measures may also be taken to integrate the two types of the regions in various forms so that on the basis of mutual interest the backward regions will be able to develop their economy. Another way is for the state to render financial support to backward regions. In fact, the state has paid attention to this problem and it has consequently formed a fund to support such regions.

The question of our enterprises taking part in international competition. Following the development of competition, various provinces and some of major enterprises have already had their autonomy in foreign trade and their competition has been expanded to international market. For the interest of competition in international market, it is necessary to change the situations in which foreign trade is undertaken by a single department with too much centralization and too stringent control. We must persist in unity and integrity in foreign trade so that we will not be taken in by foreign businessmen so that our fraternal units will not suffer losses. But how to do this well is still to be studied.

(III)

The Relations Between Integration and Competition

The natural trend of restructuring our economic management system is integration and at the same time competition. The emergence of integration and competition is only natural because it is the need and result of managing the economy through economic methods. In order to manage the economy through economic methods we must carry out integration and launch competition. In restructuring our economic management system, we must separate enterprises from government so that they will have more autonomy and to a certain extent, an independent economic interest. With high centralization by the party Central Committee replaced by separate autonomy of the party Central Committee and localities, the localities will have more economic autonomy. With highly centralized state planning replaced by integration of planning adjustment with market adjustment there will appear a possibility for competition. Thus with more autonomy, enterprises and localities will have independent economic interests and consequently they will demand to be able to display their advantages and carry out integration of various forms. Further development in restructuring economic management system will naturally further develop integration and competition.

The integration and competition under socialism are complementary and they promote each other. A comparison between socialist integration and competition and capitalism serves to explain this question. First, capitalist competition gives rise to monopoly and anarchism while socialist competition promotes integration to prevent monopoly and anarchism. Second, capitalist monopoly restricts competition while socialist integration encourages competition. Third, capitalist competition and monopoly are related to private ownership and anarchic production but socialist competition and integration are related to public ownership and planned guidance. Fourth, capitalist competition and monopoly enhance contradictions of capitalist society while socialist competition and integration improve the relations of production and promote productivity.

But it must be pointed out that some experiences of capitalist countries in handling integration and competition merit our studying. For example, they encourage integration of medium and small enterprises, restrict the merging of some big enterprises and launch competition within a company.

When we are absorbing local experiences and those of other countries, in handling the questions of integration and competition, integrated organizations must in no way monopolize the relations with foreign countries. Therefore, there must be a number of integrated companies. With regard to internal relations, we must oppose the trend of centralized autonomy. Small enterprises must not be deprived of their autonomy neither should their autonomy be lessened just because of integration. On the contrary, integration must be carried out on the basis that enterprises must have their autonomy expanded. Integration is an objective need in the development of economy. Integration cannot be forcibly carried out when it is not demanded by enterprises.

An all-round implementation of the principles of "displaying advantages, protecting competition and promoting integration" is in the interest of readjusting the national economy, improving economic structure and further restructuring economic management system so that we will be able to use more economic methods in restructuring the present economic system. It is also in the interest of improving economic achievements, enhancing economic development, improving people's lives and meeting people's various demands. In short, further implementation of this principle will greatly boost our socialist economy to promote the realization of the four modernizations.

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REFORM OF CIRCULATION SYSTEM DISCUSSED

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[Economic commentary by Shang Ting [1424 1656] and Zhong He [6988 0735]: "Viewing the Importance of Circulation System Reform From the Development of Market Situation"]

[Text] Since the party's third plenary session, we have adopted a policy of national economic readjustment, reform, consolidation and development, have implemented the principle of regulation by planning together with regulation by the market, and under the guidance of state planning, have developed the strong points of each locality with competition being protected and business associations promoted. Consequently, the national economy has become more lively, and both city and county markets have been able to prosper, which manifests itself primarily in the following areas:

1. The supply situation of nonstaple foodstuffs has improved markedly. In 1979, the sale of major nonstaple foodstuffs was above that of the previous year with the sale of pork up 17 percent, eggs 54.5 percent, sugar 9.3 percent, liquor 15 percent, and different increases were registered for candies and fruits, pastry, cold drinks and snacks. The situation continues to improve this year. Owing to the abundant supply of pork, which increased 13.6 percent in the first 6 months of this year over the same period of last year, purchases are unrestricted and the price has been reduced three times. Since the introduction of an unrestricted supply of pork, the development of the catering industry, pastry industry and other light industries, such as leather products and soap, has increased.

2. The sale of manufactured products has increased sharply. In 1979, the sale of wearing-apparel increased 21.8 percent over the previous year. Daily necessities were up 19.1 percent, cultural and educational products 31.3 percent, chemical fiber cloth and polyester fiber cloth over 50 percent, wristwatches 40 percent, cotton jersey and pants, leather shoes, washing powder and sewing machines over 20 percent, bicycles and radios 18 percent, TV sets and tape recorders 2 to 3 times. In the first 6 months of this year, the sale of manufactured products continued to increase sharply with wearing-apparel up 28.3 percent over the same period of last year and commodities 26 percent. The whole line of textile products together with

handicraft products have increased in quantity as well as improved in quality. Moreover, there are new products with new colors. In the process of test-marketing and boosting sales volume, various kinds of stylish, highly marketable new products are constantly being put on the market, which have proved to be very popular with the masses. Both high-quality and medium-quality cosmetics, gifts and decorative products have become highly marketable products.

3. Great development was seen in the catering and service industries. In 1979, there were 72,000 food establishments in the state catering network, and total business done was 5.61 billion yuan, which was up 16 percent over the previous year. The number of newly established collective and individual food establishments is close to the number of state-owned ones. The long-existing difficult situation of finding hotel rooms, restaurants and tailor shops has gradually been changed. The good old traditions such as famous dishes, delicate food and various provincial foods are now making a comeback. The development of catering and service industries are playing a more important role in enriching as well as in enlivening the market.

4. The market has become more lively as result of conducting businesses flexibly using various forms. Many state commercial, catering and service establishments in various areas are working on correcting past inflexible ways of conducting businesses and overcoming bureaucratism through such new practices as mobile shops, door-to-door service, advance booking of restaurant tables, extending business hours, morning and evening markets and others. Collective and individual commercial, catering and service establishments are able to make full use of the advantage of being flexible. They can open early and close late, set up stalls, and peddle in the streets. The hawkers' cry in the streets, which has not been heard for many years, can be heard more and more, and services, such as repairing furniture, fluffing cotton, sharpening knives and scissors, and others are also gradually making a comeback. The agricultural trade markets in large cities and medium-size cities are making up for the shortage of agricultural nonstaple products in the state commercial establishments, and trading is active and business prosperous. In short, business is conducted using various forms in a flexible manner. Markets are no longer inactive, and the people's livelihood is improved.

The market is a total reflection of a country's national economy. The prosperity seen in the present market fully reflects the good economic effects achieved in the readjustment of our national economy and the great success attained in the initial reform of our economic management system and commodity circulation system. The development of a commodity economy demands a broad market, and the commodity circulation system must be able to satisfy this demand. We think the commodity circulation system must be further reformed on the basis of its early success.

Develop a Multisector Economy

Generally speaking, the transformation of private ownership carried out in the fifties was successful. Later, problems developed as a result of work being done precipitiously. Under the guiding thought of the higher the form of ownership, the more advanced it is, we resorted to the measure of "sweeping everything aside" and stressed "poverty is the characteristic of the socialist transitional stage." The situation of commodity circulation was such that we placed restrictions on the cooperatives, and policies relating to them were only transitional. Individual businesses, catering and service industries together with country fairs were deemed as the tail of capitalism, and the tail had to be cut off. Moreover, our interpretation of the socialist state market being a market solely for state-owned businesses was one-sided. Consequently, the number of distribution channels was reduced and business was conducted using only one form. The number of business establishments was reduced from 1 million in 1957 to 219,000 in 1979, a reduction of 80 percent or so, which is bad for production and the people's livelihood.

At present, the problem has caused concern in various parts of the country which have begun the development of a multisector economy and the readjustment of the commercial structure. In 1979, the number of various types of collective businesses at levels higher than county cities and towns increased to 128,000, an 83-percent increase over the 1978 figure. Businesses such as those run by husband and wife, father and son, brother and sister and hawkers, are developing at a very fast pace. For instance, in the city of Shangyang, there were only 59 individual businesses in 1978, but they increased to 4,700 in 1979. Urban agricultural markets have been set up one after another in 208 cities throughout the country, and they increased to more than 2,200 in 1979. The development of collective and individual businesses and urban agricultural markets is playing a positive role in enlivening the market and improving people's livelihood. However, some of our comrades, being accustomed to monopolistic practices, are very worried that the development of and the competition from collective and individual businesses might reduce state business volume, thereby causing chaos in the market. Actually, their worry is unnecessary. As practice proves, under the conditions of public ownership being dominate in our socialist system, allowing a multisector economy and various forms of conducting business to exist is favorable to the development of our economy. If we can only strengthen the leadership and manage our work well, the market will not become chaotic. On the contrary, we will be able to boost the development of commodity production, improve the people's livelihood, enliven the market, impel state businesses to improve business management through competition, and increase economic results.

Adopt Various Forms in Purchasing and Marketing

For many years, we had a system of state monopoly for purchasing and marketing of industrial products. It played an important role in the transformation of private ownership. Originally, after the transformation of private ownership was basically completed, it should have been adjusted according to the changing conditions. However, at a time when imbalance appeared in the national economy, the development of commodity production was slowed down and market supply was insufficient over an extended period of time and the scope of state monopolized marketing was widening day by day. The categories of products under state enterprises' planning and management at the state level, increased from 98 in 1957 to 131. Moreover, they also increased at various levels of planning. Consequently, the direct relationship between producers and consumers was severely affected.

As a matter of fact, both commerce and industry suffered as a result of state monopolized marketing. Therefore, it was necessary to carry out a reform. State monopolized marketing of manufactured products was initially reformed last year, when the Ministry of Commerce reduced the number of commodities under its planning and management, thereby increasing the number of suppliers, and the development of direct links between production and marketing, that is, industrial self-marketing. The Ministry of Commerce has recently decided to greatly reduce the number of planned commodities starting next year and at the same time abolish state monopolized marketing of manufactured products. The planned commodities and the unplanned commodities will be treated separately according to four forms of purchasing and marketing, which are: state purchasing and marketing and state purchasing and distribution, planned purchasing, purchasing based on orders and selected purchasing.

Once the number of planned commodities has been reduced, we should tighten our grip on planning and management while maintaining the seriousness of state planning. Under the guidance of state planning, the formation of a commodity circulation system should be based on a system of commodities of the same line. No business establishment should attempt to disrupt or undermine the implementation of state planning. Manufactured products of the same kind should be priced uniformly in a single city, and the industrial planned products can neither be purchased nor marketed through negotiated deals so that the principal role of planned commodities in stabilizing the market and prices can be secured. When state monopolized marketing is abolished, we should, at the same time, institute a contract system and perfect it, and strictly abide by the contract.

Reduce the Links in Commodity Circulation

A commodity has to go through a circulatory process of continuous exchange from production to final consumption. In this process, the number of links in the commodity circulation and whether or not they are economical, can directly affect production and consumption. In the past, when supply was insufficient, the setting up of wholesale shops was carried out according to administrative divisions. As a result, the links increased, more capital was held up, trade barriers were set up with each locality hiding itself as in a fortress, and the flow of commodities was not smooth. Thus, the naturally formed economic relationships were destroyed.

The key to invigorating the circulation of commodities lies in upholding the principle of organizing circulation of commodities according to economic divisions, making adjustments in wholesale shops, reducing the links, clearing up the circulatory channels, and restoring the economic relationships between various districts and between various enterprises. At present, the following reforms have to be carried out first: 1) The present number of 11,849 county and municipal wholesale shops cannot meet the demands of the changes in commercial structure and the circulation of commodities. Wholesale shops engaging in both wholesale and retail businesses should be increased in order to meet new conditions. Both wholesale and retail shops should be allowed to make purchases from other places, establish direct link with factories and make purchases of industrial self-marketed products or make purchases of planned products through the fixing of production quotas by the wholesale shops themselves. By so doing, trade barriers in various districts can be broken down, the circulatory links reduced, operation expenses cut down, and economic effects increased, to name but a few advantages. 2) The present number of provincial purchasing and supply agencies is 1,063. After planned products have been greatly cut down and the restrictions on wholesale and retail shops making purchases from other places lifted, some of those agencies, which were not set up in accordance with the principle of circulating commodities according to economic divisions, will be gradually shut down while others will be amalgamated. We will carry out "amalgamation between purchasing agencies and wholesale shops, specialization of a higher degree, profit calculation in percentages, and guarantee of allocation and transfer of goods." 3) Various forms of conducting business will be developed. In both large and medium-size cities, we will set up small wholesale commodity markets or small commodity exchanges, hold trade fairs and exhibitions, set up business trust companies and perfect them, and widely develop such businesses as purchasing through agents, selling on a commission basis, mail-order, storage service, shipping service and distribution. In order to develop the role of an economic center, "trade centers" for facilitating the flow of commodities and promoting free purchasing of goods should gradually be built in such cities as Shanghai, Tianjin, Shanyang, Chongqing, Wuhan, Guangzhou and Si'an. Another consideration is that when approved, a retail shop selling durable consumer goods should be given some flexibility in the way it receives payments and delivers goods. Some should be allowed to deliver goods in advance and receive payments later by installment, while others receive payments in advance and deliver goods later at a fixed date. Areas related to the above-mentioned reforms include setting up a national business information system, making better market forecasts, increasing business information exchange, and developing the regulatory role of the market.

Expanding the Rights of Enterprise Self-Management

Enterprises are the base of our economic structure. They should be managed using economic methods. In the past, they were managed through high-level orders and by the party secretary. No attention was paid to economic accounting and economic effects and working incentives, initiative and creativity had not been fully developed. Moreover, business was not conducted in accordance with objective economic laws. All of this must be changed, and enterprises must be given certain rights of self-management.

In expanding the rights of enterprise self-management, we believe that the main areas should be: financial rights, planning rights, pricing rights and personnel management rights. In expanding financial rights, we should, on the basis of retaining profits, continue the practice of paying tax on profits instead of turning them over to the state, and increase enterprises' production development funds and workers' welfare funds. Therefore, enterprises will be in a position to make face-lifting changes on the strength of their own accumulation. In expanding planning rights, we should enable enterprises to make independent decisions about development and business plans in the light of their own existing conditions and business scope. Moreover, the practice of high-level authorities giving work, which has no bearing on the practical situation, is to be done away with. In expanding pricing rights with the implementation of state pricing policy as a prerequisite, conditions must be set before enterprises are gradually given certain rights to set and adjust prices, thus enabling them to use properly the law of value. Moreover, the regulatory role of the market will be developed and businesses enlivened. Expanding personnel management rights enables enterprises, based on state-approved quotas for workers, to select or to discharge workers when necessary, thus reversing the situation of rigid assignment of work. In short, enterprises should be made relatively independent economic units and business conducted in accordance with objective economic laws. Furthermore, concepts relating to business operations, the market, service and competition should be strengthened, enterprises and workers' initiative enhanced, and standards of enterprise management constantly raised.

As for enterprise management, a complete set of rules and regulations should be set up. Based on investigation and research, the Ministry of Commerce has drafted "Rules on State Commercial Retail Enterprise Management--daily necessities and manufactured goods" and "Rules on State Commercial Wholesale Enterprise Management at the third level," in which we find rules governing the expansion of rights of enterprise self-management and the institution of a democratic management system. Therefore, the experiment of expanding rights of self-management and the experiment of implementing the rules governing management should be jointly carried out.

At the third meeting of the Fifth National People's Congress, Comrade Hua Guofeng, when speaking of carrying on the reform of the economic management system, pointed out: "The general orientation of the reform of our economic management system is to reverse the overly centralized (at both the central and the local levels) management system, expand the rights of enterprise self-management and those of workers' participation in management, replace regulation by planning with both regulation by planning and regulation by the market, and replace administrative organs managing the economy with administrative methods by economic organizations managing the economy with economic methods and business laws. The circulation system reform must adhere to this general orientation and be resolutely carried out. We should be bold enough to make innovations while acting with caution. On the basis of the initial reform, we should have a comprehensive plan and carry out further reforms. Furthermore, we should set up a commodity circulation system which includes such features as multisector economy, various forms of conducting business, various forms of associations, increased number of circulation channels but fewer links. We are sure that by following the economic system which includes further reform of the circulation system, both industrial and agricultural production will develop rapidly, the living standard will be further raised and the market will become more prosperous.

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'GONGREN RIBAO' COMMENTATOR REPORTS ON TAX EVASION

HK221259 Beijing GONGREN RIBAO in Chinese 2 Dec 80 p 1

[Commentator's article: "Strengthen the Concept of Taking the Whole Situation Into Account and Safeguard Financial and Economic Discipline"]

[Text] Some leaders of the Sichuan No 1 Cotton Textile Dyeing Plant transferred to their plant the taxes that should have been submitted to the state by overstating the plant's production costs and by reducing actual profit figures. This is an illegal act which transfers the property of a large collective to a small one. It impairs national interests and should be strictly prohibited, whatever the motive is.

At present, there are some enterprises in various localities selected to take part in the experiment of "practicing independent accounting, paying taxes to the state and assuming sole responsibility for their profits or losses." This is an important aspect of China's economic reform, and it constitutes a major reform in the financial management system of enterprises. The selected units now pay taxes on profits instead of handing their profits over to the state. In essence, this changes the relations between the state and the enterprises in the distribution of income. It expands more fully the financial power of enterprises, further demonstrates the principle of material incentives, takes into account the benefits of the state, enterprises and individuals and implements the principle of distribution according to work. In this way, it mobilizes the initiative of workers and enterprises and creates a favorable condition for enlivening the economy and promoting the development of productivity. For instance, in the five Sichuan enterprises which are trying out this new method, the total output value in the first 7 months of this year registered an increase of 48.8 percent over the corresponding period last year; profits went up by 82.7 percent; the revenues they turned over to the higher authorities increased by 48.3 percent; the profit retained by the enterprises was more than doubled. Facts have adequately proven the advantages of this reform.

However, everything tends to divide into two. As their financial power is expanded, the enterprises selected to carry out this reform must guard against the influence of bourgeois management ideology so that they will be able to handle properly the relationship among the state, enterprises and workers, instead of practicing fraud, transferring the property of the large collective to a small one and impairing national interests. For example, some people hold the view that: "Although they breached the financial and economic discipline, they did not put the money into their own pockets." This is an excuse for breach of financial and economic discipline. Others hold that: "The state is so big and rich. What are such small amounts of taxes to it?" They always place national interests in the secondary position and try all possible means to keep more for themselves. Do they not know that "tiny streams can converge into large rivers?" If everyone "puts his personal interests above everything else," delays tax payments or evades taxes, where can the state obtain its funds for construction? Will the four modernizations, which the people have been longing for, not end in failure? Leaders of enterprises must take into account to a greater extent the interests of the state and the people, particularly when the state is still in temporary financial difficulty. Acts that embezzle public revenue will adversely affect socialist economic construction and should be firmly opposed. We must understand that the state has given due consideration to the interests of the enterprises which are selected to try out the economic reform. To earn more profits, the enterprises should try to improve their management, reduce their production costs, tap their own potential, increase production and practice economy rather than attempt to encroach on the interests of the state and the people.

The state's tax policy was formulated in accordance with the party's economic policy. It is one of the important levers to develop the socialist economy and is an important part of the socialist legal system. Like other decrees and stipulations, our tax policy has clearcut legal effects. All localities and units should implement this policy strictly and should not follow their own ways. They should not allow a statement made by a particular person to arbitrarily change the state regulations nor should they "take whatever they need" and "do whatever is profitable" to them. They must realize that paying taxes according to law is a serious and obligatory duty of the enterprises. Tax departments at various levels and the broad masses of workers should strengthen their supervision of the finances of the enterprises and safeguard the law and discipline on taxation. Our workers are the masters of the enterprises and the state. They must strengthen the concept of taking the whole situation into account and properly handle the relationship among the state, enterprises and individuals. They must voluntarily take accumulating funds for the state as their glorious task. Moreover, they should supervise leaders of enterprises to correctly implement the tax policy of the state and to punctually pay the taxes in full so as to insure the supply of funds for the four modernizations. They must keep the public interest in mind, boldly reveal and struggle against the illegal acts of the small numbers of leaders who disregard state interests and deliberately evade or refuse to pay taxes, and enthusiastically safeguard national interests.

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PROS, CONS OF LOTTERY SAVINGS SYSTEM DISCUSSED

Cons Outnumber Pros

Beijing ZHONGGUO JINRONG [CHINA'S FINANCE] in Chinese No 8, Aug 80 p 38

[Forum article by Mo Wenqi [8010 2429 0796]: "Lottery Savings System Has More Cons Than Pros"]

[Text] Recently, people and bank workers in some areas have discussed the question of introducing the lottery saving system. I would like to offer my views.

Lottery savings means the payment of interests by the bank on savings deposits in the form of prizes to the winners only but not to all depositors. In the 1950's, Beijing Municipality on different occasions used this system in six different forms, including "fixed lottery savings with guaranteed capital and value for one-time deposit and one-time withdrawal"; "fixed lottery savings with one-time deposit and one-time withdrawal"; "fixed lottery savings"; "lottery savings with current deposits and one-time withdrawal"; and "current lottery savings." I am a veteran on the savings front and still have vivid memories of these experiences. At that time, when the drawing of prizes took place every month, we had to invite representatives of various circles and the broad masses to the great hall of a theater to supervise the drawing. There was also entertainment, such as opera, movie or other cultural performances, after the drawing. The winning numbers were promptly publicized through newspapers, radio, leaflets and other media throughout the city. This type of savings involved a lot of fanfare, but why was it discontinued? To my knowledge based on practical experiences, there are pros and cons for this type of savings, but the pros are less than the cons.

There are two pros:

First, it simplified savings procedures. No interest is calculated at the time of withdrawal and this helps raise work efficiency and save the depositor's waiting time. Second, convenience to the depositor. After making a deposit, he can withdraw it at the time of maturity at any savings department in town (except for the current lottery savings).

There are generally five cons:

First, the chance to win is very slim, and people tend to rely on luck. In this type of savings, the value of the prizes serves as an attraction for depositors.

The higher the value, the greater the attraction will be, and the less the chance of winning. For example, in the "fixed lottery savings with one-time deposit and one-time withdrawal" once used in our municipality, 100,000 accounts were organized for one drawing, offering one first prize of 500 yuan, four second prizes of 50 yuan each; 20 third prizes of 25 yuan each, 200 fourth prizes of 5 yuan and 2,000 consolation prizes of 1 yuan each. The total prize fund paid by the bank is generally the same as the total amount of accrued interest. Through this arrangement by the state banks, the accrued interests of 100,000 savings accounts were used to pay a very small number of people. Some people making their deposits said: "Let us join it and try our luck. Just imagine what will happen if I win the first prize by a one-in-10,000 chance." In fact, the chance was less than one in 10,000; it was one in 100,000. This system naturally encourages people to try their luck and cultivates egoism.

Secondly, since the participants are motivated by curiosity and the desire to win, they give little or no consideration to supporting national construction, fostering the habit of diligence and frugality, planning their livelihood and setting aside something for the future. Therefore, they will become dejected after several unsuccessful ventures. Although banks have tried the lottery savings system for more than 10 years, the ratio of deposits from this source to the total savings deposits has never been high. Let us take for example the lottery current savings of the Beijing Municipal Bank. In 1956, these deposits amounted to 12.5 percent of the total savings deposits; in 1957, 13.1 percent; in 1958, 8.7 percent; and in 1959, 12.3 percent. In the 3 years prior to the introduction of the lottery current savings system (1953-1955), the average amount of interest-bearing current savings amounted to 22.2 percent of the total savings deposits. After the introduction of the lottery current savings system, it dropped to an average of 12.5 percent. From this, we can see that the increased portion of lottery current savings is about the same as the decreased portion of interest-bearing current savings, the only difference being in the types of savings. Experience has proved that this method cannot be conducive to increased savings.

Thirdly, some people participating in the lottery fixed savings are so disappointed by their failure at the first drawing that they cannot afford to wait until the maturity date and transfer their savings to others at a discount. In this case, savings would become meaningless.

Fourthly, all types of lottery fixed savings do not take into account the depositors' identities and no measures are provided as a precaution against the loss of the savings certificates. If these certificates are lost or stolen, there is no way of tracing them, and the banks cannot protect the interests of the depositors.

Fifthly, at the time of the prize-drawing, a theater has to be rented and actors hired in addition to people being invited to act as supervisors. All this means a lot of work and expense for the bank.

Based on my experience in this type of savings over many years, I am of the opinion that the system of lottery savings should not be restored since its cons are more than its pros.

Arguments For Restoring System

Beijing ZHONGGUO JINRONG [CHINA'S FINANCE] in Chinese No 8, Aug 80 p 39

[Article by Lu Tian [7627 3944]: "Lottery Savings System Can Be Tried"]

[Text] In recent years, some people hope to see the return of the lottery savings system and some local banks are now studying this matter. There are divergent views as to the pros and cons of this system. I am in favor of it for the following reasons.

1. The lottery savings system can effectively arouse people's enthusiasm in saving and encourage the practice of economy in order to accumulate more construction funds for the "four modernizations." As we all know, savings with current deposits and one-time withdrawal has strong public support and is much welcomed by the masses. Although the present wage level in our country is low, it is still possible for workers in general to save 10 or 8 yuan every month. If a worker deposits 5 yuan every month, he will accumulate 60 yuan a year. For common workers, a monthly saving of 5 yuan does not lower his standard of living, but an annual accumulation of 60 yuan can help him a lot. This is the advantage of saving with current deposits and one-time withdrawal. The annual accumulation of 60 yuan carries with it an accrued interest of 1.44 yuan. An income of slightly over 1 yuan cannot do much to improve the worker's living conditions. Therefore, the main attraction of savings with current deposits and one-time withdrawal does not come from the interest earned, but rather from its contribution to the four modernizations. The so-called lottery savings system with current deposits and one-time withdrawal means that all or a portion of the interests, which should go to all depositors, are pooled and used as prizes to be distributed to a small number of winners. Supposing a monthly deposit of 5 yuan is made for 1 year and there are 100,000 accounts, the total accrued interests will come to 144,000 yuan. If there are 40 first prizes of 500 yuan each, 120 second prizes of 200 yuan each, and 10,000 third prizes of 10 yuan each, the winner of a first prize can buy a TV set; the winner of a second prize can buy a fairly good watch or a fairly good bicycle; and even the winner of a third prize can buy a new suit. According to the above calculation, 10.16 percent of the depositors, or one among every 10 of them, can win. Those who do not win can still accumulate their savings, but the winners, besides accumulating their savings, can still get prizes which are worth many times their interests and with which they can buy more equipment and improve their living conditions. Therefore, the lottery saving system is more attractive than an ordinary savings system. Some comrades worry that the lottery savings system can have only a temporary but not a long-term attraction. I don't think so. It is possible that some depositors failing to win at several successive drawings may discontinue his saving deposit. However, failure to win at one drawing does not mean that he can never win. Therefore, for the vast majority of people, its attraction should last a long time.

2. Instead of producing any passive effects, the lottery savings system raises people's hopes and arouses their interests. Without these effects, the system will be unnecessary. While raising hopes and arousing interests in some ways, will it produce passive effects in other ways under conditions of socialism?

Generally, the answer is no. We should have faith in the gradual rise of people's socialist consciousness. While their participation in the lottery savings system is associated with the hope to win prizes, they also have the intention of supporting the four modernizations. It would be difficult to imagine that their participation in this system will breed bourgeois ideas. Winners of first prizes can get only 500 yuan each which cannot materially alter their economic standing.

3. The lottery savings system does not by any means deviate from the principle of saving. If a portion of the interests is changed into prizes, does it violate the principle of paying interests on savings deposits? I don't think so. On the whole, the amount paid by the bank as interest is the same as the amount of prizes, although for the individual depositors, the situation is different. It is true that the winners get far more than their normal interest, while those who do not win cannot get their normal interest. But the depositors have been mentally prepared for this eventuality. Some comrades also worry that the system of lottery savings will cause "mass transfers of accounts." This worry is unnecessary. As far as the state is concerned, all savings systems are the same. If the lottery system of savings is introduced, the ordinary system should still be maintained. Probably the number of accounts under the ordinary system will be reduced after the introduction of the lottery system, but, as far as the bank is concerned, this is only a change in the forms of saving and the aggregate amount of deposits is likely to increase. This will be a greater contribution to the state's construction funds. Based on the abovementioned factors, I favor the restoration of the lottery savings system.

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FINANCE AND BANKING

EXPERIMENTS ON RESTRUCTURING BANKING SYSTEM SHOW GOOD RESULTS

Beijing ZHONGGUO JINRONG [CHINA'S FINANCE] in Chinese No 8, Aug 80 pp 5-7

[Article by Sichuan Provincial Branch of People's China Bank: "Several Points Concerning the Restructuring of the Banking System"]

[Text] To meet the requirements of national economic readjustment and the four modernizations, and in accordance with the resolutions adopted by the Sichuan Provincial Party Committee, experiments of expanded decision-making power have been carried out in 10 industrial and 40 commercial enterprises since 1979. Last January, thanks to the leadership and concern of the main office of the People's Bank of China, we also carried out experiments on restructuring the banking system. The Provincial Branch has submitted to the Provincial People's Government a "Report on Views Concerning the Experiment in Restructuring the Banking System," convened a provincial conference on banking, carefully studied the steps and methods for restructuring and set up various indices and tasks to be fulfilled. From the thoroughness and promptness of the various local banks in carrying out their work, we can see that the experiments in the past 6 months have begun to show good results.

Major Aspects of Restructuring

According to the plan approved by the Provincial Party Committee, the Provincial Government and the main office of the People's Bank of China, there are 10 major aspects in the restructuring of the banking system in our province.

(1) "Unified planning, differential administration, coordinated deposits and loans and controlled balances" in credit planning and control.

(2) Medium- and short-term loans to industrial and commercial enterprises for acquiring equipment.

(3) Continued implementation of the principle of "discriminating treatment with preference to the most deserving ones" in the control of loans for circulating capital, and the use of the levers of credit and interests in encouraging the enterprises to tap potentials and in accelerating the turnover of funds.

(4) Improvement of the methods of commercial loans by selecting several units among the third-level wholesale and retail enterprises in Chengdu and Chongqing for experiments in the control of deposits and loans under separate accounts.

(5) Improvement of the method of closing accounts through the system of "collection agents in different places" throughout the province.

(6) Improvement of cash control by appropriately increasing the unit's imprest funds, and permitting cash payments for the procurement of agricultural and sideline products in country fairs by enterprises and units according to established regulations.

(7) Strengthening economic accounting in banking by setting up five economic criteria for assessments.

(8) The system of retaining a portion of profits and the system of contracted responsibility for expenditure.

(9) The system of rewards for bank workers and staff members and rewards according to work points.

(10) Restructuring the cadre control system in banks.

Among these 10 aspects, the system of planning control, the extention of medium- and short-term loans for equipment, and economic accounting in banking are the key items. Fairly good results have been obtained after half a year's experiments as shown by the increase of deposits, the quicker turnover of credit funds, reduction of errors, increase of profits, lowering of expenditure and other improved banking functions.

Several Points Noted

For more than half a year, we have noted the following points in restructuring the banking system:

1. Repeated Stress on the Aim of Restructuring and Constant Efforts to Raise Ideological Awareness

Last March, when we held a provincial conference on the work of the People's Bank of China to discuss the problems of restructuring, we only thought of the concrete plans for improving the work and failed to anticipate the ideological problems involved. Soon after the conference began, disputes arose over the problem of indices, particularly the index of profits to be retained by the bank. In view of this, we organized the participants to discuss the aim of restructuring so that they could understand that the restructuring of the banking system is only a means, while its aim is to enliven the work of banking, to attain better economic results by spending less money, and to promote the development of the national economy more effectively. After discussion, the conference set up six criteria for evaluating the result of restructuring. They were: First, whether the accumulated funds total more than before; second, whether the use of funds is more flexible; third, whether the extention of loans can produce better economic results; fourth, whether experiences of success have been gained; fifth, whether control by the bank has been improved; and sixth, whether talents have been cultivated. On the basis of raising ideological awareness, the attention of the conference was directed to the use of banking as a lever in gaining even better economic results. When the participants had a better orientation of their work, we went to inspect the lower levels. In several symposiums attended by the branch managers, we discovered that in organizing funds, they all liked to see a continual increase of deposits or even a monthly rise in the enterprises' deposit level regardless of the existing circumstances. In some cases, medium- or short-term equipment loans were completed in one payment instead of being paid by installments as required by the enterprises. These problems showed that in strengthening economic accounting and fulfilling the profit quota, whatever is gained will have a close bearing on the welfare projects of the basic level bank units and the personal benefits of the comrades whose bonus is calculated according to work points. We firmly carried out ideological work and education on the aim of restructuring so that the broad masses of workers and staff members could correctly understand the relationship between economic accounting and the implementation of policies, and properly handle the relationship between the bank and the enterprises, thus enabling the experiments to develop in the right direction.

2. Increased Authority for Bank Managers and a Greater Role for the Banks as a Whole

Under the system of overall control by the central authorities in the past, banks at different levels were controlled by direct chains of command leaving the bank managers little power or responsibility. Whenever questions of quota or rules and regulations arose, the sections or sub-sections concerned usually requested instructions from corresponding sections or sub-sections at a higher level, and it was difficult for the bank manager to handle any contradiction between different sections. The result was that only "individual spare parts" were used while the whole set of machinery was left idle, and it was very difficult to give play to the role of the bank as a whole unit. Now that restructuring is being carried out, the development of vocational work is linked with the interests of the units and the individual workers and staff members, while authority, responsibility and benefits are closely interrelated. It is therefore necessary that in external relations, problems should be considered from the standpoint of the bank as a whole, while, in internal relations, there should be closer cooperation among various sections. Thus in addition to using the "spare parts" well, the role of banks at various levels as "whole machines" should also be developed. Since the bank managers have now greater power and heavier responsibility, they are duty-bound to support the state's economic development as well as to take care of the personal interests of all workers and staff members in the bank. They said: "Although the responsibility is heavy, the work is easier. What we say now counts and we can give directions freely." From the bank managers we met, we could see they played their roles as they never did before.

3. A Better System of Reporting With a View to Enlisting Support From Party and Government Leadership as Well as Other Departments

After attending the provincial conference on banking, the banks at various levels first made detailed reports to the local party and government authorities and obtained their guidance and support for restructuring the banking system. Many prefectural and county leaders sent representatives to the bank conference, and some of these leaders attended the conference and made speeches in support of the experiments. The prefectural leaders even presided over the meetings dealing with the extention of medium- or short-term equipment loans so that they could even up the loans for tapping potentials, and the renovation and transformation of equipment. The Mayor of Chongqing even brought the bank's cadres to the enterprises to carry out in-depth investigations on the way loans were used, and discovered that a thermos jar plant failed to complete a production line. He then studied the situation with the departments concerned and set a time limit for the production line to be completed. When the Sichuan People's Government had distributed the report containing the suggestions of the provincial branch banks concerning the experiments, the banks at various levels held internal meetings to discuss and implement these suggestions. Many of them even held meetings with the leaders of enterprises and the financial personnel, particularly pointing out the need to publicize the main aim, the ideas and contents of the restructuring and the impetus it would produce on the enterprises. Their action won the support of the enterprises and units.

4. Reforms in All Types of Work to Improve the Economic Results of Restructuring

Since adopting the method of "unified planning, differentiated administration, coordinated deposits and loans and controlled balances" in the system of credit planning and control, banks at various localities have completely changed the practice of being concerned with only individual savings deposits but not the collective deposits of enterprises and units. Under the unified leadership of the bank manager, all sections and sub-sections have pooled their resources in an overall disposition of funds. The credit department is now responsible for enterprise deposits and constantly keeping tracks of any change among the big depositors. The credit personnel visit the factories for not only arranging loans but also organizing deposits. They also study the changes in various types of deposits and supply periodical statistical tables. The savings departments attend to savings deposits as well as miscellaneous social deposits in small amounts, while the accounting departments are responsible for opening accounts for deposits and watching for any sign of change in the pattern of deposits and withdrawals. Some of these departments even set up a "warning line" system for deposits, and, in case of any significant change, will issue the warning signal to all sections concerned so that the cause can be determined and appropriate measures taken. In the first half of 1980, the total balance of various deposits increased by 260 million yuan over the amount at the beginning of the year. Compared with the same period of 1979, however, it was a drop of 280 million yuan. The difference of 540 million yuan between the rise and the fall changed the pattern in our province for many years according to which the total balance of deposits should decline in the first half of the year.

In extending medium- and short-term equipment loans, the branches of the People's Bank of China throughout the province in 1980 allocated 350 million for 982 projects, of which 72 percent belonged to the light and textile industries or related to other products in short supply. These projects took up 64 percent of the loans. Completed and commissioned, they will raise the output value by more than 1 billion yuan, increase profits by more than 200,000 yuan, and increase national revenue by more than 100 million yuan. They will also increase foreign exchange earnings by several tens of millions of dollars. In order that the medium- and short-term equipment loans can produce full economic benefits, the provincial and the various local banks paid attention to the following four conditions in the extention of loans: (1) Firm adherence to the principle that these funds are mainly used for the old plants to tap their potentials and to renovate and transform their equipment instead of supplementing the funds for capital construction or extending the capital construction front; (2) Firm adherence to the principle of priority to those projects that require small outlays but yields quick and good returns, or bring large foreign exchange earnings, instead of extending loans indiscriminately; (3) The need for on-schedule redemption within 1 to 2 years, but not more than 3 years; and (4) Exercising the decision-making power of the banks in granting loans. Although other departments can request loans or suggest that loans be granted by the banks, the banks have the right to decide on granting or refusing to grant any loan, and to decide on the size and the duration of the loans. These conditions were supported by the leaders of the provincial party committee and the provincial government.

When the banks have strengthened economic accounting and internal control, it will be necessary to conduct periodical examinations of the five economic criteria, to control the disposition of funds, and to analyze the economic effects. Thus the bank managers must personally attend to their vocational jobs, and the workers and staff members must acquire higher vocational skill. At present, many bank managers are taking the lead in undergoing vocation training and no longer consider it an honor to be "laymen." Recently, we held a symposium of bank managers in nine counties and municipalities. Every one of them brought with him tables and charts and their reports on the situation were backed up by statistics. In studying problems, they now talked authoritatively. The manager of Jianyang County Branch said: "I have been a bank manager for 24 years, but I began to read reports every 10 days and every month in studying the money market and in analyzing the changes in the situation of funds only this year. I was 'forced' to do this by the restructuring." To better organize the disposition of funds, many county and municipal branches have formed special groups for this purpose and some of them even set up economic accounting groups with the bank manager in command, to be assisted by the chiefs of the planning, credit, savings and accounting sections. There are also special controllers and auditors conducting analyses and investigations every 10 days or every month, studying the sources of funds and the way they are used, paying prompt attention to current problems, and making use of funds at their discretion. They also examine the way in which the five criteria are fulfilled besides coordinating the work of various sections in carrying out their duties. All banks are now careful in calculation, strict in budgeting and meticulous in the practice of economy. Because of their attention to economic accounting and the strengthened internal control, the five economic criteria have been fairly successfully completed by the banks in various parts of the province. According to statistics by 12 banks in eight municipalities including Chongqing, Chengdu, Yibin and Leshan, the turnover rate of funds in the first half of 1980 was 2.67 times, being 0.12 times faster than that of the same period in 1979. The rate of accounting error was reduced by 40 percent; the rate of errors in payments was lowered by 51 percent; and the profits realized amounted to 103 million yuan, an increase of 17 percent as compared with the same period of 1979. The level of bank management has also been raised.

9411
CSO: 4006

PROTECTION OF COAL RESOURCES CONSIDERED NECESSARY

OW191347 Beijing XINHUA Domestic Service in Chinese 0703 GMT 19 Dec 80

[XINHUA reporter Cao Welong's letter: "It is Imperative To Draw up a Law To Protect Coal Resources"]

[Excerpts] Taiyuan, 19 Dec--This reporter recently visited coal departments in Shanxi Province and heard many engineers and technical personnel calling on concerned departments of the state to promptly draw up a law to protect coal resources and prohibit damage to coal resources and waste in production.

Shanxi is our country's important coal energy base. It has abundant coal deposits of all kinds scattered in various localities of the province. In 1979, total output of coal in Shanxi Province exceeded 100 million dun, accounting for one-sixth of the national output. Coal production continued to rise during the period from January to November this year with total output reaching 109 million dun.

However, in order to develop industry, a number of communes and production brigades in the province blindly opened up small coal pits on a large-scale without approval by departments concerned, in disregard for state policy on the development of coal resources. According to statistics released by the provincial people's government following a recent investigation, the total number of small coal pits run by commune and production brigades in this province now totals 3,256, representing an increase of more than 1,300 as compared with the number 2 years ago. Of those coal pits, more than 830 were opened without permission.

Many small coal pits are located within the boundary of state coal mines in a cluster and some are located near big mines. They contend each other for coal deposits and they have created many contradictions.

Shi Hongcai, coal mining engineer of the Shanxi Provincial Coal Industry Administration, pointed out: At present, the people's governments at various levels in the province are making efforts to consolidate small coal pits. They have issued orders repeatedly forbidding the opening of additional coal pits. However, many communes and production brigades still disobey orders and continue to open up small coal pits in a blind way and without permission.

He said: Now many countries in the world have formulated mining laws or regulations to protect coal resources and strictly prohibit damage to coal resources and waste in production. Our country has not formulated a mining law or a law to protect coal resources since national liberation. In order to strengthen legislation in the economic field and resolutely and effectively struggle against bad people, bad things and unhealthy tendencies which constitute damage and waste to coal resources, we must immediately draw up a mining law or a law to protect coal resources.

CSO: 4006

NATION'S PETROLEUM PRODUCTION PREDICTED TO DROP

HK301458 Hong Kong HSIN WAN PAO in Chinese 30 Dec 80 p 1

[Special dispatch by HSIN WAN PAO reporter from Beijing on 30 December: "Disrupting the Balance and Undermining the National Prestige: China's Petroleum Production Will Drop Consecutively for 7 Years. Output Will Drop by 5 Million Tons in 1981 and Fall Below the Output Level of 100 Million Tons in 1982; The Long-Term Agreement To Supply Japan Will Not Be Fulfilled; Equipment Blindly Imported Will Have To Be Sealed and Stored up While the Loans and Interest Will Have To Be Paid"]

[Text] Beijing, 30 Dec--Here is a piece of information that will disappoint 1 billion people for a short period of time: China's fanciful "petroleum take-off" has plummeted to the ground. According to an authority in Beijing, China's petroleum production will drop by at least 5 million tons next year. Production will further decrease in 1982 and the total output will be below 100 million tons. In addition, in the next 5 years to follow, petroleum production will continue to waver downward. China is rich in energy resources; however, we have not done enough work in the past regarding energy building and geological prospecting. Energy supply has lagged far behind the need of the whole economy; and about 30 percent of the country's production has failed to operate. As a matter of fact, petroleum geological prospecting work has failed to catch up because of excessive extraction. Hence, the peak of petroleum output will fall very quickly. We must wait until the development of the oilfields on the continental shelf along the coast is completed before there can be any improvement in the situation.

Shortly after the smashing of the "gang of four" in October 1976, the estimation of petroleum production was too optimistic. People thought that an output of 200 million tons could be very quickly attained and, therefore, a long-term trade agreement was signed with Japan to supply 15 million tons of petroleum in 1981 and 50 million tons by 1985. The agreement is now impossible to fulfill. Moreover, because of the estimation of a tremendous flow of petroleum, large amounts of chemical industrial equipment have been imported. Now that it has been discovered that there will be inadequate supply of crude oil, this equipment will have to be sealed and stored up. Nevertheless, the loans for that together with the interest will have to be paid.

Because of the excessive optimism regarding petroleum production, the extraction of coal has been slowed down. As a result, coal production will also fall next year.

Many large construction projects which consume a lot of petroleum have also been forced to be abandoned. Apart from financial reasons for which capital construction has to be cut down, some factories will also have to be closed to adapt to the energy supply situation.

The advocation of building more than 10 daqings has impaired a balanced economic development, adversely affected the people's livelihood and undermined the nation's prestige.

CSO: 4006

BRIEFS

POWER SUPPLY TECHNOLOGY MEETING--Tianjin, 7 Dec (XINHUA)--The third national annual meeting on power supply technology, jointly sponsored by academic organizations on power supply technology in Beijing, Tianjin, Shanghai and other localities, was recently held in Tianjin Municipality. Some 260 scientific and technological personnel specializing in power supply technology from the ministries and bureaus concerned as well as from all provinces, municipalities and autonomous regions attended and 121 papers were submitted. The meeting held that a national academic organization specializing in power supply technology should be established to promote the development of the technology, strengthen activities of technological exchanges both at home and abroad, strengthen the research on the technology and work out short-term plans for developing research. [Beijing XINHUA Domestic Service in Chinese 0344 GMT 7 Dec 80 OW]

CSO: 4006

DOMESTIC TRADE

BRIEFS

SHORTCHANGE PREVENTION--Beijing, 15 Dec (XINHUA)--The State Standardization and Metrology Bureau on 12 December issued a circular calling on the standardization and metrology departments at all levels in China to check the accuracy of measuring and weighing instruments in local markets to prevent traders from shortchanging customers. The circular urges the standardization and metrology departments in various localities to join local price control and commercial departments in commodity price inspections and prevent disguised price hiking in the form of short sale. It suggests that standard scales and yardsticks be made available to the public in the markets and village fairs. [Beijing XINHUA Domestic Service in Chinese 1213 GMT 15 Dec 80 OW]

AQUATIC PRODUCTS PRICES--Beijing, 15 Dec (XINHUA)--The State Bureau of Aquatic Products on 13 December issued a circular calling on the departments of aquatic products at all levels to implement the State Council circular on commodity price control and join local people's governments in inspecting the prices of aquatic products. The circular demands that aquatic products be sold at list prices set by the state and prices higher than those listed must be lowered immediately. It bans unauthorized wholesale price hiking by local aquatic products departments. According to the circular, the aquatic products which can be sold at negotiated prices must be sold at prices no higher than their market price on 7 December 1980. The departments of aquatic products are urged to seriously check the negotiated prices and reduce those which are unreasonably high. [OW230127 Beijing XINHUA Domestic Service in Chinese 1228 GMT 15 Dec 80 OW]

CSO: 4006

FOREIGN TRADE

BRIEFS

FOREIGN TRADE--Beijing, 4 Jan (ZHONGGUO XINWEN SHE)--Speaking recently on foreign trade work, Vice Premier Gu Mu said that during the period of readjusting the national economy, the foreign trade departments must make positive efforts to help to serve the stability and development of the economy, and strive to fulfill the 1981 import and export plan. Gu Mu said, during the period of readjusting the national economy, the country must continue to increase production, reap bumper harvests in agriculture, and promote the light and textile industries and communications and transport. Hence, foreign trade must continue to grow and develop, and contribute to readjusting the national economy. [Text] [HK050257 Hong Kong WEN WEI PO in Chinese 5 Jan 81 p 1]

IMPORT, EXPORT WORK CONFERENCE--Beijing, 3 Jan--The second national imports and exports work conference was held in Beijing from 12 to 27 December. Over 200 people attended the conference, including leaders of central, provincial, municipal and autonomous regional foreign trade departments. The conference concentrated on studying how imports and exports work can serve the readjustment of the national economy, and also adopted positive measures with regard to future foreign trade work. The conference affirmed the progress resulting from the correct principle of opening up to the outside world. In order to expand foreign trade, the conference decided to fulfill the state import and export plans and arrange general targets for foreign trade, and also decided on criteria for export standards which must be strictly observed. It is also necessary to strengthen economic accounting and make efforts to reduce losses in foreign trade work. Guangdong and Fujian provinces have instituted a special policy and flexible measures in foreign trade. Beginning this year, these two provinces will be responsible for their own foreign trade transactions and their own profit and loss. The import and export companies set up in various places must be officially approved and must also run their business according to regulations. They are not allowed to cut across demarcation lines between different trades or arbitrarily expand their foreign trade business. [Text] [HK050254 Hong Kong WEN WEI PO in Chinese 5 Jan 81 p 2]

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END

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No. 111

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'JINGJI YANJIU' ON PLANNED REGULATION IN CAPITALIST COUNTRIES

HK080754 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 80 pp 12-18

[Article by Luo Yuanzheng [5012 0337 6927] of the World Economic Research Unit of the China Social Sciences Institute: "On 'Regulation by Planning Mechanism' of Capitalist Countries"]

[Text] All aspects of the problem of what means may be employed by China's national economic management to implement the policy of integrating regulation by planning mechanism with regulation by market mechanism are being closely investigated. The present article is an attempt to investigate how the capitalist countries are carrying out regulation by planning mechanism on the basis of a market economy, from which we may draw lessons for our own implementation of regulation by market mechanism under the guidance of planning.

I

In a capitalist society, on the one hand the entire society's production is required to harmonize, in an organized and planned way, with the development of the social forces of production and the progressive socialization of production; on the other hand, however, the capitalist system of private ownership causes the whole society's production to fall into an unorganized, unplanned and ungoverned state. The capitalist economic system has decided that the aim of its production is to seek a profit, and national economies depend to a large extent on the spontaneous development of regulation by market mechanism; the proportions of the entire society's production are renewed of their own accord in the midst of continual fluctuations and depredations. This kind of spontaneous movement spotlights the difference between socialized production and capitalism, and gives expression to the fundamental contradiction of capitalist society. Nevertheless, this does not amount to saying that a capitalist economy is entirely incapable of regulation by planning mechanism. In fact, "Capitalism has now directly evolved to a point where it has a highly planned form." (Lenin: "(Proclamation of) the Russian Social-Democratic Labor Party's Seventh Meeting of National Representatives, (the April Representative Meeting)," "Complete Works of Lenin, vol 24, p 274.)

First, there is the organization and planning of enterprise production. The form of capitalist production, as well as the historical role of the capitalist classes, consists of their adaptation to the demands of the development of the productive forces, concentrating and expanding the means of produciton, which were scattered amongst individual producers and small enterprises, founding enterprises on a huge scale and also instituting a planned distribution of labor within enterprises. Beginning from the 15th century, after passing through the stages of simple cooperation, workshop handicrafts and large-scale industry, powerful forces of production were created. This is the reason why factories which operated in a coordinated way, through the collective utilization of the means of production by a large number of people, were able to supplant small workshops. The latter process came about because this kind of "planned organization must be more effective than the haphazard distribution of labor; goods produced in factories where socialized labor is in operation must be cheaper than those produced by scattered small producer." (Engels: "Anti-Duhring" "Selected Works of Marx and Engels," vol 3, pp 309-310) This is to say that the capitalist economy, taken overall, is basically unplanned, but that within an enterprise it is, on the contrary, planned. Moreover, the planned nature of an individual capitalist enterprise, in step with the advance of science and technology, and in keeping with the 200 or 300 years' experience accumulated by capitalist management and administration, the modernization of capitalist enterprise management and the capitalists' strenuous efforts in subordinating their economic activities to the objective demands of the law of value, has further developed the planned nature of large companies and large monopolistic organizations, and has transcended national boundaries to develop into the planned nature of international corporations. In order to facilitate the profitable organization of production operations, the scope of planning is becoming increasingly extensive, its content is becoming increasingly comprehensive, and its different varieties likewise more and more numerous; since its methods are continually being improved, the quality of planning is also continually being raised. In the United States, for example, many large corporations formulate long term and short term plans: drawing on their long experience of creating new kinds of airplanes, new styles of automobiles and new chemical products, from the forming of a concept to starting up production, the Lockheed Aircraft Corporation, General Motors, and the DuPont Chemical Corporation have all worked out 5 or 10-year long term palns. The contents of these plans include important aspects and points relating to the manufacture of new products. After the long term plans have been drawn up, in order to adapt to market changes and new developments in science and technology, appropriate additions, revisions and supplements must be made to them every year. At the same time, these corporations strongly emphasize the integration of annual, quarterly and monthly plans in the formulation of their short term plans and stress that the plans should reach the units which have to carry them out before the start of the period to which they refer.

Second, it is not only enterprises and trusts which have internal planning; in the capitalist countries, certain ministries and departments also possess specific plans. Why is it that U.S. agriculture is so advanced? Apart from the existence of exceptionally favorable natural conditions, the U.S. has enormous experience in, and a whole series of methods for, developing agricultural production and carrying out agricultural modernization, and the U.S. Government's intervention in, and planned regulation of, agriculture has played a significant role in the development and modernization of U.S. agriculture. The U.S. policy in agriculture is admittedly the implementation of free regulation by market mechanism; nevertheless, the U.S. Government put into effect, at an early date, various plans to facilitate its intervention in or adjustment of agriculture. For instance, the adjustment of agricultural production was carried out by means of the formulation of a plan for the nation's overall cultivated area. Its contents are announced before the start of each year's sowing season. The extent of the cultivated area stipulated in the plan is calculated on the basis of requirements for domestic supply, net export and reserves. If a farmer voluntarily leaves fallow land which was used for growing a crop where a serious overproduction exists, if he is a participant in this plan and acts according to the terms of the contract, he may receive from the government a subsidy for his fallow land. The Department of Agriculture implements stabilizing plans in respect of many agricultural products: for example, if, after harvesting, selling conditions for an agricultural crop are not favorable, a farmer may decide not to sell this agricultural product, and use it instead as a pledge to raise a loan; in this case, the price of the pledged goods according to the plan will be higher than the market price. If the market price rises, the farmer can then sell the goods, and repay the original loan. If the market price remains lower than the planned price, then the farmer can transfer the pledged goods to the government at the planned price, in order to make good the original loan. Apart from these measures, the U.S. Government has also drawn up plans for foreign "aid" in grain, plans to safeguard agricultural resources, and management plans to safeguard the interests of consumers of agricultural products, in order to alleviate the "overproduction" crisis. All these plans have played a certain part in promoting U.S. agricultural development.

Furthermore, certain regulation by planning mechanism of the entire society's production has been realized. Modern capitalist production is highly socialized production, and certain proportional relations must necessarily exist in the reproduction of the society as a whole. It is only that its proportionality is brought into being through the spontaneous adjustments of the law of value. The correct level for such adjustments is often only apparent after the event, and also does not remain stable; this may be true to the extent that the equilibrium must be forcibly regained after critical disruptions have occurred, with the resultant crippling costs and enormous losses.

However, even at the stage of free-competition capitalism, bourgeois countries have intervened in a positive way in certain aspects of social production, so as to promote the development of the capitalist economy. They have decided the general legal scope of economic activities, upheld the capitalist system of private ownership, developed basic installations such as roads, bridges, canals, posts and telecommunications, and so forth, adjusted economic relations with foreign countries, with the aims of reducing the indiscriminate nature of the capitalist economy and allowing it to achieve a proportional development and reduce its losses in the milieu of free competition. For example, in the 19th century, in order to promote the opening up of regional economies, the U.S. Government encouraged the construction of railroads, stipulating that for every mile of railroad built, the railroad company was to be allocated ten miles of land, along both sides of the track, as well as a subsidy of $16,00-48,000. With the government's encouragement and assistance, U.S. railroad construction underwent a rapid development, so that in the latter half of the 19th century, five railroad tracks were constructed which spanned the entire continental United States, and the construction of railroads became the crux of U.S. economic development in the 19th century. Equally, the U.S. Government adopted sweeping politices to foster capitalist development, and in the 19th century it carried out the policy of protective tariffs, with customs duty as high as 40-50 percent, which effectively protected U.S. economic interests and encouraged the formation of a broadly based and unified domestic market in the United States.

In the closing years of the 19th century, with the rise in the degree of socialization of production and labor and the establishment of the rule of monopolistic capitalism, the capitalist classes were spurred on to the further use of state machinery to intervene in economic life and the modern capitalist economy had already reached a state in which it was no longer completely government-run. In the period of the First World War, in order that all economic activities might serve the aim of continuing the war, and so as to remedy the imbalance between resources and requirements, some imperialist countries took various positive steps to adjust their control of such things as production, the distribution of raw and processed materials and commodity prices, which was the embodiment of the phenomenon of large-scale state internvention in the economy. The imperialist period was no longer simply the era of big capital monopoly; it was also the period when monopoly capitalism was transformed into state monopoly capitalism. Its special characteristics were the integration of the enormous forces of the state and of capital into a single structure, the integration of the people in their multitudes within the production relations of state monopoly capitalism, the assumption by the state of certain functions of economic organization, and the implementation of fairly good regulation by planning mechanism in the economic life of the society as a whole; it was one of the important manifestations of state monopolism.

The economic crisis which first broke out in the U.S. in 1929 engulfed the entire capitalist world. In order to deal with the serious economic crisis and the threat of imminent revolution, the newly-elected U.S. President Roosevelt launched his so-called "New Deal" as soon as he had been sworn in, in 1933. This was an attempt to rescue the U.S. from the crisis by means of state measures for the "regulation" of the economy. Its general methods thus consisted of comprehensive state intervention in economic life, the strengthening of state monopoly capitalism, and the implementation of a series of measures for regulation by planning mechanism. Significant measures were the devaluation of the U.S. dollar, the abolition of the free exchange of paper currency for gold, the control of commodity prices, the limitation of private production and investment, and the absorbtion of a great number of the unemployed into public construction projects through the allocation of funds from the Federal budget; in the agricultural sector, an "agricultural reorganization bill" was put into effect, through large-scale state purchase of agricultural products, the area of land under agricultural cultivation was reduced, and agricultural compensation paid out, and so on. The U.S. propaganda organizations called Roosevelt's "New Deal" a kind of "planning" to ensure flourishing production, and asserted that the United States, under the "New Deal" would have "planned capitalism with no crises." This was, of course, a propaganda strategem, but certain of the planned readjustment measures taken under Roosevelt's "New Deal" really did achieve results, within a specific period and in certain fields, bringing about temporary economic recovery, and strengthening the dominant position of monopolistic organizations.

In his discussion of the historical position of imperialism, Lenin made a thorough analysis of certain new conditions which appeared after the occurrence of the great rise in the level of socialization of production, during the stage of monopolistic capitalism. These conditions included the enormous increase in size of the large enterprises--according to accurate estimates based on a large mass of data, they obtained possession of two-thirds, or even three-quarters of the total raw materials essential to the masses of American citizens; the transportation of these raw materials to the most convenient production sites was carried out in a planned way, (sometimes the distance between materials and production site was several hundreds, or even several thousands of li); all the various working procedures involved in the production of a large range of goods, from the processing of raw materials right up to adding the finishing touches, were directed from a single nodal point; the distribution of these products to the consumers in their tens and hundreds of millions was effected in accordance with a plan. All these conditions reflect the objective process of the increase in planning in the wake of the development of the social forces of production during the stage of monopoly capitalism. In some Western capitalist countries, a certain level of regulation by planning mechanism of the entire society's production and distribution, carried out by the state on the basis of market effects, has now become a new characteristic of the present-day capitalist economy.

II

After the Second World War, several important capitalist countries, such as France and Japan, vigorously promoted economic planning, and widely practiced state planning and regulation on the basis of the capitalist market economy. This had a tangible effect on the recovery and development of their national economies. Between 1947 and the present, the French Government has drafted and carried out seven consecutive medium term economic plans, and is due to start the implementation of the eighth next year. In the 10 years immediately following the war, the Japanese Government successively drafted more than 10 informal plans. Starting from 1955, Japan formulated nine official medium term plans, and is now in the process of carrying out a new economic and social 7-year plan (1979-1985).

The fundamental reason why postwar France and Japan, among other important capitalist countries, have put into effect economic planning, was to attempt to find a solution to the consequences of the increasingly acute internal and international contradictions inherent in modern capitalism. This economic planning has four important aims:

First, to resolve postwar economic difficulties by relying on their national economic strengths. To take France as an example, its economy was seriously disrupted in the course of the Second World War; there were serious shortages of raw materials, fuel, foodstuffs and housing, the currency was inflated, communications were paralyzed, and production installations and methods were obsolete. Under these conditions, the only way to effect a quick economic recovery was to rely on national strengths. Thus there was an urgent need for the government to formulate national plans, so as to quickly revive the economy. France's first economic plan (also called the Monnet Plan), was a plan covering the years 1947-1953 for the rebuilding of France and its economic recovery. By 1953, the French economy had not only completely recovered, but certain aspects had improved considerably compared to the prewar period. Between 1946 and 1955, Japan also drew up a total of more than 10 informal plans including the "Plan for Economic Revival" and the "3-Year Plan for Economic Self-Sufficiency." The Japanese Government took as the objective of its central plan the implementation of a "biased production pattern," emphasizing support for the development of basic industries such as coal, electric power and artificial fertilizers, as well as various other kinds of powerful policies and measures, promoting the rapid recovery of the economy. By the beginning of the 1950's, the Japanese economy had already regained its prewar level.

Second, to quickly develop the economy, promote modernization, and consolidate the rule of monopoly capital, by means of economic planning. Even during the Second World War, the French Resistance movement advocated postwar reform of the social economy, state organization of the economy, and the formulation and implementation of national economic plans, in order to remold France's economy and to raise the nation's political and economic position. Just as France's former Prime Minister M. Chalan-Delmas said, the goal of France's plans is "France's independence"; "France must make use not only of military methods for self-defense, but must also defend itself particularly by means of economic expansion." This requires that the state should carry out even more economic functions and that the state's role in economic regulation and intervention should be increased in order to direct the development of the economy towar predetermined planned goals. Between 1956 and 1973, Japan effected a swift expansion and modernization of its economy. During this stage of development, Japan formulated a total of six medium and long term plans, including the famous "Plan for the Doubling of National Income" (1961-1970). The aim of this plan was to transform the state of affairs in which Japan lagged behind other leading capitalist countries in science and technology, industrial structure, production levels, economic results, solving the severe and protracted postwar unemployment problem, achieving full employment and also bringing about a rapid rise in national living standards. On the basis of having solved these two big problems, the Japanese Government gradually altered the direction of development of its medium and long term plans, making a clear change away from its former simple "economic development plans," to "economic and social development plans." It increased plans for "social" development, exploiting talent, transforming the state of affairs in which public facilities lagged behind the development of production and the improvement of life, emphasizing cultural facilities, conservation of the environment and social welfare.

Third, to try to redress the undiscriminating nature of markets, to prevent the harmful effects of the market on the social economy, and to reduce the drawbacks of spontaneous market regulation by mark mechanism. The late President de Gaulle of France indicated that the aims of French economic planning were "to mold the scattered and multifarious types of production into an integral whole," "to make good the defects of freedom, while ensuring that its good points are not lost." Plans "must not suppress the pioneering spirit, must not inhibit competition nor damage equitable profits," and they should act as a kind of "lever" to promote "the realization of a high production rate" in the business world, "causing all enterprises to join together, and setting them an example for competing in overseas markets." Some French economists look on planning as a "tool for regulation by market mechanism." In general terms, France's planning is not the state domination of the economy, but is rather an attempt to use and control markets by economic means, according to a plan, and on the basis of the market economy. The functions of planning lie in the analysis and prediction of economic trends, the expression of the state's socio-economic policies and the direction of development it proposes to take, and the use of economic measures to influence the economic activities of state-run industries, private enterprise and individuals.

Japan's regulation by planning mechanism also has its foundations in the market economy; by means of comprehensive forecasting, its medium and long term plans provide a clear impression of the direction and overall appearance of economic and social development, and its government similarly uses economic measures to guide the progress of private enterprise in the direction indicated by the plans, so as to reduce the indiscriminate nature of economic development. This is an important reason for the emphasis which is at present being put on market surveys, market analysis and market forecasting in the West. It also accounts in some degree for the rise of "economic prediction," and "futurology."

Fourth, to serve as a measure for combating economic crises, and insuring stable economic progress. For example, in the 30 years following the war, the Japanese Government's investment in public industries in years of economic crisis far exceeded that in years when there was no crisis; in other words, the growth rate of government investment at all times formed a counter-trend to changes of the economic cycle. In years of crisis, when there was a fall in production in the mining industry, the scope of government investment always increased. According to Japanese statistical data, in crisis years, the amount of government investment shows an increase of about 20-30 percent over that of the previous year, while in crisis-free years, the increase over the preceding year is only around 10-20 percent, and for certain years the increase is even smaller.

Important ways in which regulation by planning mechanism has been realized in capitalist countries are as follows:

First, state budgets and government investment are the direct methods of carrying out regulation by planning mechanism. In France, the state budget and the social welfare funds allocated by the government at present account for approximately half of the national income, and the direct expenditure on investment allowed for in the national budget constitutes about one quarter of the total national investment; if loans extended from state funds and all forms of subsidies are added to this figure, it then constitutes roughly 50 percent of the total national investment. As a further example, government allocations annually accounted for 20-25 percent of the national income during 1946-1977. The funds needed for the expansion of the heavy chemical engineering industry in postwar Japan were raised mainly through government investment and loans. According to statistics, postwar public investment by the Japanese Government increased at a much faster rate than did private investment. In the years 1960-1976, private investment increased 7.5 times, while government public investment increased 11 times. The government investment was used mainly for machinery, construction of factories, for harbors, railroads and waterways of various sizes, and for similar production facilities. These investments, funded by the state budget, necessarily affected and regulated the market activities of Japan's means of production, increasing the demand for steel, cement, timber, machinery and other means of production, and thereby guiding the economic activities of private enterprise onto the course prescribed by economic planning.

Second, economic policy is a significant means of guiding the economy, regulating markets and putting plans into effect. In practice, it is clear that capitalist countries can, to a certain extent, regulate the building up of construction and the fluctuations between supply and demand in markets by means of economic policies covering tax revenue, subsidies, awards, credit, foreign exchange, currency, prices and so on; through policies on energy resources and technology, they are able to guide the exploitation of resources, make use of new technology, and improve production conditions; by means of policies covering workers' wages, social welfare, savings and so forth, they can regulate employment revenue and consumption levels. The various policies directly and indirectly regulate and influence the economic activities of businesses and individuals, and, to a certain extent, suit them to the requirements of planning. For example, in France, if an enterprise undertakes a project planned by the state, the state will supply funds under the terms of a "planned contract," and will also give preferential treatment to the enterprise, in the form of loans, subsidies, tax reductions or remittances, and so on. Since the 1950's, a special credit system has been in operation in Japan, whereby the government, acting through the Bank of Japan, stipulates the number of loans which may be issued by individual commercial banks, and decides their management orientation, so as to control the economic activities of enterprises, and to insure that enterprises' policy decisions are in keeping with the requirements of economic planning.

Third, the far-reaching recruitment of representatives from all walks of life to participate in the forecasting of market trends and the formulation of economic plans. For instance, in the drawing up of its plans, France places much emphasis on recruiting representatives from the world of business, the trades unions, farmers' organizations and the consumers to take part in planning work, and formulates its plans on the basis of forecasts and consultations, thereby causing planning to be better suited to the markets, and making the two complement each other better. Thus the French Government's emphasis on consultation has always been fundamental to France's planning. Japan's economic planning takes the form of the prime minister seeking advice; the prime minister's requests for advice are answered by the Economic Advisory Commission, (the center for drawing up plans, a subsidiary body of the economic planning board). When the Ikeda cabinet was drawing up the "Plan for the Doubling of National Income," the Economic Advisory Commission formed four subcommittees and eventually set up a further 16 special committees to deal with the allocation of investment capital, the communications system, land and water conservancy, energy policy, wages and employment, living standards, and so on. Prime Minister Ikeda appointed 239 committee members, among whom were entrepreneurs, economists, newsmen and trades unionists. Experts on Japan believe that using the method of advice and consultation has three main functions: 1) it makes possible the pooling of wisdom, as well as the full use of the learning, experience and powers of judgment of the committee members; 2) it allows speedy attention to be given to all manner of suggestions, and the consultation of the interests of all the various members of the committees, and 3) it allows the members to gain an understanding of, and to support, the objectives and policies of the plans, through formulation and consultation.

Fourth, the establishment and consolidation of all kinds of organizations, funding organizations and functional companies for the implementation of plans. For example, apart from carrying out planned adjustment through the various government departments, the planning commission, and state financial bodies, France has also set up all kinds of funding organizations and functional companies to form an implementation structure for regulation by planning mechanism. There are organizations for the funding of economic and social development, territorial reclamation and improvement works, and the preservation of nature and the environment, and so on. As for the functional companies, there are national equipment companies (companies for promoting regional construction), a central real estate company (to assist regional basic construction), land reclamation and rural construction companies (which are responsible for the purchasing of waste land, the concentration of landholdings, and the improvement of the farming structure), and so forth.

Fifth, the drafting of economic laws and the stipulation of criteria for economic activities, insuring the implementation of plans. Economic legislation is the concrete manifestation of economic policy and only when a strong and complete legislation exists for intervention in and supervision of economic activities can the effective enforcement of economic plans be guaranteed. In Japan, when a solution to important problems arising in the formulation of economic plans has been reached through investigation and research, appropriate economic regulations are drafted, or existing ones revised, for the allocation of funds. Thus, in the formulation of the "Plan for the Doubling of National Income," almost 90 proposed laws were drawn up or amended to facilitate the coordinated execution of the plan. France has formulated laws covering almost the whole spectrum of economic activities in order to promote the execution of its plans; for instance, there are trade laws, factory laws, labor laws, laws on agricultural policy and for environmental protection, social laws and others.

Economic planning has played a positive part in the postwar economic recovery, adjustment and reforms of Japan and France. Because the plans are in general of a directive, predictive and consultative nature, and also because they stress amendment and adjustment during the process of implementation, they are able to harmonize the interests of the state and of private enterprise at different levels and promote economic development. With a combination of guidance through economic planning and favorable conditions at home and abroad, Japan's gross national product achieved an average annual growth rate of 9.8 percent between 1955 and 1973, and of 19.8 percent during 1960-1970, higher than any other capitalist country in the same period. Japan's national income in 1958 represented only 7 percent of that of the United States, 51 percent of Britain's, 60 percent of West Germany's, and 70 percent of France's; by 1967, Japan had already overtaken France, West Germany and Britain, and had transformed itself, in a single leap, into an economic power second only to the United States in the capitalist world. From the point of view of the results of carrying out the plans, thanks to the use of scientific methods in drafting them, of Japan's eight medium- and long-term plans since 1955, six have been completed ahead of schedule or have overfulfilled their targets; only the "New economic and social development plan," and the "basic plan for the economy and society," are excluded, since they have not yet been completed. For the "5-Year Plan for Economic Self-sufficiency" of 1956-1960, the "New Long Term Economic Plan" of 1958-1962, the "Medium Term Economic Plan" of 1964-1968, and the "Economic and Social Development Plan" of 1967-1971, the average annual proportional economic grwoth rate was planned to be, 5, 6.5, 8.1 and 8.2 respectively, and in fact the effective results were 9.1, 10.1, 10.8 and 12.3 percent (1967-1970). Between 1952 and 1974, France's GNP increased twofold, with an average annual increase of 5.2 percent, while its average annual increase from 1960-1972 was 5.8 percent, surpassing that of West Germany, Italy, Britain and the United States and second only to Japan's. The results achieved by France's plans were very similar to those of Japan. From the above information, it is clear that there is a very close connection between the postwar recovery and rapid development of the French and Japanese economies and the guidance and regulation provded by state planning. We may say that the above results would have been very hard to attain without powerful state intervention and without the unremitting promotion of economic planning over a long period.

It must be emphatically pointed out that there are differences in principle between the regulation by planning mechanism of capitalist countries and that of socialist countries. First of all, the economic plans of capitalist countries are formulated by the bourgeois government and the monopoly capitalist class; their aim is to serve the interests of the monopoly capitalist class, and profit is the motive for its decisions. Wheneven sharp conflicts arise between regulation by planning mechanism and profits, state planning gradually loses its guiding role in private economic affairs, it cannot obtain the support and cooperation of the monopoly capitalist class, it becomes increasingly difficult for the state to use economic measures for the planned regulation of economic activities and suggestions for full recovery and for reliance on regulation by market mechanism are completely ignored. On the other hand, the regulation by planning mechanism of socialist countries serves the basic interests of the working people. Second, despite the fact that capitalist state planning is capable of different degrees of intervention at certain periods and in certain areas of the process of social reproduction, and even of using plans as a kind of measure to combat crises and temporarily relieve contradictions, nevertheless it cannot eliminate the basic contradictions of capitalism; neither can it eliminate chronically-recurring economic crises. The frequent outbreak of economic crises in the postwar capitalist world is proof of this. Especially since the 1970's, there have been great upheavals in international financial markets, competition for markets has been severe, the measures at the disposal of state planning have been heavily limited and, under the onslaught of the world economic crisis, even Japan and France have not been able to carry out their medium and long term plans on schedule. On the other hand, under the socialist system, given a correct line, a correct general policy, and scientific methods of application, all the various kinds of economic contradictions can be resolved, and national economies can be developed, in a planned way, at a proportionally higher rate. Further, however large its scope of application, capitalism's regulation by planning mechanism cannot achieve an overall balance throughout the whole of society. This is because, however wide the scope of capitalist enterprises and trusts, and however high their level of socialization, in the final analysis they remain private owners with radically opposed interests. No laws or policies are capable of fundamentally reconciling their conflict of interests, nor of fundamentally uniting them, coordinating the entire society's production and bringing about an overall balance. In the pursuit of profits, capitalists are prepared to ignore any sort of social needs, coordination of production and legal norms. They will of necessity destroy all these things in the pursuit of their own objectives. Moreover, as a result of the broadening of international economic relations, the increasing intensity of competition in international and domestic markets, the implementation of regulation by planning mechanism within the confines of a single country is becoming more and more difficult.

III

Even though differences of principle exist between the regulation by planning mechanism of capitalist countries and that of socialist countries, the socialist economy nevertheless has similarities with the capitalist economy in the two fields of socialized production and commodity production. In the course of several hundred years, the capitalist classes have accumulated rich experience in these two fields. We can and should learn from the experience of the capitalist classes in operating commodity production with a fairly high degree of socialization. As Lenin has said, only those who understand that it is impossible to create or implement socialism without learning from the organizers of trusts are worthy of being called communists. We should learn from the experience of capitalist countries, accumulated in the course of 200 or 300 years, in the field of microeconomic management, and we should also learn from the experience they have accumulated in relation to market adjustment and a certain degree of regulation by planning mechanism in the field of macroeconomics.

I believe that it is worth our while to study, and draw lessons from, the experience of capitalist countries in carrying out certain levels of regulation by planning mechanism on the basis of regulation by market mechanism, especially in the following three areas:

First, the regulation by planning mechanism of the capitalist countries attempts to avoid negative market effects. Their medium and long term plans embody certain macroscopic goals, and are plans of a strategic and guiding nature. Their macroscopic plans, from one point of view, supply guidelines for the market, and strive to correct the indiscriminate nature of the market and to prevent the disruptive effects of the market on society; from another point of view, they concentrate on not restricting the positive role of the market. Some French economists who have held important offices in certain government economic and planning departments believe that the planned guidance of markets and the market's insuring of the balance between supply and demand are not mutually exclusive functions. The favorable effect of safeguarding the free play of market mechanisms in no way hinders the large-scale effect of bringing state planning into play. The initiative of enterprises will only be restricted if the intervention of the government or planning in the economy is too great, or if their control of the economy is too strict, or when serious bureaucratism occurs in government departments, when there is an excessive number of rules and regulations, or when taxes are too heavy. In the same way, only when state plans fail to provide proper guidance in a particular field, or if they have not stipulated objectives and measures which must be fully carried out, will spontaneous market effects spread unchecked. If would appear that the object of economic intervention through macroscopic planning by capitalist countries is to allow capitalist economic laws, including the law of value, to be brought fully into play, and not to build up dominance over the economy or work it to death. We should examine and learn from the experience of capitalist countries in this field, strengthen planned guiance, give full rein to positive market effects and bring about a better integration of regulation by planning mechanism and regulation by market mechanism; we should also insure that our plans accurately reflect the demands of the law of value.

Second, in the execution of their plans, the capitalist countries rely primarily on economic measures, economic policies, and economic legislation, and not on administrative measures. Their plans in general have the nature of guidelines, and not of orders. Thus they exercise a certain restraint on state-run enterprises and on relevant government departments. We should study and absorb their experience of using economic measures, economic policies and economic legislation, and we should pay even more attention to studying their financial and monetary policies, and certain of their policies in the fields of technology and economics, such as energy resources policies and environmental policies, as well as those policies which, like the anti-trust legislation, oppose monopolies, safeguard competition, and make use of regulation by market mechanism, and we should do this in order to smash all kinds of economic blockades, and to strengthen and develop China's unified domestic markets.

Third, even though the capitalist countries, in drawing up their plans, cannot bring about the same overall balance which is achieved by socialist countries, nevertheless, in the areas of improving planning methods and strengthening economic intervention and the economic balance, they possess much experience from which lessons may be learned. Thus, in formulating the "Plan for the Doubling of National Income," Japan worked out a balance between reserves and investment, a balance between income and expenditure in finance, a balance between income and expenditure in foreign trade, a balance betwen individual income and expenditure, as well as the all-important balance between toods and materials. In the formulation of the "Medium Term Economic Plan" in 1965, a macroeconomic model was used which consisted of 300 equations and took into account 100 external variables. France also makes use of various kinds of models for economic calculations in drawing up its plans, such as material-finance models and models of the performance of many departments. Since the 1970's, the United States and other important capitalist countries, in order to coordinate certain international economic activities, have begun to construct international macroeconomic models, and are even integrating the economic models of various countries, to form a "global model." We should also study, and make selective use of, some specific methods adopted by the capitalist countries for the formulation of plans, such as, for example, their methods of starting up production, their various kinds of economic calculation methods, laws of comparative economics, optimization methods, and so on, with the aim of raising the standard of our planning work; at the level of individual economic units, economic accounting may be strengthened, and economic results improved.

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[Article by Feng Lanrui [7458 5695 3843] of the Marxism-Leninism-Mao Zedong Thought Research Center, China Institute of Social Sciences, entitled: "Six Aspects of the Problem of Employment"]

[Text] The employment problem is a social problem of great significance facing China at present, and it is also an important theoretical problem. By means of a multiplicty of plans, and by opening up all available channels, the party Central Committee and the departments concerned have, since last year, found employment for a large number of people. In oder to better resolve this problem in the future, we must make further investigations on the basis of theory, general principles and policies, integrated with practice. This problem involves a wide range of aspects, and is relatively complicated. In this article, I shall only offer some rather superficial opinions of my own relating to the following six problems.

1. Is It Possible To Eliminate Unemployment in a Socialist Society

Neither Marx, Engels nor Lenin provide a direct answer to this question. Nevertheless, from their various discussions, it becomes clear to us that, in the first stage of communism as envisaged by them, that is, the socialist society, the phenomenon of unemployment does not exist. Socialism came into being as the antithesis of capitalism, on the basis of the productive forces having reached a high level of advancement. In the socialist society, the means of production are owned in common by the whole society, all the members of society are the owners of the means of production, everyone has the obligation to work and the right to work and the phenomena of exploitation class, crises and unemployment do not exist. In dealing with the elimination of exploitation, Marx emphatically discussed the obligation to work; at several points in his writings he said that "every man must work." ("Complete Works of Marx and Engels," "Introduction to 'Wage Labor and Capital,'" vol 22, p 243) Marx also said: "The conditions of oppression existing at present should be eliminated by means of transferring all the instruments of labor to the producers, thus suiting every physical force to the working people, in order that they may work to insure their own existence." ("Complete Works of Marx and Engels," "In Commemoration of the Seventh Anniversary of the Formation of Communist International," vol 17, p 468) It is evident that (to a group of people such as oppressors and idlers) labor can even be an obligation which contains an element of compulsion.

In his writings, Lenin also discussed the obligation to work and the right to work. He summed up the socialist principle proposed by Marx in the phrase: "He who does not labor, does not eat." ("Complete Works of Lenin," "On Famine," vol 27, pp 365-366) In his essay "A Marxist Discussion of the State," after the sentence, "the distribution of consumer goods 'has a proportional relationship with' the amount of labor supplied to the society by each person--in the lower-class stage ('first phase')," Lenin used triple brackets to draw particular attention to the following: "This is also a form of compulsion: 'Anyone who does not work, does not have food to eat.'" (Lenin: "A Marxist Discussion of the State," People's Publishing House 1964 edition, p 33) What is stressed by these words is opposition to exploitation, and emphasis that labor is an obligation which must be fulfilled by everyone. Lenin also discussed the right to work. He said, "All citizens have the equal right to use the public means of production, publicly owned land and factories, and so on, in order to carry out labor." ("Complete Works of Lenin," "A Liberal Professor on Equality," vol 20, p 130) From this we can see that the socialist society envisaged by Lenin is similar to that envisaged by Marx and Engels, where the phenomenon of unemployment does not exist. Not long after the October Revolution, Lenin wrote an essay which dealt directly with unemployment. In it Lenin indicated that unemployment was caused by imperialist wars, and was not inherent in socialism.

Stalin bluntly stated that there was no unemployment in a socialist society, and moreover he held that the stage had been reached in which there was no unemployment. At the 16th Congress of the Communist Party of the Soviet Union in 1930, during the Soviet Union's transition from capitalism to socialism, Stalin said, "There are approximately 1 million unemployed in the Soviet Union," but that, under the Soviet system, the number of unemployed was being steadily reduced. He also said, "Up to the 30th April of this year, the number of unemployed had already been reduced by more than 40 percent." ("Completed Works of Stalin," "Political Announcement of the Central Committee of the CPSU to the 16th CONGRESS," vol 12, p 257)

By 1934, Stalin could announce, at the 17th Congress of the CPSU, that unemployment had already disappeared. "We no longer have any working people who are unable to find work, or who are unable to earn a wage." ("Complete Works of Stalin," "Summary of the Work of the Central Committee of the CPSU, Given at the 17th Party Congress," vol 13, p 297). In a 1936 report the draft constitution of the Soviet Union, Stalin said: "We now have a new socialist economy in which the occurrence of crises or unemployment, poverty or bankruptcy is not possible." ("Selections from Stalin," "On the Draft Constitution of the Soviet Union," p 85) In this same report, Stalin announced that the Soviet Union had already basically realized the first stage of communism as envisaged by Marx.

To summarize what has been said above, the views of the classic Marxist writers are basically in complete accord. In the first stage of the communist society, (that is, the socialist society), because the private ownership of the means of production has been abolished, and the public ownership system established, every worker has the right to use the publicly-owned means of production in order to carry out work, and, at the same time, has the obligation to work for society, and thus the phenomenon of unemployment can be eliminated.

In the initial period of China's liberation, there were 3 to 4 million people out of work, a legacy bequeathed to us by the old society. China's Government adopted the methods of "providing for and helping ourselves through production," and "providing work as a form of relief," and had basically solved the unemployment problem within 3 or 4 years. During the period of construction covered by the first 5-year plan, all the previously neglected tasks were being undertaken, and large-scale basic reconstruction was in progress, so that there was no problem of people waiting to be assigned work. At the time of the "Great Leap Forward" in 1958, the strange phenomenon arose of there not being enough available labor. In the 1950's, China regarded herself as a state where there was no unemployment. By the 1960's, the problem was gradually becoming apparent, and we began to feel the pressure imposed by this employment question. After 1967, great numbers of educated youths, responding to the party's call, went out to mountainous and rural areas, with the result that the problem of those waiting to be assigned work was covered up under various policies and measures. In the last few years, because the capacity of the rural people's communes for absorbing labor has reached the saturation point, because a large proportion of the young people who went out to mountainous and rural areas have returned to the cities, and because industrial and mining enterprises in towns and cities are at present already overstaffed, as well as for other reasons, finding employment for laborers has become a social problem of the utmost importance. Last year, employment was found for 9 million people, through the positive efforts of the party and the government. Within a certain number of years, 6 or 7 million young people and students are expected to enter the ranks of those waiting to be assigned work every year. It would seem that another period of bitter struggle will be required to resolve the employment problem.

The reason for the existence of unemployment in China's society are complex. Below are some important aspects:

First, since the 1950's, China's population increase has been out of control, and has far outstripped the requirements of economic development for laborers. Over the past 30 years, our natural population increase has reached an average of as much as 20 per 1,000 while the world average proportional increase is 17 per 1,000 and that of the world's advanced countries is only 7 per 1,000; our figure is far higher by comparison. Moreover, the base figure for our population is very large, even though our proportional rate of increase is similar, the actual increase is higher than that of other countries. China's population has increased from 540 million people in 1949 to 970 million in 1979. During this period, having suffered from the disruption of the "left" deviationist line and from 10 years of great chaos, China's economic development had been brought to the verge of bankruptcy by the time of the fall from power of the gang of four. This is the fundamental reason for the existence at present in China's society of such a large number of people who are waiting to be assigned work.

Second, the implementation over the past 30 years of a highly concentrated overall management system, has not been advantageous for solving this unemployment problem. If we take the most direct system of labor management, then, under a highly concentrated system which is all-embracing, those waiting to be assigned work can only "wait" for assignment, they are not permitted to look for jobs. Unless one is able to "get in by the back door," he will have to wait for assignment; there is absolutely no other alternative. One cannot move to another area, due to the restrictions imposed by the relation between the number of households, the total population and the food supply. It is even less likely that one can go to look for work in another place. No industrial or mining enterprise or institution is able to recruit personnel according to the requirements of its work tasks since norms are transmitted to lower levels by the labor departments, and personnel are assigned to work by the regional labor department in the place where they live, so clearly, enterprises are not permitted to recruit and employ qualified personnel wherever they can find them. The multitude of stipulations and restrictions give rise to the contradictory state of affairs where, on the one hand, many people do not have a profession and, on the other hand, many jobs remain unfilled. The widespread and serious nature of this situation where people have to wait to be assigned work, caused by the unsuitablity of the system, is of no less significance than the problems described in the preceding paragraph.

Third, there is the situation in which people have to wait to be assigned work, this time caused by the too rapid transformation of the production relations. For many years, we have cut ourselves off subjectively from the real conditions of the productive forces, and have continually altered the production relations, striving to make everything "large" and "public," and have emphasized the transition of small collectives into big collectives; thus we have restricted and cut out the individual economy, to such an extent that some workers have drifted out of production to become an idle labor force in society. Moreover, this has cut off one newly perfected means of finding employment.

Fourth, there is the situation in which people waiting for work are in the process of selecting their occupations. Under the policy where the state ownership system is "an iron ricebowl," [meaning job security] people waiting for employment have necessarily choosen state run enterprises and over those of the collectives. Even if the salary is a littler lower, they still prefer to go to a unit under the state ownership system, rather than to one under collective ownership; still less do they wish to engage in individual labor. Some people also want to make a choice between all the different businesses and industries, and to choose between areas, which makes the period they spend waiting for assignment even longer.

Does the actual situation of the existence of a large number of people in China who are waiting to be assigned work contradict the Marxist theory relating to the elimination of unemployment in socialist societies? The answer to this question is negative.

After surviving rigorous trials and tribulations, China's socialist system has established its dominance. In the economic field, "the poverty and blankness" in resources, bequeathed to us by old China, has been radically altered, and independent, relatively complete systems of industry and national economy have been set up. However, because the resources bequeathed to us by the old China were, in the last analysis, too "poor" and too "blank," because we suffered, for a comparatively long time, the disturbances caused by the "left" deviationist line, and did not come firmly to grips with the central task of economic construction, and, particularly, as a result of the 10 years of great calamity caused by Lin Biao and the gang of four, for all these reasons, our present socialist system is separated by quite a considerable distance from the first stage of the communist society envisaged by Marx and Lenin, or from the "complete" and "advanced" socialism discussed by Lenin.

Under these circumstances, it is impossible both to guarantee full employment and to eliminate the phenomenon of people having to wait to be assigned work. On one hand, we must strive to solve the employment problem, and on the other hand we must realize that, in the present historical stage, the requirement of eliminating the wait for work assignment is excessive. We cannot make demands on the present which are based on the standards of the complete and advanced socialism of the future, and this applies to the employment problem as much as to any other. Naturally, this does not mean that the phenomenon of unemployment must necessarily exist in all countries in a stage of socialism which is still not complete or advanced. In fact, in some countries which are in a stage of socialism that is not yet complete or advanced, there is no unemployment at all, but rather a labor shortage. This is a point which is determined by each country's specific conditions, and on which generalizations cannot be made.

3. The Confusion of the Concept of Employment, Its Causes and Its Results

Although we admit that the phenomenon of having to wait for work assignment is unavoidable in China's present stage, this does not mean that we adopt a negative attitude to solving this problem. On the contrary, we are squarely facing up to this problem, so as to be able to conduct thorough research into its solution.

Last year, we found jobs for 9 million people throughout the country, which was a great achievement. However, it also brought to light several problems, and first among these was the confusion of the concept of employment.

What is employment? Many people would answer simply that employment is the provision of jobs within the system of ownership by the whole people and within large collectives, (such as big stores and big factories), which approximate the system of ownership by the whole people. However, many people would not wish to admit that finding jobs for people in small neighborhood collectives, or in cooperative groups, is also employment; even less would they be prepared to admit that employment can mean individuals finding a means of livelihood for themselves, practicing handicrafts or offering servies in a small way, or starting up small capital business ventures, even though the people who do find work in these ways all have work to do, earn a regular income, and support themselves and their families. For instance, last year a large number of small economies sprang up in Wuhu Municipality, and among thesewas a company which sold only stewed duck, but which all the same had several hundred stalls, and involved more than 1,000 people. Some were partnerships composed of a few young people, while some were run by one person employing his entire family; the earnings of one person from this kind of business is enough to support 2 or 3 people. Last year, Wuhu had several thousand of these kinds of small cooperative groups, individual small retailers, and individual handicraft industries, all of them individually responsible for their own profits and losses. Between them, all the various businesses have all the goods one could hope to find. They sell a remarkable variety of goods, and offer a complete range of services. They are convenient for the masses, and represent a thriving market. The products of many individual manufacturers is also high; in Wenzhou, for example, some shops selling leather shoes have merged, but there are still 40 of them, concentrated along one street, whose products are in great demand in Shanghai. The production price of each pair of shoes is roughly 10 yuan, while the selling price is between 12-17 yuan.

These cooperative enterprises and individual economies have absorbed a very large number of people who were waiting to be assigned work, including a proportion of young people awaiting assignment, which has solved their own and their families' living problems. Nevertheless, from the social point of view, it is still not admitted that these people have found employment, and even they themselves do not admit that they have found jobs; rather, they are "waiting for jobs to be found for them." This situation is to be found in all areas, under different names; it is sometimes called "temporary assignment." There is another aspect to the prbolem, in that because some enterprises do not have specified production duties, "they are not producing enough goods to pay wages." As long as this fact is recognized by the government, it can still be considered to be employment. The situation of several so-called "neighborhood factories" in Wenzhou is of this nature.

Why was it possible for the concept of employment to become so muddled? First, this happened as a result of our employment system. For a long time, the labor force has been treated as a whole, and allocated in a unified manner to state-owned industrial and enterprise units or to state institutions, and so, in the course of time, the notion has developed that one only has proper work when one has been sent to a state-owned industrial or enterprise unit, and can thus hold out one's "iron ricebowl." Small collectives have no "iron ricebowl," nor any economic guarantee, and thus cannot be considered as supplying proper employment. As for individual labor, sometimes called "going it alone," it is always the object of reform and suppression, and of course cannot be considered proper work. Second, it was a result of the labor policies and methods of doing things which are in force at present. During the process of assigning jobs last year, some regions, in respect of the assignment of young people to employment in small collectives, made the stipulation that these young people should "not be prevented from entering a school of a higher level, not be prevented from enlisting in the army, and not be prevented from working in factories owned by the whole people," which was called by some the "preservation of the three rights of recruitment," (the rights enjoyed being, namely, to be recruited as a worker, to enlist as a soldier, and to enroll as a student); this was another cause for the confusion over the concept of employment. If, after they have been found employment, young people wish to enroll as students or enlist as soldiers, in accordance with the conditions, then naturally they may do so. After they have been found jobs in small collectives, or started themselves up in individual labor, it is no longer necessary for them to wait to be recruited for work in a unit owned by the whole people or in a large collective, or for them to be reassigned to other employment. In fact, "the three things which must not be prevented," and "the preservation of the three rights of recruitment," do not admit that starting work in small collectives is employment. Third, the position in society of the small collective economy and the individual economy is low, and has no economic guarantee. The state has not given a systematic guarantee to the organizing, by people waiting to be assigned work, of various kinds of cooperative groups, cooperatives, and the supply of goods and materials under the individual economy, which will lead to it becoming impossible to keep up production, to sluggish business, to wages and material benefits becoming difficult to guarantee, to the people involved in this kind of business not being able to work without worries, and considering looking for employment in state-run units, and finally to the collapse of this kind of business. The case of the Bianmin restaurant, in the Chongwen quarter of Beijing, which has gained quite a reputation, is representative of this. This small restaurant opened in April 1979, run by 7 young people; from the first, high levels attached much importance to it, it was supported by the leadership, and was supplied with wholesale goods and materials; its daily level of business reached 180 yuan, and many Chinese and foreign journalists covered it in their reports. Later, when the high point had passed, and the leadership no longer attached importance to it, the supply of goods and materials were no longer guaranteed, trade became slack, with daily sales of only 7 yuan. The business could no longer be continued, and the partnership had to be broken up. The people involved said, "a small collective is like a ricebowl made of paper--you can't rely on it." Before National Day 1979, 18,000 young people in this area had found jobs in various small collectives, but by January 1980, more than 4,000 of these had returned home for all kinds of reasons, and were once again "waiting to be assigned work."

The confusion over the concept of employment, as well as some shortcomings and problems in our systems and in our work, has brought us to the point where redoubled efforts in the provision of employment are yielding only very poor results, where small collectives cannot be consolidated, and where work assignment often has to be repeated, and it has also added to the difficulties of solving the unemployment problem. If we are to find an effective solution to the unemployment problem, the confusion over the concept of employment must be cleared up. It must be made clear that employment means not only going to work in a state-run enterprise or a large collective enterprise, but that it can also mean working in a small collective, or individual labor; the position of the small collective economy and of the individual economy in politics, economics, and in the public opinion must also be raised, for only then will the full potential of these economies be brought to bear in the work of providing employment for labor.

4. The Policy of Employing Labor Through Overall Mass Allocation Must Be Changed

This policy has been in force for more than 20 years, and it is now time to weigh up its advantages and disadvantages.

In the past, we have said that, according to the socialist principle of the elimination of unemployment, China is a socialist country, and should not have unemployment. This was a misconception. It is true that we have established the dictatorship of the proletariat, and that China is now a socialist country, but our socialism is still at a not very advanced stage, and to demand the elimination of unemployment at this time is excessively leftist. Nevertheless, this is exactly what we did, under the previous leadership of the "left" deviationist ideology. We first of all gradually found employment for the unemployed bequeathed to us by the old society, and the absorbed the university graduates and technical secondary school graduates. By the time of the "Great Cultural Revolution," we were lumping together all senior- and junior-middle school graduates for unified assignment of jobs. We previously thought that it was in the superior nature of socialism that capitalist societies should have unemployment while we were free from it. At the time, this attitude had real attractions, but in the end the splendid illusion crumbled in the face of harsh reality. We should come to the sober realization that, because the level of the forces of production in our society is still very low, the policy of overall mass allocation of employment can only force us into a state of passivity, where we wish to do everything in a comprehensive way but are simply unable to do so.

As well as rendering the state passive, the policy of overall mass allocation of employment also has other disadvantages. First of all, it forces a great number of people waiting to be assigned employment to rely on the state for the allocation of jobs, making it impossible to bring into play their own initiative, enthusiasm or creativity. The solution of the unemployment problem is the responsibility of the state and of society, but it is also the responsibility of each individual awaiting job allocation. A young person is raised to adulthood with the support of the state and of his family, and so, when he has completed his education and enters society, he ought to learn a skill and set himself up in a profession for the benefit of society, and use his own intelligence and talents to the fullest extent, in order to find a livelihood for himself. Notwithstanding this, our state continues to take care of young people just as a nurse looks after a child, and will even look after them until they die, not allowing them to find professions for themselves, but only to accept the job assigned to them. This has cultivated a sort of dependency mentality among young people, so that they believe it to be the state's obligation to provide employment for them, and not only that, but that the state should assign them to the ideal job, and that they may refuse to take a job which is less than the ideal. Thus, the state's burden of responsibility has been made heavier, and the aspirations of youth are eroded. Under the system of unified state allocation, several million people have to be dealt with every year, which makes for a heavy workload, and makes it difficult to insure the appropriate allocation of jobs. Basically, it is not feasible for the abilities and interests of every individual to be considered, and so some areas have adopted the methods known as "wholesale allocation," [padui 2091 1018] or "dividing up the work and assigning part of it to each individual. As a result, the abilities of young people are not put to full use.

Second, the implementation of overall mass allocation of employment results in a lowering of quality among the rank and file of staff and workers. Each year in China the people who must be found work number in the millions; how can the state accommodate this huge army of people waiting to be assigned to jobs? On the one hand, the number of new positions which can be provided by the state is limited; on the other hand, the total amount of funds available to the state for raising of wages is also limited. Under these restrictive conditions, the greater part of the labor force has joined already existing state-run enterprises and large collective enterprises. These units were in fact already overstaffed, with 5 men doing the work of 3 and now, with the further addition of a large number of staff, 7 men are doing the work of 3, with the inevitable result that such bad habits as laziness, a lackadaiscal attitude, an unwillingness to shoulder responsibility, and drifting aimlessly along from day to day have been engendered among workers and cadres, thus lowering the quality of the rank and file of workers.

Third, productivity has been sacrificed while implementing the policy of overall mass work assignment. Attempting to further increase manning levels in cases where 5 or even 7 men are already doing the work of 3 leads to serious overstaffing, inability to realize labor quotas, and a drastic reduction in labor productivity. This is a matter which merits serious attention. We should not forget Lenin's famous statement, that, in the final analysis, labor productivity is the most important guarantee of the victory of the new social system over the old. In order to make full use of China's great advantage in having a large population, we should of course develop labor-intensive enterprises, but the aim of these labor-intensive enterprise is not simply to avoid a drop in productivity, but positively increase it. China's present productivity is low even among the undeveloped countries, and, if we do not now give our total attention to this situation and display great resolution in altering it, then we will not be capable of realizing the four modernizations and building socialism.

To summarize what has been said above, the policy of overall mass assignment of employment, as well as the corresponding highly concentrated overall management system, is clearly no longer capable of adapting to the circumstances of China's productive forces; it is slowly but surely strangling employment channels, and must be reformed and replaced by a policy in which the provision of employment through the labor departments, employment in voluntary organizations and finding a job for oneself are all integrated under the overall planning and guidance of the state.

5. The Further Implementation of the "Two Choices"

Under the guidance of the new and relatively flexible employment policy described above, we envisage that it will be possible to implement even further the method of the "two choices," in recruitment procedures of state institutions and of urban enterprises and undertakings.

What are these "two choices"? To put it simply, they are the choice of the right man for the job by the unit requiring personnel, and the worker's choice of the right employment.

Since 1979, under the experimental rules and regulations for expanding enterprises decisionmaking power, enterprises may select the best man for the job when recruiting staff and workers, but under the policy and system of organization of overall mass allocation of employment, this type of selection in fact was not, and could not be, put into practice. There is a strong concensus of opinion among units at the grassroots level that, if the overall mass allocation policy is not altered, the selection of the best man for the job by enterprises will just be so many empty words. There are many advantages to changing the policy of unified allocation of work, and allowing units with personnel requirements to select the best workers and staff for the jobs to be done. These are primarily to be found in the best utilization of human talents and abilities, the improvement of economic results, and the raising of productivity. If units requiring personnel give public notice of selection of applicants, and publish in advance the special features of the posts for which recruits are being sought and the conditions of employment then suitable candidates can apply for interviews. Prospective employers and candidates will then both have ample leeway in their choices. Both parties are benefited, since workers are allowed to make full use of their special skills, while the units obtain the workers they require.

In connection with the selection of the best man for the job by units requiring personnel, all units should be permitted to dismiss unsuitable workers and staff, and to reduce overstaffing. No social discrimination should be attached to workers and staff who have been dismissed or made redundant; they should rather be treated with the utmost solicitude by society. Society should arrange for them to receive professional training, and help them to find new employment; their living expenses may be paid by their original units for a certain period, and those who still have no new job after that period has expired may receive social security benefits.

If we are to put into practice the method of units with personnel requirements choosing the best person for the job, then we should strictly abolish the system whereby sons and daughters take over their parents' jobs when they retire. At present, this system is still in force, and it has many disadvantages. The practice among some workers, including technicians and skilled workers, of retiring early so that their children can take over their jobs has led to a widespread reduction of technical and professional levels among rank and file of workers. These workers always seem to allow the least highly skilled of their sons and daughters to take over from them, with the result that the replacement system has turned into a matter of "choosing the worst man for the job." There are also some people who take advantage of this kind of replacement to break the law and make a mockery of discipline. To summarize, if we want to put an end to all these corrupt practices, the replacement system must be abolished. In future, whenever a child of any worker starts work, he or she must undergo rigorous examinations to insure that his or her performance will be up to standard.

The choice of employment by workers means permitting workers, in whatever industry or enterprise, to select a post which allows him to make the best use of his own special skills and talents; it represents the point of departure for the alteration by the socialist countries of the old distribution of labor where workers are set in a certain job for their entire working lives, and it is also an extremely efficacious means of bringing into play workers' special skills, of fully arousing the enthusiasm of the workers, and of promoting the realization of the four modernizations. As stated above, the system of unified allocation of work, which we have been using for all this time, is incapable of encouraging the speical talents and interests of individual workers and, when one has been assigned to a particular job, the system provides very few opportunities for change. Some comrades compare this kind of labor organization to "Magistrate Qiae's arbitrary pairing-off of people to get married," and say that it is grossly inappropriate for bringing into play workers' talents.

The vast majority of the people in China who need to be found employment are young persons around 20-years-old who have graduated from all kinds of schools and colleges. They are right in the middle of growing up; their interests change easily, the talents which they possess are not readily apparent, and some people are not always completely aware of where their own talents lie. Since this is the case, it is often not possible for these young people to make such a permanent decision on the choice of a career; they need to make several choices before they find a position which will really allow them to use their own talents and abilities to the fullest. If they are allowed to choose a career, then if the work is really not suitable they can give up that profession and find other employment. If things are done in this way, some people will find a job which will suit them for the rest of their lives, while others will need to "pick and choose" a few times before finding a suitable post, but, as soon as they are employed in a suitable position, their intelligence and skill will be able to reach their full effect in the service of the construction of the socialist motherland.

If the "two choices" policy is put into effect, the phenomenon of the mobility of labor will necessarily make its appearance. There is nothing to be feared in this. In other socialist countries, such as Romania and Yugoslavia, the labor forces all have mobility. The mobility of labor constitutes a regular pattern which is unavoidable under the circumstances of the rapid development of modern science and technology. The advance of science and technology has increased the rate at which knowledge rapidly becomes obsolete, and things with which we are already familiar lose their usefulness, so that we must study anew; the development of science and technology mean an increase in the rate at which equipment is replaced and, if there are structural increases, then a section of the labor force will necessarily drift away. Under these two conditions, workers must receive new vocational training, and be employed in other industries, and this has only advantages, and no disadvantages, for the development of the national economy. So as to control the large-scale influx of labor from rural to urban areas, the flow can be limited to within and between towns and cities; that is to say, restricted mobility may be put into effect. If things are done in this way, there may be a little confusion at the outset, and many people may want to change their jobs, but basically, when the exchanges have taken place, things will become more stable again, and afterwards, when newly employed persons are allowed to choose their professions, there will no longer be any chaos. In order to reduce the amount of disruption, we can adopt certain measures, so workers' adjustments of their places of work can be carried out in a step-by-step way, and gradually bring the "two choices" to realization.

Some comrades are worried that permitting the mobility of labor may lead to instability of labor forces within enterprises, and that it may effect the raising of workers' proficiency levels and technological levels. I believe that this problem can be resolved through the method of introducing subsidies for long service in factories. This means using economic methods to insure that workers remain in the same job over a long period, instead of using the kind of administrative orders in effect at present. The popularization of the system of work contracts is a measure which must be adopted in order to put into effect the "two choices." On a voluntary basis, workers and units requiring personnel draw up work contacts, which may be renewed at the appropriate time or, if either party does not wish to renew the contract, both sides are free to make a new choice.

By putting into practice the "two choices," workers will subsequently and vigorously come to grips with cultural, scientific and technical knowledge, to gain professional proficiency, to enhance their practical skills, and to consolidate what they are already skilled in; the enthusiasm of the workers can be fully aroused, and the ideology of serving the people and of making contributions with one's talents and abilities to socialism can be cultivated. To sum up, the implementation of this method is sure to be highly beneficial for the rapid advancement of the task of socialist construction.

6. The Reform of the Economic Structure and System Should Be of Benefit to the Employment of Labor

The unemployment problem is an important link in the total social economic system, and is not an isolated problem concerning only individuals. The solution of this problem, apart from directly requiring a correct employment policy and a complete system of powerful measures, also demands the coordinated reform of the economic structure and the system of economic organization.

For a fairly long time to come, with the aim of solving the unemployment problem, aside from the ability of the state-run industries and enterprises to absorb the amount of labor they require, it will be very important to write articles on the economy of cooperatives which take responsibility for their own profit and loss, and on the individual economy, and also on our policies to encourage the voluntary organizing of employment by the masses and individuals finding their own jobs, as well as supporting the development of the small collective economy and giving appropriate encouragement to the development of individual economy. That is to say that nonsocialist economies will be permitted to exist, under circumstances where the socialist economy holds a position of absolute dominance, to act as a helping hand and as a supplement to the socialist economy. This kind of social economic structure will be determined by the conditions of development of the productive forces in China's present stage. The many different levels of development of the productive forces will require the adaptation of many kinds of production relations. The socialist state-run economy will be adapted to large-scale production with relatively advanced technology and a fairly high degree of socialization; the collectively owned economy will be the one which is adapted to forces of production with a relatively low technological level, while small collectives and individual undertakings will be adapted to departments and businesses where the tools of production are backward, and which carry out mainly manual operations. Small collective cooperatives, small cooperative groups, and the individual economy possess widely ranging networks, and have the special feature of carrying out their operations in a vigorous way; thus their growth is advantageous for the increasing of production and for facilitating the lives of the people, and they are also of great value in that they absorb large amounts of labor, solving the problem of employment.

How the economic system currently in force can be reformed so as to make it beneficial for the employment of labor, is another big problem which needs to be resolved. In the development of the economy of cooperatives which are responsible for their own profits and losses, and of the individual economy, the first obstacle encountered is the lack of funds. A proportion of the funds required by the small economies can be raised by the organizations themselves, but whether the remainder can be secured through the support of the national banks in the form of credits, or whether state-run enterprises can be mobilized to invest their own funds or to conduct joint undertakings, these are questions which involve the state financial system and the professional scope of the banks, which need to be examined and tested. The second problem encountered is that of goods and materials. Once the small economies have begun to develop in a big way, simply to rely on the leftover and surplus materials of state-run enterprises will never solve the problem of the means of production. The question of whether or not to start up a market in the means of production involves the reform of the system of organization of management of goods and materials. In the third place, as far as marketing and prices are concerned, it is uncertain whether it will be possible to adopt vigorous policies, whether it will be possible for the small economies to do their own marketing, or entrust it to state-run stores; nor is it clear whether prices will be allowed to float somewhat, according to market conditions. Fourth, in respect of taxation, there should be a change in the method of applying to collectives and to the individual economy the high rates of taxation used in the case of joint state- and privately-owned enterprises; in cases of newly formed collectives and individual economies, taxes may be reduced or waived altogether, according to stipulations, but only where they are essential to the people's livelihood. After the implementation of the above measures, the state will be able to regulate the growth of these economies by means of such economic mechanisms as credit, interest, prices and tax rates, to eliminate or reduce their indiscriminate nature. To this end, the state can consider guiding the economic activities of small collectives and the individual economy through specialized economic structures, by means of regular investigations of social production and of living requirements, and checking and analyzing market conditions, as well as through the constant scientific forecasting of the trends of economic development.

The unemployment problem involves all sorts and conditions of men, and the attention of the whole country is focused upon it. For a number of years to some, the solution of the unemployment problem will be a highly significant and arduous duty, but as long as we emancipate our thinking, liberalize our policies, and allow the initiative and creativity of the masses to play their full part, the gateway to employment will be opened wider and wider.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' DISCUSSES SOCIALIST COMMODITY PRODUCTION

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[Article by He Wei [0149 0251], department of economics, China People's University: "A Tentative Discussion of the Stages of Commodity Development in a Socialist Society"]

[Text] To find out what stage China's socialism has reached is of great significance for accelerating the four modernizations. During the democratic revolution, our people paid an extremely high price to find out what stage the revolution was at that time in order to set a correct general line for the party and direct the revolution to victory. After 1958, not having a clear idea about what stage our socialism has reached, we blindly wanted to "make the transition to communism." In so doing, we wrecked the social productive forces and the socialist system, and the tremendous consequences are known far and wide. To avoid committing the same errors again, we must earnestly learn how to correctly differentiate the stages in the entire development of socialism.

In recent years there have been many articles discussing what stage our society has reached. Some of them maintain that at present our nation is still at the transitional period from capitalism to socialism; some say that it is the stage of underdeveloped socialism, which will proceed to developed socialism; while others combine the stage of underdeveloped socialism with the transitional period and say that it is a stage within the latter; and so on and so forth. In my opinion, these remarks are neither clear-cut nor concrete in differentiating the various stages. To say that we are in a transitional period is misleading, for there is already an earlier transitional period from private to public ownership. Moreover, the transition from socialism to communism, and the whole socialist epoch, can also be called a "transitional period." So-called "underdeveloped socialism" and "developed socialism" describe more vividly our present situation of socialism, yet both terms, lacking a clear indication and stipulated quality, only raise an antithesis. Therefore some people claim that so-called "developed socialism" is actually socialism as envisaged by Marx and Engels. This shows that the term "developed socialism" needs elaboration.

Free competition and monopoly indicate the different stages in the development of capitalism; whereas the replacement of private by public ownership indicates the transitional period from capitalism to socialism. These indications have two points in common: 1) they fall into economic categories that are specific and allow no other explanations; 2) they embody the characteristics of production relations of the stage in question, showing different stages in simultaneous social development. Bearing these principles in mind, I think that after socialist production relations have been established and before advanced-stage communism emerges, the entire period of socialism can be divided into two major stages: commodity socialism and product socialism. Commodity socialism means elementary socialism, an inevitable stage in socialist construction in economically backward countries. Product socialism means advanced socialism, that is, the socialism envisaged by Marx in the "Critique of the Gotha Programme" and by Lenin in this "Nation and Revolution" Since the appearance of Stalin's "Economic Problems of Socialism in the USSR," the advanced socialism envisaged by Marx and Lenin has been missed out in all political economics (the part concerning socialism). It has been maintained that commodity socialism can proceed directly to advanced communism. It seems that advanced socialism does not exist. In my opinion, this stage should be restored to coincide with the scientific assumption of Marx and Lenin.

That socialism has to go through a stage of commodity production development was not predicted by Marx and Engels. This is connected to what they said then, that "the communist revolution will therefore be no merely national one; it will be a revolution taking place simultaneously in all civilised countries, that is, at least in England, America, France and Germany." (Engels: "Selected Works of Marx and Engels," "Principles of Communism," vol 1, p 221) To them, the development of large-scale industries and formation of world market link the "civilised countries" close together, so that affairs in one country will have effects on those in another. When the proletariat revolt in one country, their counterparts in other countries will follow suit. Meanwhile, the capitalist class in these countries will jointly suppress the revolts. Therefore, socialist revoltuion must simultaneously take place in at least several "civilised countries' in order that the proletariat win. When the proletariat of these countries have seized power, "once society owns the means of production, commodity production will be eliminated and the rule of products over producer will also vanish. Anarchistic conditions within social production will be replaced by planned and conscious organising." (Engels: "Selected Works of Marx and Engles," "Anti-Duhring," vol 3, p 323) When different forms of ownership and commodity production cease to exist, and when planned direct product production and distribution is practised, individual labor will turn directly into social labor without any form of value. Marx clearly pointed our that "in a collective society where common ownership of the means of production is the foundation, producers do not exchange their own products. Here, the labor consumed in product production is not expressed in the form of the value of the products, nor the kind of material they are, for now, contrary to capitalist society, individual labor no longer passes along winding paths, but exists directly as constituents of overall labor." (Marx: "Selected Works of Marx and Engels," "Critique of the Gotha Programme," vol 3, p 10) According to Marx's statements, the basic economic features of his socialism are: 1) society owns all means of production; 2) products replace commodities; 3) planned production for the whole society replaces the anarchistic situation; 4) individual labor directly becomes social labor. Meanwhile, apart from implementing "distribution according to work" with labor certificates, Lenin also thinks that although class does not exist at this stage, the nation's role to protect "the rights of the capitalist class" should continue. These features are not related in any way to commodity, some are even contrary to it. This stage of non-commodity socialism has not arrived yet.

Towards the end of the 19th century, capitalism entered the stage of imperialism. Under new historical conditions, Lenin arrived at the conclusion that socialism would first be victorious in one country. Under the guidance of this theory, Russia first won victory in the October Revolution, with the proletariat seizing power. While the means of production became state-owned, Lenin intended to implement the socialist principles expounded by Marx and Engels, but it was a mistake to do so. Lenin says that "we expected--or perhaps it would be truer to say that we presumed without having given it adequate consideration--to be able to organize the state production and the state distribution of products on communist lines in a small peasant country directly as ordered by the proletarian state. Experience has proved that we were wrong." (Lenin: "Selected Works," "Fourth Anniversary of the October Revolution," vol 4, p 571) The error lies in confusing the different stages of socialism and trying to replace commodity production and exchange with direct product production and distribution. Consequently, the Soviet system faced a crisis and the worker-peasant alliance the danger of a breakup; a new economic policy had to be practised in which trade was allowed and became a central link in entire work. As Lenin said, "At the present time, in the sphere of activity with which we are dealing, this link is the revival of home trade under proper state regulation (direction). Trade is the 'link' in the historical chain of events, in the transitional forms of our socialist construction in 1921-22, which we, the proletarian government, we the ruling communist party, 'must grasp with all our might.' If we 'grasp' this link firmly enough now we shall certainly control the whole chain in the very near future. If we do not, we shall not control the whole chain, we shall not create the foundation for socialist social and economic relations." (Lenin: "Selected Works," "The Importance of Gold Now and After the Complete Victory of Socialism," vol 4, p 578) To Lenin, commodity alone is the "only possible economic link between the scores of millions of small farmers and large-scale industry." (Ibid., p 579) This shows that Lenin did not stick to Marxism as a rigid, written theory; he applied and developed it according to the actual situation. As he said, "Communism and trade?! It sounds strange. The two seem to be unconnected, incongruous, poles apart. But if we study it from the point of view of economics, we shall find that the one is no more remote from the other than communism is from small-peasant, patriarchal farming." (Ibid., p 578) Practise proves that Lenin was correct. Vigorous trade enabled the economy to recover and develop and the worker-peasant alliance to consolidate its foundation, so that the first socialist country survived her difficulties.

Russia's experience during her transitional period revealed the necessity of commodity production at that time. It was richer and more concrete than the transitional period discussed by Marx and Engels. However, what has not been thoroughly resolved either in theory or in practise is whether commodity production still exists when the transitional period has ended and socialist production relations have been established.

In his "Economic Problems of Socialism in the USSR," Stalin affirmed the necessity of commodity production in a socialist society and the still important effects of the law of value. Thus Stalin further developed Marxist-Leninist political economy. However, Stalin's discussion was not thorough and at time self-contradictory due to mixing up commodity socialism with product socialism and guiding and administering commodity socialist economy with theories of product socialism. As a result, the national economy developed slowly along a long and winding path and the superiority of the socialist system was not brought into full play.

In fact, as Lenin further developed Marxist scientific socialism, political economy should have developed at a similar pace, so that the two could have been in accord. Lenin's theory of socialist victory in one country often materializes in economically backward countries. One of the basic reasons for the backward economy of these countries lies in their undeveloped commodity production. When the proletariat have won the revolution, their first task is to develop the productive forces. It has been proved by practice in socialist construction that this can be done only by keeping commodity production and exchange. The development of commodity production marks the development of social prodcutive forces. Meanwhile, the development of commodity production promotes division of labor in society, which in turn strengthens cooperation, fosters the socialization of production, sets a material foundation for the socialist system and enables public ownership to develop in large-scale production. Hence only through the stage of commodity socialism can these countries reach the stage of product socialism envisaged by Marx and Engels. To distinguish these stages in theory is a task in political economy. Only this distinction and correspond in theory with Marx's scientific prediction and in practice with Lenin's theory of socialist victory in one country, so that theory is united with practise.

Actual conditions reveal the main features of commodity socialism as thus: first, each enterprise is a relatively independent commodity producer, which has autonomous economic management within the scope of the nation's plan, guidance and policy; second, each enterprise produces commodities which the nation cannot allot, and the law of value has a regulatory function in the fields of production and circulation; third, allowing prices to float freely within a certain scope (according to Samuelson, a well-known American economists, "there has never been a pure, 100 percent self-regulatory enterprise system, although Britain in the Victorian era came close to it. In the present system, the government plays an important role in the application of the price regulation system." (From "Economics" vol 1, Commerical Press 1979 Edition, p 27) Socialist countries certainly interfere much more in pricing than capitalist countries do, and so a pricing system and policy is formed.) And protecting justified competition so as to encourage progress and eliminate backward enterprises step by step; four, each enterprise is an independent accounting unit that assumes sole responsibility for its profits and losses, it covers its expenses with its own incomes, pays taxes and differential income to the state, pays wages to its staff according to its income and staff labor, and allows a certain degree of floating while guaranteeing basic incomes. Apart from the above expenses, the enterprise must have surplus for reproduction and staff welfare. Only in this way can the enterprise become a relatively independent commodity producer and its incentive and initiative be brought into play.

However, in our socialist economic management in the past, the two stages were confused. Commodity socialist economy was administered with the principles of product socialism. Conflict appeared both in theory and in practice. The separation of theory from practise was chiefly reflected in the blind pursuit for an ownership that was the bigger and the more public the better, and in another blind pursuit for a highly centralized instructive plan to include supply, production, marketing, manpower and capital in the national plan, so that an enterprise could not act on its own and was completely fettered. All this was contradictory to the demands of commodity production. In theory ownership by the whole people and highly centralized plans mark the superiority of the socialist system. We said ownership by the whole people was the economic basis for planning and management, but we totally ignored the restriction of socialization of production on planning. Whenever we had to "strengthen the plan," the central authorities would immediately have the say over the administration of an enterprise. To promote collective ownership economy, we carried out programs like "transition in a state of poverty" in villages and "upgrading" and "merger of factories" in the cities. We discouraged household sideline production and private plots in much the same way as we cut "the capitalist tail." Ignoring the degree of socialization of productive forces, insisting on adopting the above measures, including all production and circulation in a unified national plan, and administering the economy with the principles of direct product production and distribution--these measures violated objective economic laws and encountered all kinds of insurmountable obstructions in reality. Since we neither understood nor recognized economic laws, we could only rely on administrative means to mix nonsocialization with different forms of ownership together by force, and carry out unified plans to replace commodity production and circulation. This was indeed feudal separatist rule in the absence of feudalism and guild administration in the absence of a guild system, both of which retarded the development of commodity economy. It was so-called "rules and regulations" in management. Under these conditions, such phenomena as bureaucracy, subjectivism, wrong orders, low efficiency, poor economic results and appalling waste were bound to occur. All this was due to the confusion of the two stages: commodity socialism and product socialism. From now on we should confirm that the present stage is one of commodity socialism. In making long-term plans, we should take developing commodity production as the central task. What does not meet the demands of the development of commodity production should be regulated and reformed.

There is a clear distinction between commodity socialism and capitalism. Here we practise public ownership of the means of production and distribution according to work: the scope of commodity is narrowed down, the means of production cannot be sold to the individual, the capitalist is absent from commodity exchange, and the aim of production is to satisfy people's material and cultural needs. As the overall economic development is in tune with the plans and policy formed by the state according to economic laws, it can avoid chaos and economic crisis. The above account explains the intrinsic economic differences between commodity socialism and capitalism. The two must not be confused.

Commodity socialism and product socialism have many points in common: in both of them the means of production is publicly owned and distribution according to work is practised. All economic laws of socialism are effective in both stages. Due to some differences in economic conditions and the level of productive forces, the economic laws have different effects in various fields. Take public ownership as an example, in product socialism it is all-society public ownership, whereas in commodity socialism it is otherwise. In both stages, distribution according to work refers to the distribution of individual consumer goods, but in commodity production this is done through commodities and currency, whereas in product socialism it is done through labor certificates. The basic economic laws are effective in both stages, but in product socialism, society's aim of production is realized directly through the use value of products, whereas in commodity socialism it is through "commodity as equivalent to use value" and "uniform value." If either one of the two commodity factors is not realized, the whole commodity exchange cannot take place either, and eventually the socialist aim of production cannot materialize.

so the two are united. The old theory that the aim of socialist production is equivalent to use value and that only the aim of capitalist production is value is now not totally correct. It is right to say that the aim of socialist production is not for surplus value. Yet in the situation where commodity production exists, it is not theoretically justified to say that use value alone is the aim of social production. Commodity itself is value and use value combined. Measures like one-sided pursuit of quantity of products and not budgeting for production costs and economic effects are unrealistic. In agriculture, our attempt to "get tons of output from fields" only resulted in poverty-stricken production teams with high production; in industry "tonnage-ism" caused enormous accumulation and waste. Both were disastrous effects resulting from negligence of value and the concept that the aim of socialist production is use value alone. This is an inevitable outcome when the two stages of socialism are mixed. In this way, the method to implement the aim of product socialism was wrongly applied to commodity socialism, and so what was done was not in tune with actual economic conditions.

In commodity socialism, the entire national economy is planned, but this plan cannot work without value law, and it is not carried out directly as in product socialism. Direct planning in product socialism is antithetical to value law, and planning in commodity socialism is done through conscious application of the value law. Some people regard planning and value law as antithetical. This is because the negate the difference in carrying out plans in commodity socialism and product socialism. They also negate value law and planning in commodity socialism with planning in product socialism. One feature of economic planning in commodity socialism is utilizing value law in a planned way. Under capitalist private ownership, value law has two effects: on one hand it spontaneously regulates the balance of social production, and on the other it causes competition and anarchistic production. In the past discussions on the effects of value law under socialist conditions, the regulatory function was totally refuted. Now we should give full play to value in this aspect, and overcome the resulting imbalance. Why can't we apply value law in the same way as we do water and electricty, adopting its merits and avoiding its harms? Under socialist conditions, we can certainly make conscious use of value law and leap from the realm of necessity to that of freedom. For this we should do well at least in the following three tasks: first, the state should make long-term plans, forecast economic development, publicize control figures and provide economic information in order to guide and influence enterprise production; second, through concrete measures, the state should regulate social production and circulation with such economic levers as pricing, taxation, bank loans, interests and wages, so that enterprises, in considering their immediate economic benefits, will obey the demands of state plans; third, through economic legislation, we should use compulsory means to force enterprises to follow state plans. In this way, we can basically overcome anarchism in social production and develop national economy in a planned way. One feature of economic planning in commodity socialism is conscious application of value law; that of product socialism is direct planning. At present some capitalist countries are making plans to interfere with their economy by means of pricing, interest, taxation and wages. Is this similar to our planning for commodity socialism? The answer is no, for in capitalism there exist various financial groups which control the making and implementation of economic policies. As a result, the capitalist case is limited in scope and planned development for the whole social production is impossible.

In socialist construction in economically backward countries, only through commodity socialism can we reach product socialism, and only then will commodities vanish. The conditions for socialist product production are different from those for public ownership and division of labor in society. The development of product production will lead division of labor in society to specialization. Specialization will provide conditions for automation in production. The latter demands a higher level in science and culture from the operator. With the old society's gaps in labor division drastically narrowed down and labor time shortened, conditions for overall development for mankind will be created. The development of division of labor in society will bring the departments and enterprises to closer interdependence and inter-restriction. Especially with automation, different forms of public ownership will make the transition to ownership by society, and the development of production relations will adjust to the socialization of production procedures. With the development of production relations, some commodities will gradually withdraw from the stage of history and will even be replaced by products. This will be the coming of the socialism envisaged by Marx and Engels, that is product socialism.

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'JINGJI YANJIU': ISSUES OF PUBLIC OWNERSHIP UNDER SOCIALISM

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[Article by Mei Xingbao [2734 5281 0202], student of agricultural economy, 1978 the Chinese People's College: "Discussion of Marx's and Engel's Conception of Public Ownership Under Socialism"]

[Text] In this era, public ownership under socialism is not only a matter of basic theory but also an important practice in China. The work being undertaken in our country to restructure the ownership system is in fact a demand made by the productive forces of the present stage on the relations of production. But some people held that the restructuring work is against Marxist theory about socialist public ownership and they even regard it as "a big step backward." Consequently, some regions and units are not clear as how to carry out readjustment work and they are at a loss how to do it. Now the question is: is the public ownership we have formed in line with the socialist public ownership that was assumed by Marx and Engels? And what is the difference between our soicalist public ownership and the one they imagined? What is the structure of the ownership that we should have today? It is very important to make these questions clear to guide our practice of the economic restructuring and in developing our national economy as a whole.

I

The socialist public ownership assumed by Marx and Engels was based on the supposition that socialist revolution must simultaneously succeed in several or all advanced capitalist countries. And with capitalist industrialization, the social productive force of these countries will develop to a higher level. In addition, the socialist public ownership imagined by Marx and Engles is public ownership under communism. Marx explicitly pointed out: "Scientific socialism will only apply when it is contradictory to utopian socialism." (Marx: "Selected Works of Marx and Engles, "Abstract of 'The State and Anarchy' by Bakunin" vol 2, p 638) In fact they regarded socialism as synonymous with communism, so as to differentiate and compare scientific socialism with utopian socialism. They used different names under different situations just in order to conform to the habit at that time. Therefore, the contents and forms of socialist public ownership or communist public ownership have in general the following features:

First, this public ownership is unitary ownership by the whole society with unitary structure. According to Marx's and Engels' imagination, public ownership in both the lower and higher stages of communism means that the means of production belong to all members of society. Engels said: "There are only two forms of possession of the means of production...either individual possession...or public possession." "Socialist interest does not defend individual possession but will abolish it because public possession is impossible in places where individual possession still exists;" therefore, "it is better to say that the task of socialism is to hand the means of production over to the producers as their public possession." (Engels: "Selected Works of Marx and Engels," "The Problems of Deutsch Farmers" vol 4, pp 302-303) By "public possession" Engels meant possession within the sphere of society. That is to say, all members of the society are the owners of all means of production. Direct combination of laborers and the means of production becomes the basis for the form of social production. This form will also become the social production form in the lower stage of communism.

When the proletariat had just seized political power, Marx and Engels held that the relations of ownership of the means of production would take the form of ownership by the state. They said: "By using their own political power, the proletariat step by step seize all the capital of the bourgeoisie, and concentrate all production tools into the hand of the state that is composed of the ruling class to increase as soon as possible the total capacity of the productive force." (Marx and Engels: "Selected Works of Marx and Engels," "Manifesto of the Communist Party," vol 1, p 272) Experience has proven that following the seizure of power by the proletariat, it is imperative to use the form of ownership by the state, but this form alone is not enough.

In his late years, Marx imagined that in the countries with peasants as the majority or in places where, unlike Britain, the peasants are not replaced by farm laborers, "the proletariat will, on behalf of the government, take measures to directly improve the conditions of the farmers so as to draw them over to the side of the revolution. From the beginning, these measures must promote the transition of private land ownership to collective land ownership so as to enable the peasants to realize this transition through economic way. But measures that would offend them must not be taken. Such measures include abolishing the right of inheritance or ownership by the peasants." (Marx: "Selected Works of Marx and Engels," "Abstract of 'The State and Anarchy' by Bakunin" vol 2, p 635) Engels also pointed out explicitly that "during the whole transitional period to communism, we must undertake large-scale cooperative production as an intermediate link. Marx and I have never been sceptical about it." (Engels" "A Letter to August Bebel, 20-23 January 1886" and "Letters on 'Capital' by Marx and Engels" p 470) In declaring their imagination both Marx and Engels had already expounded the theory about the transitional period. Therefore it can be seen that their imaginative collective ownership only referred to a form of the ownership of the means of production during the transitional period from capitalism to communism in countries with small-scale farming by individual households as the main business. They did not regard this ownership as public ownership under socialism at the end of the transitional period. On the contrary, they held that this ownership would be replaced by state ownership at the end of the transitional period. Therefore, according to their imagination, there is only one form of possession during the first stage of communism, and this form is socialist public ownership. They also regarded the more by the state to possess the means of production as the first but final independent measures. Thus consequantly, following the elimination of the state, ownership by the state will be replaced by ownership by the whole people in the period of higher stage of communism. Thus such a unitary structure of ownership does not totally accord with the reality in our country.

Second, the socialist public ownership assumed by Marx and Engels is regarded as opposite to the capitalist private ownership that emerged as a result of highly developed productivity. Such ownership highly accords with socialized mass production. After the formation of the imaginative socialist public ownership, anarchic social production will be replaced by social and systematic readjustment of production according to the need of society and all its members. Thus, "after that, they will consciously create their own history; after that, the role of social causes motivated by the people will achieve ever-increasing expected results in the main aspects. This situation means that the realm of necessity of mankind leaps into the realm of freedom" (Engels: "Anti-Duhring," People's Publishing House, 1970, p 280) Consequently, the establishment of this type of public ownership will constantly promote the material and technical base of communism, greatly raise people's cultural standard, help form a unified and systematic national economic system and gradually realize modernized production that is carried out in a planned way and that belongs to the whole of society, including urban and rural areas. Members of society in general take part in management, all the laborers are equal in the relations of production and they are all owners of the means of production in the whole of society. Therefore it is necessary and possible under the basis of such productive forces to arrange the means of production in a unified way within the sphere of society. The form of exchange of commodities is no longer necessary. But with one level of productive forces, such situation cannot be realized in our country at the present stage.

Third, the socialist public ownership imagined by Marx and Engels stressed that laborers must directly combine themselves with the means of production. In addition, laborers cannot in other forms (such as representing a private owner of the means of production) take part in social production except through his own labor. This situation constitutes an indispensable part of the entity of the ownership. Engels said that all the means of production of a society "can be possessed and made possible only when the material conditions for such possession is ready," and when production develops into this stage, "the possession of the means of production by a certain particular social class and the political control, educational monopoly and spiritual leadership by this class is not only unnecessary but will become an obstacle to economic, political and spiritual development." (Engels: "Anti-Duhring," the People's Publishing House, 1970, pp 278-279) In short, it is only the labor of the people and nothing else that can supply them. In addition, with the exception of personal means of consumption, there is no personal property. Thus small commodity producers, individuals, laborers and the laborers of the units with collective economy who take part in social production as laborers and at the same time are also the owners of the means of production will not exist under the socialist public ownership imagined by Marx and Engels.

II

It is clear that the public ownership imagined by Marx and Engels differs very much from the public ownership that we have formed both in content and form. In particular, their imaginative public ownership is contradictory in some aspects to the structures of our present public ownership. If we treat the conclusion made by Marx and Engels at that time as dogmatic and use it to measure the ever-developing social phenomena of today, then the contradiction between the theory and practise will never be resolved.

Marx and Engels lived in the era when capitalism was on the upsurge. At that time, free competition had not completely developed into monopoly and various contradictions of capitalist countries had not developed so sharply, while productivity and the relations of production were still developing. Therefore, the conditions for socialist revolution were not mature in the middle and late 19th century. Marx's and Engels' greatest contribution was that they expounded the law of the emergence, development and extermination of capitalism and predicted the historical trend in which capitalism will eventually be replaced by socialism. We can in no way regard every sentence and every imagination of Marx and Engels as a panacea for solving actual problems. With the development of capitalism, many new situations that were beyond the imagination of Marx and Engels have appeared today. These situations, which require new theories to sum up and explain, are even contradictory to their imagination. In particular, out of their imagination, these situations have appeared in socialist society in Eastern countries decades after they passed away.

Therefore it is quite understandable that when Marx and Engels viewed their imagination of socialism, the concept of scientific socialism was only shared by a few workers and intellectuals with consciousness and it was yet to be realized. It was only in the late 19th century and early 20th century that capitalism developed from free competition into monopoly to become imperialism. Under the role of the law of unbalanced development of imperialist politics and economics, the proletariat broke through the weakest point of the front of imperialism and first won socialist revolution in backward countries in Europe and Asia instead of in advanced capitalist industrialized countries in Western Europe and North America. Thus such conditions have determined that the features of socialist public ownership in the present stage in our country differ in content and form from that imagined by Marx and Engels. The standard of our public ownership cannot be as high as imagined by them and it cannot take a single form. Therefore, we must bear in mind that our economy largely consists of small peasant economy with weak foundation. Consequently, the form of our ownership must accord with the situations of our country.

III

Concretely speaking, although Marx's and Engels' imaginative socialist public ownership differs in many aspects from reality in our country, their stand, viewpoints and methods in studying the relations of socialist public ownership still remain a guide for us in studying our public ownership in the present stage.

Marx and Engels persisted in the doctrine that everything has two aspects in investigating the contents and forms of ownership from the angle of law and economy.

They defined from the angle of law that the forms of ownership belong to the relations of will. What is more important, they defined the forms of ownership from the angle of the relations of economy. They pointed out: "In private law, the existing ownership is the result of general will." (Marx and Engels: "Selected Works of Marx and Engels," "Ludwig Andrias Feuerbach," vol 1 pp70-71, 74-75) But "to investigate things merely from the angle of relations of will, they are not things. When these things are independent of the right (a relation which is termed as concept by philosophers) during exchanges, they then become things. That is to say, they are real property. Be defining the right as legal imagination, then when the relations of ownership further develop, it will result in such situations in which some people will enjoy legally the right of possessing some things but in fact they do not possess them. For example, because of competition, some pieces of land are no longer available for leasing. But legally, the owner of these lands still has the right to possess, use and even indiscriminately use these lands. Such right is in fact useless to him. As the owner of the lands, he has nothing provded that he has enough capital to operate the lands." (Marx and Engels: "Selected Works of Marx and Engels, "Ludwig Andreas Feuerbach" vol 1, pp 70-71, 74-75) Such an explicit explanation shows that the forms of economic relations are in fact the nature of ownership. To possess is not for the sake of possession itself but for realizing certain economic interests.

Marx and Engels also persisted in investigating the relations of ownership from the angle of its development. They held that the possession of the means of production by members of society was caused by different levels of the development of productive forces in different periods. "Such possession is first restricted by the things that are to be possessed. It is also restricted by the total development of the things themselves and by the productive forces that exist only within the sphere of exchanges in general," and at the same time, "such possession is also restriced by the individuals who possess" and "restricted by the forms that are taken for possessing." (Marx and Engels: "Selected Works of Marx and Engels," "Ludwig Andrias Feuerbach" vol 1 pp 70-71, 74-75) That is to say, the relations of public ownership imagined by Marx and Engels eventually show stages of development from immaturity to maturity.

According to the above mentioned viewpoints of dialectic and development and the principle often expounded by Marx and Engels that the relations of production that must accord with productive force, we can decide which relations of ownership are advanced and which are backward. Accordingly, we can also properly sum up the rational structures of our present ownership and the basic features of our public ownership.

Our public ownership has been formed on the basis of a backward, semi-feudal and semi-colonial economy. Under this ownership system, each laborer is an owner of the means of production. But compared with advanced countries, the means of production such as machinery and production tools that are possessed by each laborers are of poor quality, small quantity and low efficiency. Furthermore, these means of production are possessed by various nationalities, regions, departments or by various enterprises of a department and they differ very much from each other. They range from advanced and automatically-controlled equipment of the 1970's to ploughs of the Middle Ages.

The owners themselves have low cultural and technical levels. They cannot choose their job by totally depending on their talent and knowledge, and there exists a big gap between manual laborers and mental laborers. The form of the combination between laborers and the means of production is still characterised by the old social division of labor that generally exists. They can only engage in one professional job for the rest of their life. Material production conditions have become an obstacle for them to display their talent, that eventually cannot fully develop. Labor has become an individual method of livelihood. Thus material incentive is necessary to make use of the talent of laborers. All these are decided by the level of the present productive force which is characterized by low level and many duplications. Hence it is imperative to have ownership with different strcutres. That is to say, our ownership is composed of the economy of public ownership as the main thing and individual economy as a supplement. The economy of public ownership includes various forms of business and various structures of ownership. Thus in order to develop production, different laborers of different economic units possess different means of production and attain different economic results. But in the past, we had only two forms of ownership--ownership by the state and the collective ownership. In such a situation, the possession of the means of production met many restrictions objectively and subjectively. As a result, the possessors could not gain proper economic interest and they were not interested in production. Thus this kind ofstructure of ownership seriously hampered the development of productive force and it must be restructured at once. This includes restructuring and reorganizing the subordinate relations of enterprises. For example, the enterprises that do not have enough materials, that have lost money in successive years and have long been uncompetitive must be resolutely closed down, have their production suspended, be merged or turned to other production. On the other hand, some state enterprises may be turned into collective enterprises with sole responsibility for their own losses or profits. Practice has proven that small state enterprises in many places have made multiple profits after they were turned into collective enterprises. Similar measures must be taken in agriculture according to specific conditions, and relevant policies must be relaxed so that rural economy can further develop. The method of fixing farm output quotas for each household has been introduced in many remote and mountainous regions that have consequently become prosperous. In short, ownership must have different forms of structure and various enterprises must be allowed to develop through competition.

Our economy is mainly composed of the economy of ownership by the state. The enterprises under this ownership must carry out the principle of material interest, pursue economic results and carry out economic accounting. The collective economy remains an important part of the public economy and in general the economic organizations of this economy are small in the size of their business but have enormous labor force. In addition, the laborers of these enterprises are directly combined with the means of production in a smaller field. Therefore such enterprises can more easily attain visible material interest and are most suitable for carrying out manual labor as their main task. Such enterprises must get support from the state so that they will develop more rapidly.

As mentioned above, it is not enough for public ownership at the present stage just to have two forms of structure. In the work of restructuring our economy over the past 1 to 2 years, there has appeared a new form of the collective economy--ownership by joint ventures. This economic ownership differs from the features of both ownership by the state and collective ownership. Such joint ventures are composed of many enterprises with different (they may also be of the same) ownership. Such organizations are set up under the principle of voluntariness and mutual interest to mee the need of objective economic law so as to accord with the need of socialized and specialized production. Joint ventures will help various regions, departments and enterprises display their economic and technical advantages and enable the enterprises to display their advantages, overcome disadvantages and complement each other. Thus on the basis of the existing labor force and materials, these enterprises change the forms of their business and reorganize labor force to attain higher profits than from individual operation, and enable the laborers to achieve more economic interest under the same amount of the means of production. Concretely speaking, ownership by joint ventures is divided into the economy of the enterprises with public ownership, and joint economy of China and foreign countries. The former is composed of the enterprises that broke through the limit of regions, trades and ownership, while the latter is the economy composed of our and that of other countries. As joint ventures are at present mainly undertaken between our country and capitlaists of advanced capitalist countires and regions, therefore this economy can be called state capitalist economy.

In addition to the forms of public ownership mentioned above, there also exists individual economy, which is helpful in enlivening the markets, and complements the economy of public ownership; it will continue to exist for a long time to come. After socialized and specialized production has developed, this individual economy will automatically combine itself with the economy of public ownership. Therefore it is not necessary for the state to take forcible action against such economy.

Practice in economic construction over the past 1 to 2 years has proven that the existence of various forms of the structure of ownership is in line with the level of our productive force. Such relations of ownership have greatly developed productive force and enabled many trades and enterprises to develop very rapidly. So the criterion for judging whether the present structure of the ownership is rational and whether the nature of the public ownership by enterprises is backward is not the subordinate relations, neither is it the degree of public ownership. The only criterion is to see whether the present structure of ownership accords with and promotes the development of productive force and brings more and more material interest to the possessors of the means of production. The work to make the structure of the present ownership flexible and the work of the readjustment of the subordinate relations of the means of production is a move of advance, not retreat. On the contrary, if we disregard both the level of productve force and the economic interest ofthe possessors of the means of production and carry out the so-called revolution in the relations of ownership, such a "revolution" is a step backward historically even if it helps to increase the degree of public ownership and brings about a unitary structure of ownership. Under the slogan of seeking things "large in size and collective in nature," the relations of ownership constantly "made the transition under poor economic conditions" after 1958. Measures were also taken to upgrade ownership, but such measures in fact ran counter to the Marxist principle that the relations of production must be in line with the nature and level of productve force.

The various forms of the present relations of ownership will still be readjusted in future so as to enable them to accord with the development of production. But this readjustment will not follow the past experience of making the transition from small collective to big collective and from collective ownership to ownership by the whole people. At present, it is unsuitable for us to set up many big enterprises with state investment. On the contrary, we must go all out to develop the economy of joint ventures. This economy will eventually unite into many trusts in competition; and these trusts will further promote the union that will gradually develop into a unified economic organization of the whole country and the whole people. Thus a communist society will emerge on the basis of a highly developed social productive force.

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ECONOMIC JOURNAL ON STUDYING QUANTITATIVE ECONOMICS

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[Article by Wu Jiapei [3527 1367 1014] of the Economic Research Institute of the Chinese Academy of Social Sciences: "Questions Concerning the Study of Quantitative Economics"]

[Text] What we call the study of quantitative economics refers to the study of the quantitative expression, relations and changes of the economy, the study of the relevant laws, as well as the study of the requisite tools for analyzing economic quantitites (mainly methods of economic mathematics). Marxist economics always pays great attention to the quantitative study of the economy. In the current construction of socialist modernization, to pose the study of quantitative economics as a problem is of great significance to the development of economic science and to raising the standard of our economic work.

I

The following phenomenon in real life evokes deep thought: on one hand, in economic work people often pursue quantity at the expense of quality, but on the other hand, in economic research people often do qualitative analysis alone without paying attention to quantitative analysis. These two facts appear to be contradictory trends, but actually they are inherently consistent. Quality and quantity constitue a dialectical unity, but at different times or places or under different conditions, the means and effects of a transition from quantitative change to qualitative change or from qualitative change to quantitative change do not remain absolutely unchanged. In actual economic work, when we fulfill a certain quantity, we also need to develop science and technology, raise the standard of management and so on in order to further improve the quality. In theoretical economic research, to conduct quantitative analysis in addition to basic qualitative analysis, we need to acquire adequate information, improve our analytical tools, employ mathematical methods and computation techniques, and so on. When economic development is still at the stage of being principally extensive in nature, people often pay attention to quantity alone because economic development mainly relies on the quantitative expansion of various factors of production. However, when economic development becomes principally intensive, people will focus their main attention on research into quality, because economic development will then rely mainly on raising the quality and utilization ratio of various factors of production. Corresponding to the particular stage of economic development, when studying the process of principally extensive economic development, generally we can master the qualitative characteristics without any particularly complicated quantitative analysis, because it is rather simple to analyze the factors. However, when studying the process of principally intensive economic development, it is very difficult to accomplish the task of ascertaining the quality by relying solely on experience and intuition without conducting in-depth quantitative analysis, because various factors and their interrelationships become increasingly complicated. Therefore, the transition of economic analysis from qualitative analysis to quantitative analysis signifies the deepening of cognition--a leap from a lower stage to a higher stage. (To express the quality of an objective thing as a quantity is an important method and indication of man's deepening of his cognition of objective things. It indicates that scientific knowledge changes from incomplete to complete and from inaccurate to accurate. However, such development of cognition is based not on the divorcement of quality from quantity but on the unity of quality and quantity. Qualitative study cannot be conducted without a definite amount of quantitative observation and analysis, and quantitative analysis must be based on qualitative analysis and it must promote qualitative analysis.) Whether this leap can be accomplished depends on the objective progress of economic development and is also constrained by many other factors.

Over the past 30 years or more, our country has achieved great success in its economic research work. However, judging from the actual research results, applied economics developed less satisfactorily than theoretical economics, quantitative analysis developed less fully than qualitative analysis, and the discussion of methods and methodology was less active than the discussion of general abstract theory. For a long time, we did not pay great attention to the science of economic management, the analysis and study of economic statistical data and the application of mathematical methods in our economy. Published articles very seldom carried figures and formulas. The theoretical conclusions of economic research lacked numerical proof and were therefore not concrete enough to be applicable to actual economic work. Some works contained quantitative analysis and applications of mathematical methods in addition to basic qualitative analysis, but they were often ignored because people thought these articles could not be understood. The causes of these phenomena are manifold. First, Lin Biao and the gang of four treated the quantitative study of economics and application of mathematical methods to economics as heresy, willfully denouncing such study and application as revisionist and bourgeois stuff. Consequently, our country's research in this respect, which had just begun toward the end of the 1950's and the beginning of the 1960's, was ruined. Second, for a long time the problem of integrating theory with practice had not been very satisfactorily solved. Researchers could not obtain the economic data (in particular statistical data) necessary for quantitative analysis. In particular, there was insufficient data for comprehensive analysis. Third, our country's economic research personnel generally had a low standard in mathematics. Many comrades were not accustomed to or were not interested in reading mathematical calculations and deductions. In the teaching of economics, mathematical training was not awarded great attention, and mathematics had not attained its rightful position even in the teaching of statistics. Lastly, in the final analysis, these phenomena are related to such objective realities as the underdevelopment of our country's productive forces, the backwardness of our science and technology and the fact that our national economic development is at the stage of being principally extensive.

Correspondingly, the development of our country's economic science has not attained the level at which mathematical methods and computers are widely used.

After the focal point of the party's work has shifted, in the process of implementing the principle of "readjustment, restructuring, rectification, improvement," and on the road of the new long march toward achieving the four modernizations, it has become increasingly important to alter the backward situation of our economic science and to strengthen the study of problems of national economic development concerning quantitites and methods. The importance is explained below.

First, economic science should serve the four modernizations better. When developing such branches of theoretical economics as political economics and the economics of productive forces, we must also vigorously develop such branches of applied economics as the science of economic management, technological economics, quantitative economics and so on. Then, the theory of economic science will not merely serve as an ideology to arm economic workers, enabling them to work better according to objective economic laws. In addition, by making economic theory more concrete and accurate, and by means of such intermediate links as formulating and testing specific plans and measures as well as providing various methods and technical means, we can directly link economic theory to economic practice, so that economic theory can serve economic practice on a wide scale. When dealing with many major economic problems such as economic systems, economic structures and importing foreign technology, we should carry out detailed quantitative analysis to obtain more accurate quantitative solutions. Such demands on our efforts will become increasingly pressing as the construction of our socialist modernization progresses, and the use of mathematical methods and computers will make it possible to fulfill these demands. Likewise, the study of objective economic laws should not remain at the stage of correct exposition alone. It should further reveal the conditions and mechanisms under which economic laws perform their functions as well as meausre and determine the quantitative limits and the characteristics of such functions, so that people can really use economic laws in organizing and managing social production to improve economic effectiveness.

Second, to improve economic management, most importantly planned management, we must more intensively study problems concerning quantities and methods. In economic management, policymaking and forecasting are indispensable. Correct policymaking cannot involve qualitative analysis alone without quantitative analysis. Policymakers may have been able to rely on their experience to make judgments about past problems or simpler problems and arrive at correct decisions. However, faced with some increasingly complicated, new and major problems in economic development, policymakers often have no practical experience and cannot tackle them indiscreetly for fear of incurring huge losses. Then, they must rely on science and quantitative methods to conduct analyses and comparisons and arrive at better choices and decisions. The gradual transference of a large amount of policymaking power to lower levels and the coordination of many policies also necessitate quantitative testing as well as formulating appropriate methods. Economic forecasting linked to economic policymaking and long term planning, is aimed at discovering the trend of economic development as well as the direction and degree of development of the national economy and its various elements. Therefore, we must pay attention to forecasts that specify quantity and time and to the study of various corresponding methods. Moreover, the strengthening of equilibrium calculations in planned management (in particular the study and analysis of comprehensive equilibrium) and the choice of plans (in particular the formulation and derivation of optimal plans) will also inevitably call for a wide use of mathematical methods. Currently, in addition to the improvement of planning methods, statistical, accounting and business accounting methods must also be promptly improved and perfected.

Third, to modernize economic management, and in particular to efficiently use computers, the means of modern management, we must also correspondingly strengthen the study of quantitative problems and mathematical methods. Of course, modernizing economic management cannot be equated to using computers. However, the appearance and application of computers are an important indicator of the modernization of the means of economic management. The computer promotes the modernization of the economic management system and methods. Computers are indispensable to the modernization of economic management. The information revolution, represented by the computer, enables machines to replace part of man's mental labor and can be said to be another great industrial revolution. The appearance of the computer cannot be described simply as an innovation of computing tools. Deepening quantitative economic analysis as well as studying and formulating methods and models of economic mathematics are the prerequisite for a wider application of computers in economic management. Such a wider application also calls for insuring an adequate and reliable supply of economic information (data and other materials). It is very difficult to organize and manage modern large scale production without scientific economic information, just as without advanced computation techniques. To opportunely obtain accurate and comprehensive economic information, and to transmit, decode, summarize, process, perform calculations on and analyze such information, it is necessary to make extensive use of statistical and mathematical methods in conjunction with a computer network so as to establish a powerful and rational economic information system.

II

The socialist economy is a unity of the productive forces and production relations. Both productive forces and production relations undergo quantitative and qualitative changes. However, quantitative changes predominate prior to any radical qualitative change. Quantitative changes cannot be ignored. The socialist economy is a planned economy based on the public ownership of the means of production. The aim and interests of each enterprise are basically consistent with those of the entire society. This results in more favorable social conditions for quantitative study and the application of mathematical methods compared with capitalism. To develop the study of quantitative economics quickly, we should create conditions in the ways described below.

First, in economic theoretical work, the study of quantity must be integrated with the study of quality.

The objective basis for developing the study of quantitative economics is that any economic phenomenon or process is a unity of its qualitative and quantitative characteristics. Such unity is found not only in economic concepts and categories, but also in economic laws. The conversion of old quality into new quality is accomplished on the basis of quantitative change. The unity of the qualitative and quantitative characteristics of an economic object calls for the synthesis of the two basic methods, qualitative analysis and quantitative analysis, in economic research. Without such synthesis, cognition will be biased and incorrect. In any science, we must take qualitative analysis as the prerequisite and admit its prime significance over quantitative analysis, because without the basis of prior and in-depth qualitative analysis, quantitative changes and the laws concerning them cannot be understood. In economic science, because of the social and historical properties of its objects of study and the greater complexity of their interrelationships compared with objects of nature, qualitative analysis is particularly important. However, it is quite incorrect to underestimate the importance of quantitative analysis, ignore its role in deepening our cognition of quality and deny its great importance to the complete cognition of things. In studying the socialist economy, we tend not to put quantitative analysis in its proper and important place. The organization, management and planning of our socialist economy calls for greater attention to quantitative analysis. Without the corresponding quantitative analysis, qualitative analysis will become empty talk which cannot really solve practical economic problems.

To develop quantitative analysis in socialist economic science, we must formulate and use economic mathematical models. (Such models are formulas or systems of formulas which represent quantitative relations in economics. For example, the following system of equations in the form of a matrix represents the quantitative relationship between the gross social products and the final products: the inverse of (I minus A). Y equals X. This is the economic mathematical model of joint intersectoral equilibrium. In the equation, X is the gross social products vector, whose elements are the output quantitites of the products of various sectors. Y is the final products vector, whose elements are the total national income values of various sectors. A is the direct consumption coefficient matrix, whose elements are the quantities of the direct consumption of one sector's products by another sector. I is the unit matrix, whose elements are 1 on the diagonal and 0 in the other positions. In matrix calculations, the role of the unit matrix is equivalent to the role of 1 in the four fundamental operations or arithmetic.) Economic mathematical models are an important form of scientific abstraction and high-powered synthesis. They are the intermediate links between economic theory and economic reality. They simplify economic reality under the guidance of economic theory, but mainly speaking they are essentially similar or identical to economic reality. Thus, we can use such "simplication" to "master many different things, which can be recognized by the senses, according to their common properties." (Engels" Dialectics of Nature," "Collected Works of Marx and Engels," vol 20, p 579) Such simplication also helps us to obtain relevant materials from the economic reality which can then be studied in depth. Therefore, economic mathematical models represent certain economic contents and also possess definite mathematical forms. That is, they represent economic processes and economic links in mathematical form. They can be used as tools for theoretical study as well as means of solving specific economic problems.

As in other kinds of quantitative analysis, the prerequisite for formulating and employing economic mathematical models is to conduct in-depth qualitative analysis and detailed revelations of concepts, categories, laws and the nature of economic relations and of relations of interdependence. For example, when we study the socialist economic structure, to formulate and use the economic mathematical model of balanced links between one sector and another, we must clearly understand theoretical concepts such as "sector," "consumption," and "commandeering," categories such as "end product," "semifinished product," "production-related technology" and "socioeconomic relations," as well as the essential relationship between development of production and satisfaction of needs in the basic economic law of socialism, in particular the actual social needs, the quantity and composition of the residents' consumption needs, the differences and relations between the demand that can be planned and is backed by purchasing power and the market demand that is affected by price changes and supply and demand relations, and so on. If these things are not clearly understood, practical results will be difficult to achieve. Therefore, we must pay attention to and develop the quantitative study and analysis of the socialist economy and at the same time strengthen the qualitative study and analysis of economic theory. Only thus can be better integrate these two aspects. Problems of the socialist economy have not been subjected to due quantitative study, and this is not unrelated to the fact that our study of their qualitative characteristics has been far from specific and what we have revealed has been very inadequate.

Second, we should perfect and develop the basic work concerning economic information and data.

It is inconceivable to develop quantitative economic studies without a great deal of reliable economic information and data, just as it is to carry out material production without raw materials. Over the past 30 years or more, various departments, regions of our country as well as such comprehensive agencies as planning commissions and statistical bureaus, have accumulated a substantial wealth of valuable historical materials concerning economic development. In particular, because under our country's socialist system the enterprises do not have "commercial secrets," we have been able to obtain comprehensive national information through the unified system of submitting report forms. However, we should note that our country's basic work concerning economic information and data is still relatively incomplete and has been particularly badly disrupted over the past 10 years or more. Data are confused, information is incomplete, figures unreliable, indicators are not uniform, and accounting, business accounting and statistical accounting are inconsistent with planning materials--these chaotic conditions have yet to be conscientiously rectified and completely overcome.

According to the needs of quantitative study, methods of improving the work concerning economic information and data include the following. 1) We can sort out the available historical information and data and improve their utilization ratio. Under the precondition of following the necessary security systems specified by the state, we can lift the restriction on as much economic information and data as possible and let them play a role in theoretical research work to serve the four modernizations. 2) We can improve accounting and statistical accounting as well as fully bringing into play accounting information, particularly statistical information. We need to improve and strengthen the keeping of original records and the calculation of production costs and expenses. Statistical work must not only serve planning work, but also serve economic management and research. It should cease to be an appendage of planning work and should become independent. There must be legislation on statistical work. Only thus can statistical work more satisfactorily play its supervisory role. 3) We can popularize sample surveys and regular general surveys, which are effective means of obtaining important information. For a long time in the past sample surveys were negated and general surveys were seldom organized. This situation should not be allowed to continue. 4) We can strengthen the unifying of economic calculations. Apart from satisfying the special requirements of various kinds of calculations, we can unify as far as possible the approaches of business calculation, accounting, statistical and planning calculation as well as technical economic calculation. Then, economic information can be more scientifically organized and a unifed, modern economic information system can be gradually established.

Third, we should formulate and popularize methods of economic mathematics.

Methods are the means of knowing and changing reality. Correct methods play an extremely important role in scientific research. Mathematical methods are an important means of cognition. Engels called it a "supplementary tool and mode of expression of dialectics." (Engels: "Collected Works of Marx and Engels," "Dialectics of Nature," vol 20, p 357) It is a particular method of cognition in relation to materialist dialectics, which is a general method of cognition. However, it is a general method in relation to various sciences which study the forms of movement of material. The objects of study of the economic science belong to certain identical categories and are comparable. This is the necessary condition for applying measurement, calculations and mathematical methods to them.

The mathematical methods employed in economic theoretical research and practical work include the vector matrix method for calculating complete consumption, the mathematical programming method for selecting the optimum plans, various statistical and mathematical methods for predicting the trend of economic development, the plan evaluation method adopted in economic management, the regressive analysis method for analyzing correlations among various economic factors and so on. Although many of these methods are ready-made and effective, when they are popularized, new problems will appear which call for a mathematical solution. For example, after linear programming had been applied to economics, the new problem of goal programming was raised. (Goal programming is a variant of linear programming. Linear programming generally merely solves the problem of optimizing the evaluaiton of a single goal, but goal programming enables many goals to get as near to the appraised goal value as possible under constraints.) Therefore, developing the quantitative study of economics must not only be guided by correct economic theory and made possible by adequate economic information, but also needs the tools of practical economic mathematical methods which can be easily popularized.

I think the organizational requirements of developing quantitative economic studies include the following. First, we must alter the traditional method of research in the style of the handicraft industry. The highest economic leading body or a certain responsible department of the state should organize the efforts of the relevant research units, institutes of higher learning, economic agencies and so on, as well as recruit experts and scholars in various fields, so that they can cooperate and conduct comprehensive studies involving multiple disciplines. If a few research workers work individually within their specialized fields, then certain problem will remain unsolvable in particular the problems for economic mathematical study concerning the entire national economy, such as making optimum plans for and managing the national economy, making long term forecasts for national economic development plans and so on. Some major research items and tasks involving hundreds of units and thousands of personnel of various kinds should also be organized according to the principles and methods of systems engineering. Second, aside from relying on the combined efforts of those within economic circles, we must also rely on the efforts and cooperation of economists, mathematicians, statisticians, planning experts and specialists in computation techniques. Quantitative economic studies are characterized by possessing many facets and being related to diverse fields. Almost every branch of economic science encounters the problem of quantitative study and that of applying mathematical methods. Even such subjects as economic history and the history of economic thought also involve the question of integration or coordination with quantitative economic studies. When all branches of economic science, each in its own area of study, have actively developed the study of quantitative economic problems, it will not be difficult to sum up the general theoretical and methodological problems in quantitative economic studies and to improve our understanding of such problems. Moreover, large-scale quantitative economic research surpasses the scope of economic science because it involves mathematics and computation techniques. Such a task will be difficult to accomplish without the participation and cooperation of mathematical workers, computation technique personnel and systems analysis personnel. Third, we must establish a new special field of study dealing with quantitative economics and training up a new generation of economists conversant with both economics and mathematics. The students of various economic departments of the institutes of higher learning must study mathematics. Those specializing in certain fields such as quantitative economics must also take more advanced mathematics and computer courses. Economists should master and use mathematics. This is the demand of the times.

III

After launching quantitative economic studies on an overall scale, will a new branch of learning, quantitative economics, be formed? Our answer is affirmative. Of course, limited by the present state of quantitative economic studies, for the time being we still cannot perceive completely and clearly the object of study of quantitative economics, its main contents and its relationship with other branches of economics. Nevertheless, based on our current studies, we already have some conceptual knowledge about its nature.

Quantitative economics is a branch of socialist economic science. Guided by Marxist economic theory and based on qualitative analysis, it employs mathematical methods and computation techniques to study the quantities in and the quantitative relations and changes of the socialist economy as well as the relevant laws. Its object of study is the quantitative aspect of all socialist economic problems. The term economic quantity has wide implications. We cannot merely interpret it as some particular economic quantity which is limited to a numerical economic value. According to Marxist interpretation, the concept of quantity not only refers to the rate, degree, scale and form of existence and development of a thing, but also embodies the relations (Engels said in "Collected Works of Marx and Engels," vol 36, p 202 that "the term rapports relations...refers to the quantitative aspect.") between one thing and another, a thing's structure formed by the arrangement and composition of its component parts as well as the model that reflects the quantitative relations in the thing.

The general content of quantitative economics includes both theoretical quantitative analysis and empirical numerical calculus, both microeconomic and macroeconomic mathematical studies, as well as the application in the socialist economy of mathematical methods, computers and certain related new sciences such as operational research, cybernetics, systems engineering and so on. Establishing and developing quantitative economics is mainly aimed at employing mathematical studies of economics to know and master the laws of socialist economic development more concretely and comprehensively and thus to improve the planning and management of the socialist economy. Therefore, quantitative economics directly serves planning work and economic management. The main contents of quantitative economics are: studying theories and methodologies concerning economic quantities (in particular establishing and using theories and methodologies of various economic mathematical models), the economic mathematical analysis of socialist expanded reproduction, studying joint equilibrium among sectors, optimum planning and management of the national economy, studying economic forecasts and forecasting methods, studying economic cybernetics, the economic calculation of price formation, appraisal of investment effectiveness and testing of investment plans, the optimum use of resources, as well as the economic mathematical study of various problems such as the location of production, transport and communications, national reserves, population and labor, circulation of commodities, the people's consumption and so on. These contents show that quantitative economics is a comprehensive frontier discipline involving many other disciplines. It integrates political economics, the science of planning, statistics, mathematics and the science of computation. Part of its contents overlap with the quantitative study of other branches of economic science. Therefore, quantitative economics needs to use its own theories and methods to help promote the quantitative study of other branches of economic science according to the practical needs of socialist economic construction. At the same time, quantitative economics should establish common ground with the different economic mathermatical studies of other subjects in order to enrich the general theories and methodologies of socialist economic mathematical studies, promote its own development and provide more guidance for the economic mathematical study of other subjects.

Quantitative economics is a practical methodological science. Its theoretical basis is political economies and the economies of productive forces. It is closely related to the economics of sectors and the economics of special fields of study. It is particularly closely related to technical economics, because these subjects overlap to a considerable extent. For example, there are topics common to both such as the microeconomic topics of the rational assignment of tasks according to the loads specified for various lathes, determining optimum product batch sizes in production, formulating optimum transport plans and so on, as well as the macroeconomic topics of the optimum use of resources and the evaluation and testing of the effectiveness of national economic investment. However, quantitative economics differs from technical economics in that not only does it study quantitative problems involving the productive forces, but it also studies those to do with production relations. In the quantitative study of the productive forces, technical economics emphasizes studying microeconomic problems (those concerning enterprises, sectors and individual factors of production) as well as appraising, testing and predicting the economic effectiveness of technological policies, plans and measures. However, quantitative economics emphasizes studying macroeconomic problems (overall problems concerning the national economy) as well as formulating, analyzing and applying economic mathematical models.

Since the early 1960's, we have used the term "economic mathematical methods" for the application of mathematical methods in economic research and planning work. This term is appropriate for a field of study but not for a branch of learning, because although each discipline has its own methods, it is not equivalent to its methods. Comrade Mao Zedong said: "The sciences are differentiated precisely on the basis of the particular contradiction inherent in their respective objects of study. Thus the contradiction peculiar to a certain field of phenomena constitutes the object of study for a specific branch of science." (Mao Zedong: "Selected Works, " "On Contradiction," the People's Press, 1966 Horizontal Typeset Edition, vol 1, p 284) Judging from this requirement, "quantitative economics" reflects its object of study more clearly than "economic mathematical methods." Nevertheless, it is necessary to preserve the term economic mathematical methods in quantitative economics. It can be used as the generic term for various mathematical methods employed in theoretical studies of economics and in practical economic work. If we replace economic mathematical methods with quantitative economics as the name of the new subject, so that it becomes another independent subject, then does this mean that the quantitative analysis of the socialist economy is isolated from various branches of economics, which consequently change over to purely qualitative studies? Such a worry is unnecessary. When we study the quality of the object of study of any science, we must also study its quantitative aspect, which constitutes an inseparable part of its contents. However, this fact does not affect the existence of mathematics as an independent science specializing in quantitative studies. Is the same reasoning not applicable to the relationship between quantitative economics and other branches of economics? The role and position of quantitative economics in economics is equivalent to the role and position of mathematics in science. Quantitative economics has this unique object of study and content: the application of the theories and methodologies of mathematical methods and computation techniques in theoretical studies of economics and practical economic work. Quantitative economics will not take on or replace the varied quantitative analyses in other subjects. On the contrary, it will conversely promote the development of such quantitative analyses.

Quantitative economics differs from economic mathematics. The latter refers to mathematics that is applied in economics. It is a branch of applied mathematics, not of economics. Quantitative economics is also different from mathematical economics, which is bourgeois economic theory expressed in mathematical form. Since mathematical economics began to develop during the earlier half of the 19th century, its famous leading exponents, such as Cournot, Jevone, Walras, Pareto, Allen and so on had replaced qualitative studies with quantitative studies, using mathematics as the most important tool for studying economics.

Quantitative economics also differs from econometrics in principle. Econometrics is a branch of Western economics with a history of over four decades, characterized by the integration of economic theory, statistics and mathematics. (The Norwegian economist Frisch, founder of econometrics, said in 1933 in the editorial of the first issue of the Journal ECONOMETRICS: "Experience demonstrates that each of the three viewpoints of statistics, economic theory and mathematics is a necessary but insufficient condition for a genuine understanding of the quantitative relations in modern economic life. A combination of the three will be powerful. Such a combination constitutes econometrics.") Tinbergen, a leading exponent of econometrics, said: "Econometrics may be defined as the statistical observation of theoretical concepts or as a kind of mathematical economics which measures statistical information." (Tinbergen: "Econometrics," edited and printed by the Economic Research Office of the Bank of Taiwan, p 8) Econometrics differs from mathematical economics in that: 1) econometrics conducts an empirical appraisal of economic relations and uses statistical information to estimate the numerical values of economic parameters, and 2) it considers economic relations as imprecise ones and takes into account random factors in economic calculations. We should adopt the attitude of one dividing into two toward econometrics. We should be good at assimilating its achievements and should also eliminate its errors. It is wrong to completely negate econometrics, in particular its practical parts and some of its methods and techniques. It is equally wrong to copy everything from econometrics and give it a new label. Proceeding from our country's practice in socialist economic construction and guided by Marxist economic theory, we should take the role of Western econometrics in capitalist economic development as a reference. We should exploit the achievements of modern natural science to establish and develop our quantitative economics which has characteristics of its own.

According to their own needs, the Western bourgeoisie employed mathematical methods for quantitative studies and established their mathematical economics, econometrics and so on. Why can our country's proletariat not use mathematical methods and computation techniques, launch quantitative economic studies as well as establish and develop Marxist quantitative economics according to the needs of achieving the four modernizations, building socialism and building communism? We can definitely achieve this. Moreover, we can rectify the quantitative analysis and study which has been distorted by bourgeois economics over the past century or so, so that they can healthily develop and advance along the road of materialism and dialectics. It can be predicted that the rapid development of quantitative economics will definitely add luster to Marxist economic science and help to strengthen socialist construction!

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'JINGJI YANJIU': INVESTIGATIONS IN FARM PRODUCTS PRICING

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[Article by Li Yingzhong [2621 2091 0022] and Li Yuzhu [2621 3768 3796], Agricultural Economic Research Institute of the Chinese Academy of Agricultural Sciences: "Why Peasants Are Not Enjoying in Full the Advantages From the Raising of Prices for Agricultural and Subsidiary Products"]

[Text] The purchasing prices of major agricultural products such as grain, cotton, edible oils and pigs have been increased considerably since 1979. Practice over the past year and more has proved that this important measure has played a major role in promoting agriculture production, increasing peasants' income and developing purchases and supplies of agricultural products. But following increases in the prices of major agricultural products, there occurred some problems in the purchase of agricultural and subsidiary products. One of the problems with widespread signifiance is that the peasants are not enjoying the full advantages from these price raises. This article is intended to probe into the appearances and reasons of this problem and to study the problems of the present purchasing system for agricultural and subsidiary products.

I

The reasons that have prevented peasants from enjoying the full advantages from the price raises of major agricultural products are that there exist some factors to offset part of the income due to them. Practice over the past year and more showed that these factors vary in form; these factors can be put into two categories: one factor directly influences the monetary income of the peasants and this factor is related with the purchases of agricultural and subsidiary products; another factor indirectly influences the actual income of the peasants and it is related to the people's communes, production teams and peasants when they are buying commodities. In this respect, we carried out investigations in Jingmen and Xishu prefectures of Hubei Province and in Wendeng Prefecture of Shandong Province. The following is an explanation arrived at after investigations into the situations.

The factors that directly influence the monetary income of the peasants can be divided into the following main points.

First, some of the standards for grading the quality of agricultural and subsidiary products are too high. Grading standards for purchasing agricultural and subsidiary products are too high. Grading standards for purchasing agricultural and subsidary products are the regulations which determine the quality of agricultural products, therefore changes in these standards influence the price levels of the products and directly influence the income of the peasants. It is true that the purchasing prices of agricultural and subsidiary products have been raised, but at the same time the grading standards for purchasing such products have also been raised, consequently, peasants cannot enjoy in full the advantages from the raising the prices of their products. For example, the Yandeng People's Commune of Jeingmen Prefecture in Hubei Province sold their grain according to the new standards which demanded high quality in unpolished grain and cereals and less water content and impurities than the standards previously used in locality. In 1979, the commune sold 18.407 million jin of grain, of which were 15.9389 million jin of semilate rice, 2.335 million jin of early rice and 133,100 jin of late rice. According to the previous standards, sale prices were for semilate rice, 12.08 yuan per 100 jin, for early rice, 11.73 yuan and for late rice, 12.775 yuan. But according to the new standards, their prices were respectively 11.9 yuan, 11.55 yuan and 12.25 yuan. That is to say, because of the raising in purchasing standards, peasants got 0.18 yuan less from the sale of each 100 jin of semilate and early rice and 0.525 yuan less from late rice. Consequently, the whole commune got 33,600 yuan less. Here is another example, the standards of diameter for large apples in Yantai region of Shandong Province were raised from 55 millimeters to 60 millimeters and for small ones from 50 millimeters to 60 millimeters. The number of the bruises were previously not limited for these two categories of apples, but now it has been limited to three. As a result, part of the fruit harvest was downgraded. Statistics of the departments concerned of Wending Prefecture showed that owing to these 2 standards that have been raised, the income of the peasants throughout the prefecture decreased by about 300,000 yuan. The original standards were later restored, but the decreases in the income of the people's commune and production teams caused by changes in the standards were yet to be made up. The samples for the purchase of tea in Xishui Prefecture of Hubei Province were in the past respectively taken from the spring, summer and autumn tea harvests. But last year the samples were only taken from the spring tea. It means that purchases for the tea produced in the three seasons were based on the samples taken from one season only. As the tea grows well in spring, therefore to take the sample from spring tea as the criterion means that the grades of the standards for purchasing summer and autumn tea were raised. In respect of medical herbs, it was previously defined that the number of first quality dried rhizome of rehmannia must not exceed 4 in a jin. But last year it was changed that the weight of each medical herb must be above 2.5 liang. Similar changes were also made for second grade and fourth grade herbs.

Second, purchasing prices of some agricultural and subsidiary products have been lowered. In the past, there was a regional disparity in the purchasing prices of the apples produced in Yantai region and those produced in other regions of Shandong Province. That is, the purchasing prices in other regions were 0.01 yuan higher per jin than Yantai region. But at last the disparty was abolished. That is to say, the purchasing prices for other regions in the province were scaled down to the level of Yantai region. The province produces about 1,000 million jin of apples per year, excluding Yantai region, therefore with the disparity abolished, the peasants' income consequently decrease by about 540,000 yuan. The purchasing prices for dried rhizome of rehmannia in Xishui Prefecture have also been lowered by an even greater margin.

Third, suspending and limiting the purchase of agricultural and subsidiary products. In 1979, the purchases of more than 103 varieties of agricultural and subsidiary products in Jingmen Prefecture were suspended and limited; these varieties made up one-fourth of the varieties of the products purchased from the prefecture every year. As a result, the peasants received 540,000 yuan less in income or on the average 0.51 yuan less income per capita. Similar situations happened in Xishui and Wendeng prefectures. These problems are more prominent in the purchase of agricultural and subsidiary products.

Fourth, forcing grades and prices down which is disadvantageous to the peasants' interest. This situation often happens during the purchase of agricultural and subsidiary products. For example, in purchasing live pigs it is very often that the weight of a pig is deducted by as much as 20 jin for fodder. In addition, in purchasing pigs, poultryand eggs, a half jin or liang is not calculated. In purchasing cotton, the deduction for the weight of bags has been increased, while in purchasing peanuts the prices are based on the pride of peanut oil. A production team of a people's commune of Xishui Prefecture last year wanted to sell 15,275 jin of cotton to a cotton purchasing station but it refused to sell after it was informed by the station that it judged the cotton to be neither grade 1 or grade 2. The production team then presented the station with 100 jin of peanuts and its cotton was consequently purchased by the station. The cotton was grade as having 7,831.5 jin of grade 1 cotton, 51.3 percent of the total. The rest was judged to be grades 3, 5 and 7. It is also very common that in purchasing agricultural and subsidiary products, different purchasing stations give different grades for the same products.

Fifth, changes in checking and purchasing system and unjust service charge. For example, the fruits of major producing areas in Shandong Province were previously checked and purchased by supply and marketing department on the spot. But this method has been changed since last year. All the fruits that are for sale must be gathered at an appointed place or sold at an appointed marketing point where they are checked and purchased jointly by the purchasing departments of the region, prefecture and locality. It means that purchasing responsibility is taken by three levels, but the fact is none of them is responsible. Any damage to the fruits occurring in transporting them must be borne by the producing units while the purchasing units are only responsible for damage resulting from natural phenomena. Some production units have managed to sell their fruits directly to other purchasing departments yet these departments still have to charge these units just for issuing receipts.

The factors that indirectly influence the actual income of the peasants include raises in the prices of byproducts of grain and edible oil such as chaff cakes, wheat bran and rapeseed cakes that are purchased by peasants after they have sold their products. In addition, the growth in the prices of these byproducts is higher than that in the prices of grain and rapeseed. Peasants also are suffering losses in many other aspects such as increases in the prices of farm machinery products, shortages in weight of chemical fertilizer and pesticides and ineffectiveness of pesticides.

The abovementioned problems not only affect the income of peasants and their initiative but also enhance the contradictions between agriculture and commerce to create tense relations. These problems are not in the interest of business management of purchasing departments. Such problems merit our attention.

II

The abovementioned factors that have directly affected the income of the peasants have widespread significance. But what are the reasons for all these problems? Our investigations showed that there are many reasons, but major reasons must be singled out from the present system of purchasing agricultural and subsidiary products.

The investigations showed that purchases of our agricultural and subsidiary products are mainly carried out in three forms: state monopoly, purchases by purchasing departments through arrangement and purchases through consultations. The first two are the main forms because about 80 percent of the agricultural and subsidiary products are purchased through these forms. Under the present management system, purchases of agricultural and subsidiary products through state monopoly and purchases through arrangement have stressed the importance of autonomy being centralized by the state with regard to the relations between the state and the units of the collective economy. That is to say, purchase planning, prices and standards of purchasing and quantity are all determined by the state. In addition, purchases of agricultural and subsidiary products are undertaken only by the departments concerned. This management system has a basic defect of violating the demand of the law of value. Under this management system, the units of the collective economy are not considered as producers and sellers of commodities, therefore they have been deprived of some basic rights that producers and sellers of commodities should have. This situation is not in the interest of implementing the principle of exchanges of equal value and has a very strong compulsory nature.

First, the system of purchasing agricultural and subsidiary products through state monopoly and through arrangement has deprived the units of the collective economy of most of their autonomy in production and in selling their own products. Both varieties and quantity of the agricultural and subsidiary products that are purchased through state monopoly and through arrangement began to be implemented in the early and middle 1950's. No doubt it must be affirmed that practice over the past two decades and more has proved that for a country with such a backward agriculture as ours, such a measures has played its positive role in insuring the basic needs of the state construction and the livelihood of the people. But it has also exposed its defects. A major defect is that units of the collective economy, whether they intended or not and irrespective of volume of economic interest, must fulfill production and sales quotas assigned by the state. Consequently, these units have been deprived of most of their autonomy in production and the autonomy of selling their own products. Thus under this system, it is impossible for the people's communes and production teams to base themselves on the need of the law of value and determine the kind of crops they should grow and the acreage of the crops according to the volume of economic interest. As a result, it is more often that the tasks assigned them by the state are contradictory to their own economic interest. This contradiction becomes even more apparent under the situation in which price parities among agricultural and subsidiary products are not rational.

Quite a number of people's communes and production teams have to produce and sell agricultural and subsidiary products just to fulfill state quotas even if they know that by doing so they would have little income or even lose money. This system can also easily result in purchasing "overlimit grain" to the detriment of the need of the people's communes, production teams and commune members themselves. Peasants in some places who failed to produce an adequate quantity of certain farm products have to purchase them from free markets at higher prices and then sell them to the state so as to fulfill their sales quotas to the state. This system thus runs counter to the voluntary principle in treating peasants and dampens their initiative. With implementation of the party's economic policies in rural areas over the past few years, the cases of purchasing "overlimit grain" and of peasants purchasing certain farm products from free markets and then selling these products to the state have become rare. But forcible monopoly purchasing by the state and arranged purchases without giving consideration to the interest of the people's communes, production teams and peasants are still common.

Second, with their agricultural and subsidiary products solely purchased by a single department, the units of the collective economy have been deprived of the right of selecting the targets for their sales. Our agricultural and subsidiary products are purchased by the departments belonged to a single system from the party Central Committee down to locality. In addition, purchasing departments at various regions can only purchase agricultural and subsidiary products of their own regions and not from other regions. Hence departmental and regional monopoly of purchases are formed. As purchases of agricultural and subsidiary products are monopolized, there is no competition among the purchasing departments. Even if these departments purchase agricultural and subsidiary products at prices that harm the economic interest of the people's communes, production teams and peasants, the departments do not have to worry that they cannot purchase the products. But the people's communes, production teams and peasants have no other choice in selling their products, they can only sell them to a certain department, a company or even a unit; otherwise they cannot sell them. Under such conditions, the people's communes, production teams and peasants cannot but send their products to purchasing departments for sales. Consequently, it often happens that these departments force prices and grades down to the detriment of the peasants' interest. Some people's communes and production teams have to plead with purchasing departments to purchase their products while others even give dinners and send gifts just to have their products priced and graded rationally. It is also often that the people's communes and production teams find that the prices and grades of their products have been intentionally forced down, but they do not dare to report this to higher authorities. When purchasing departments suspended and limited purchases of agricultural and subsidiary products, the people's communes, production teams and peasants are compelled to find other ways. Some of the products rot, are discarded or burned, all of which affect the income of the peasants and waste social property.

Third, the standards of grading and pricing agricultural and subsidiary products are all formulated by state commercial departments while grading and pricing are determined solely by the purchasing units. As a result, units of the collective economy have been totally deprived of their right to take part in formulating prices and in grading and pricing their own products. The standards of grading agricultural and subsidiary products that are purchased by the state monopoly and through arrangement are formulated by the state. But concretely speaking, these standards are formulated by the departments concerned on behalf of the state in two different ways. The standards for major agricultural and subsidiary products that are related to the national economy and the people's livelihood are jointly managed and formulated by purchasing departments, comprehensive standardization departments and the State Planning Commission. The standards for other agricultural and subsidiary products are formulated by the purchasing departments. In the former case, purchasing departments have the right to participate in formulating the standards (not the sole right of formulating the standards); but in the latter case, they have the sole right to do so. In the activities of purchasing agricultural and subsidiary products, purchasing departments have the right to check and grade as well as determine the prices of the products. But on the contrary, the units of the collective economy, that is the owners of commodities and sellers of agricultural and subsidiary products have been deprived of any right. They can only sell the products according to the standards formulated by the state and the prices determied by purchasing units. Thus imbalance in the right between the two sides during exchanges of commodities has become a major factor leading to unequal value in the purchase of agricultural and subsidiary products. Because under this system, if purchasing departments and units do not follow party policies and do not proceed from the point of developing agricultural production but just consider their own interest, they will resort to their power and use, an unfair method which in effect amounts to embezzlement of the results of the work done by the units of the collective economy and the peasants.

It must be pointed out that the purchases of our agricultural and subsidiary products are mainly managed by purchasing departments, that is the so-called total centralization of power in the hand of the "state." But the fact is that a considerable part of the power is centralized in the hand of purchasing departments. There has long been a traditional view in our country that commercial purchasing departments and enterprises are state commercial undertakings with the ownership by the whole people and their relations with the units of the collective economy are the relation between the state and the collective and that the interest of commerce is the interest of the state. As a result, commercial purchasing departments are equated with the state. Such view is not complete. In fact, the present state commercial undertakings of the ownership by the whole people are not completely of the "whole people." It is correct that purchasing departments for agricultural and subsidiary products are state commercial undertakings and their means of production belong to the whole people. It is also correct that most of the profits of enterprises are handed over to state financial departments and belong to the whole people, that the basic income of the staff of these enterprises basically comes from the state consumer funds and that the interest of commercial purchasing departments and other enterprises is identical with the interest of the whole people. But we must understand that at the present stage the state commerce with the ownership by the whole people does not completely belong to the whole people and its income is not completely owned by the whole people. There still exists partial ownership by departments and enterprises. Staff and workers still get additional income from the enterprise funds of their own units. Therefore, the interest of commercial purchasing departments and enterprises is not necessarily and totally the interest of the state; such interest includes the interest of the departments concerned and other enterprises. Such partial interest can fully display the motivation of economic interest and encourage purchasing departments and enterprises to do a good job in purchasing agricultural and subsidiary products and improve their management.

But it will also stimulate these departments and enterprises to resort to unfair methods and carry out exchanges of unequal values which amounts to embezzlement of the results of the work of the people's communes, production teams and peasants.

Following the Third Plenary Session of the party Central Committee, the system of the commercial purchasing departments have been under restructuring by way of expanding the decisionmaking power of enterprises that is centered upon profits retention. Thus with their economic interest and power expanded, purchasing departments and enterprises are now willing to display their initiative in improving their business management. But in some places, this measure has brought about or aggravated contention between the interests of the purchasing departments and enterprises on the one hand and those of the people's communes and production teams on the other hand. There also happened that the interests of the people's communes, production teams and peasants were violated. This is one of the important reasons that why peasants do not enjoy in full the advantages from the price raises for major agricultural products. Now the question is how to consolidate and display the initiative of the restructuring and avoid and restrict its negative role while we persist in expanding the decisionmaking power of the commercial departments and enterprises so that enterprises will be able to combine their business achievements with their economic interest. However, our present management system over agricultural and subsidiary products is not in a position to restrict this negative aspect. There is no outside pressure against this system and, on the contrary, it helps promote this negative role to a certain extent. In order to implement the principle of exchanges of equal value in the process of purchasing agricultural and subsidiary products and guarantee the economic interest of the people's communes, production teams and peasants, it is imperative to restructure the present system of purchasing agricultural and subsidiary products.

III

Stalin said that the only form of economic contact between industry and agriculture and between urban and rural areas that is acceptable to peasants is exchanges of commodities through selling and buying. Exchanges of commodities demands that the two sides exchange their products on the basis of equal value; neither side is allowed to expropriate the labor achievements of the other side. It is our party's consistent policy to persist in exchanges of equal value in purchasing argicultural and subsidiary products. The "Resolution on Some Questions of Enhancing the Development of Agriculture by the Central Committee of the Chinese Communist Party" points out: "Commercial work must conscientiously follow the principle of exchanges of equal value so as to promote the interflow of commodities between urban and rural areas. Agricultural and subsidiary products in rural areas must be purchased according to their qualities. Forcing prices and grades down is strictly prohibited." Exchanges of equal value reflect the essence of the relations of exchanges of commodities when agricultural and subsidiary products are being purchased. They not only accord with the demand of the law of value but also constitute a principle that must be followed in activities of purchasing agricultural and subsidiary products. They also constitute an important foundation for restructuring commercial system in rural areas.

How can the principle of exchanges of equal value be reflected in the purchasing system of agricultural and subsidiary products? We hold that under the premises of state guarantee and identical economic interest between purchasing departments and peasants, purchasing departments and producer units must have relative power. Basic conditions for exchanges of equal value must be created so as to guarantee normal economic interest of both sides and restrict their irrational economic interests.

First, the question of respecting the autonomy of the people's communes and production teams. In order to follow the principle of exchanges of equal value in purchasing agricultural and subsidiary products, it must be acknowledged that the people's communes and production teams are units of the collective economy with independent management. The people's communes and production teams must have autonomy in production and must have the power to make decisions on selling their products voluntarily. But to do this it is imperative for the state to use the economic method and means of economy instead of the administrative method in the purchase of agricultural and subsidiary products. The much too stringent state control over people's communes and production teams must be eased. From a long-term point of view, we must create conditions which will change the system of state monopoly for purchasinging and purchasing through arrangement. However, the conditions are yet to be created which will allow the abolition of this purchasing system. It can only be solved gradually and it needs a developmental process. For example, grain, cotton and edible oils that are purchased through state monopoly are basic means of subsistence needed by the people. At present, the quantity of such products throughout the country is not enough to meet the demand by the state and the people and we still have to import a certain quantity every year. The price parities within agricultural and subsidiary products are not rational and there is unlikely to be a drastic readjustment in a short period. Therefore, to enable the state to control the means of subsistence and insure its own need and the need of the people, it is necessary for a certain period to come to persist in the system of purchasing through state monopoly; otherwise a dangerous situation will be created. In order to respect the autonomy of the people's communes and production teams during the activities related to the purchasing of agricultural and subsidiary products and overcome the too stringent control by the state over the people's communes and production teams, it is feasible to start restructuring the purchasing method through arrangement. That is to say, the range of this purchasing method can be narrowed and the varieties of the products sold can be cut down so as to gradually create conditions for abolishing it. Implementing this is completely possible. Following the development of agriculture over the past few years, the purchases of agricultural and subsidiary products through this method have changed quite a lot. The products sold through this method were first in short supply and not able to meet the need of the people. Now they are not only able to meet the need but are even overstocked, thus creating basic conditions for abolishing this purchasing method. Other products that are also sold through this purchasing method but do not influence the national economy and people's livelihood can be sold through other forms even if they are in short supply. In this respect, the demand and supply of such goods can be regulated by the pricing mechanism; that is to say, it can be solved through raising the purchasing and selling prices.

Second, the question of breaking away with the monopoly in purchasing agricultural and subsidiary products. In any exchange of commodities, including purchases of agricultural and subsidiary products by the state, no monopoly is allowed by either side; it is an important condition for exchanges of equal value. Marx pointed out: "The only conditions for exchanges of commodities whose prices nearly equal their value are...this means that in selling and buying, it must be agreed that neither side will embezzle, by artificial means, or intentionally, and thus sell and buy above value or force a commodity to be sold under value." (Marx: "Das Kapital," People's Publishing House, 1956, vol 3, pp 202-203) In order to create conditions for the abolition on monopoly by purchasing departments in purchasing agricultural and subsidiary products, we suggest taking the following three steps. The first step, the people's communes and production teams must have to a certain extent the right to choose the buyers of their products. The people's communes and production teams are allowed to choose buyers of the first and the second categories of agricultural and subsidiary products that must be purchased through the state monopoly and arrangement in a certain sphere (for example to choose their buyers within a prefecture). When the people's communes and production teams have met their quotas by selling their first, second and third categories of agricultural and subsidiary products through state monopoly and arranged purchases, they must be allowed to sell the rest of their products anywhere and this includes cities. Second step, break away from the area limitation and allow purchasing departments of one region to purchase agricultural and subsidiary products in other regions. Third step, with state purchasing departments as the main, supplimentary organizations to these departments must be formed and more channels must be allowed to exist. For example, a locality must be permitted to set up purchasing companies while the people's communes may set them up by themselves or jointly with commercial organizations. Thus competition is in the interest of implementing the principle of exchanges of equal value. It will also help commercial purchasing departments display their initiative and improve their management.

Third, the question on equal rights for purchasing departments and their enterprises and the units of the collective economy. Such equal economic relations must be guaranteed by equal power in the systems of both sides so that they will be consolidated and developed in exchange activities. The management power of the present purchasing system for agricultural and subsidiary products is centralized in the hand of the state and part of the power is centralized in the hand of various purchasing departments. The people's communes and production teams have no power in this respect. This situation is not in the interest of exchanges of equal value. On the contrary, it encourages various purchasing departments to undermine the interests of the people's communes and production teams. Therefore, the present management system must be restructured.

The people's communes, production teams and peasants must be allowed to send their representatives to take part in formulating the standards of grades and prices for the purchase of agricultural and subsidiary products so that they will be able to fully reflect the situations and demands of producers and sellers and solicit opinions in order to represent their economic interests. The people's communes in rural areas are presently using the system of integration of government administration with commune management, the organizations of people's communes and above are under the direct leadership of the people's governments at various levels. No economic or other organizations are directly leading the people's communes and it is difficult for them to send their representatives. Therefore as a transitional measure, it is advisable that agricultural production departments at various levels take part in formulating standards. Further readjustment can be made later when the work of restructuring the agricultural management system begins.

In activities of purchasing agricultural and subsidiary products, the people's communes and production teams must also have the right that is enjoyed by purchasing units with regard to checking, grading and pricing. It is very important to insure that various grading standards for the purchase of agricultural and subsidiary products are implemented, that the products are purchased according to their value and that the forcing down of grades and prices is prevented. In some places, grain departments are using the method of "assessing by production teams and checking by stations." That is, grain purchasing policy, pricing policy, the standard of grading and technology of checking the quality of the grain are all undertaken by production teams and commune members. Assessing teams composed of cadres of production teams, commune members and staff of granaries are formed to assess and inspect the conditions of the grain and sign relevant documents attenting that they have done so. The grain is then sent to state granaries where it is checked by the quality checking staff before it is accepted. With this method, the people's communes and production teams have to a certain extent the power for checking and grading, therefore it is in the interest of exchanges of equal value and in the interest of promoting the relations between commerce and agriculture. When the quality of the grain is lower than actual grade, usually it is caused by the following two factors. One is caused by errors because the standard is far from accurate and is therefore hard to comply, because weighing instruments are not accurate and because of a backward method of checking. Another reason is intentionally forcing down grades and prices. With regard to the former situation, purchasing departments in some places with prefectures as accounting units are using the system of refunding excessive grain. When prefectual companies of agricultural and subsidiary products are settling their accounts or making yearend settlement of accounts and they find that the grading is higher than purchased grading, they will refund the excess funds to the related people's communes and production teams. This method has been welcomed by the people's communes and production teams. With regard to the later situation of forcing down grades and prices, it is necessary to give the people's communes and production teams a specified right for checking and grading and to form a strict supervisory system. Supervision is not only the work of the higher leading bodies of purchasing units and the State Planning Commission, it is also the work of the broad masses of peasants. It is also necessary to carry out spotchecks as well as regular inspections. With regard to the activities that violate the pricing policy and that which are aimed at forcing down grades and prices to undermine the interests of peasants, the people concerned or departments must be criticized and educated; where the situation is serious, the income that is achieved through illegal methods must be refunded or confiscated. In addition, it is necessary to take legal actions and meet out economic punishment so as to prevent such activities.

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[Article by He Zhenyi [0149 2182 0001] and Chen Lingshu [7115 0109 3219] of the Finance, Trade and Material Resources Research Bureau of the Chinese Academy of Social Sciences: "An Initial Study of the Role of Finance in Correctly Handling the Proportional Relations Between Accumulation and Consumption"]

[Text] Our country's 30 years of experiences in construction are ample testimony that on each and every occasion when there was an imbalance in the proportionate relationship between accumulation and consumption in the national economy, it was directly related to the disregard of the role of finance and the law of finanical distribution and to the poor performance in handling financial receipts and disbursements. Hence, making a serious summation of 30 years of experiences in financial work, upgrading the role of socialist finance in regulating the proportionate relationship between accumulation and consumption and having a clear understanding of the law of financial distribution all have an important and practical significance in insuring the regulated development of the national economy and accomplishing the four modernizations. This article is intended to present our superficial views on problems in this connections.

Role of Finance in Formation of Proportionate Relationship Between Accumulation and Consumption

The ratio between accumulation and consumption is the most basic ratio in the realm of socialist distribution. It centrally reflects the relations of the long-term interests and current interests of the people. It also reflects the interests of the state, of the collective and of the individual. Correctly handling the proportionate relationshp between accumulation and consumption in the process of the distribution and redistribution of the national income provides a pbasic guarantee for the improvement of the people's standard of living, for the rapid development of socialist production and for the smooth accomplishing of the four modernizations.

The ratio between accumulation and consumption is ultimately formed through the process of distribution and redistribution of the national income. Under the system of public ownership of the means of production, finance is the basic means by which socialist states effect distribution and redistribution of the national income in a planned manner and using a form of value (currency) as a medium. Representing the demand of social groups and representing the common interests of the whole body of workers, finance takes part in the primary distribution and redistribution of the national income and is the organizer of the collection and distribution of funds for the satisfaction of the common needs of the entire social structure. It is capable of regulating the direction of use of the national income and plays the decisive role of regulating whether the ultimate form of the proportion between accumulation and consumption is rational or not. It is true that the proportion of value between accumulation and consumption is governed by the concrete material structure of the national income available for accumulation and consumption. If the condition of the concrete material structure of the national income is neglected in the distribution of the form of value of the national income, confusion may be caused in commodity circulation which will complicate the normal realization of accumulation and consumption. However, the structure of material resources of the national income has a certain degree of elasticity. Some of the products may be used as means of production and also as consumption goods; some may be used in production and also in capital construction. This determines that while the material structure of the national income is fixed within a definite period, the proportion of material resources used in accumulation and consumption can also change within certain limits. Therefore, the proportion fixed in financial distribution can directly bring about a reciprocal transfer of material resources between accumulation and consumption. In this way, finance plays a decisive and regulatory role in the ultimate formation of the proportionate relationship between accumulation and consumption in national income. This role is concretely illustrated in the following:

Whether the consumption level of the individual producer is high or low is determined by the size of the portion which finance musters in the initial distribution of the national income. The initial distribution splits the national income into two portions. One portion may be termed portion "v" which is for the workers' individual consumption. The other portion may be termed portion "m" which is for meeting the common needs of society. Portion "m" consists mainly of financial receipts which the state has mustered (the portion retained by the enterprises for production purposes will not be discussed here). Portion "v" does not come under the financial distribution of the state, but what proportion it occupies in the national income and whether or not it can be increased in the event of production development is directly regulated by the arrangements for the financial receipts. Within a specified period, the national income is a fixed figure. If the portions mustered by finance in the initial financial distribution are large, then what remains for satisfying the individual needs of the workers will be small. Hence, whether the arrangements for the financial receipts are adequate or not plays a decisive role in regulating the level of livelihood of the individual worker.

Next, the condition of the use and distribution of financial funds regulates the condition of the ultimate proportionate relationship between accumulation and consumption. After the initial distribution of the national income, redistribution must follow before the ultimate proportion between accumulation and consumption can be formed. The proportion between financial disbursements of an accumulation nature and those of a consumption nature determines whether the ultimate proportion between the use of the national income of the current year on accumulation and that on consumption is rational or not. Through the initial distribution, the national income is divided into the "v" and "m" portions. The size of Portion "v" determines the level of consumption for each individual production workers while the size of portion "m" determines the level of accumulation to a certain degree. In this context, it may be said that a general idea is formed for the proportion between accumulation and consumption, but portion "m" cannot be devoted entirely to accumulation, since a portion has to be spent on the individual consumption needs of the workers in the administrative departments and in the enterprises and also on the collective consumption needs of the workers. Hence, the ultimate formation of the proportion between accumulation and consumption will have to be determined by the manner in which portion "m" has been utilized. As for how "m" is expended, a great proportion is determined by the planning for the financial disbursements. If in planning the financial disbursements, those of an accumulation nature predominate, then in the proportionate relationship between accumulation and consumption, the weight for consumption will be reduced. Contrarily, the proportion for consumption will be increased. For this reason, it may be said that financial disbursements exercise a direct regulatory role on the ultimate formation of the proportion between accumulation and consumption in the national income.

Objective Quantity Limits Which Financial Receipts and Disbursement Must Observe

How much income can be derived for finance each year, what order of priority governs the various financial disbursements and how much money can be allocated to each financial disbursement cannot be decided by man's subjective wishes. They all have to follow certain regulations and have their own objective quantity limits. In addition, an order of priority must be followed. These quantity limits and order of priority are determined by a definite level of productive force and by socialist production objectives. The starting point for financial distribution should be fulfillment of the material and cultural needs of the people's livelihood and in planning for the financial disbursements the order of those of a maintenance nature first and those of a development nature second must be followed. In this way, financial receipts and disbursements are subjected to a list of objective quantity limits the principal ones of which are as follows:

1. Quantity limits of financial income

The first is the maximum limit on increases in financial income. This limit is subject to the following factors: 1) Regulation by the condition of increase in the national income for the current year. An increase in income must be preceded by an increase in the national income of the current year. If there is no increase in the national income and the financial income mobilized is larger than that of the preceding year, then the surplus portion will lack the backing of material resources and a portion of the financial income is false. If disbursements are arranged on the basis of this false income, then in reality a hidden deficit has been generated. This will derange the normal proportionate distribution of the national income, lower the actual living standard of the people and inflict disaster on the national economy. 2) Regulation by portion "m" of the increase in the national income. If the national income for the current year is increased, then finance can make use of more income. But it cannot use all of the increased income and is confined to portion "m" only. The national income is composed of two portions. One portion is value "v" which is to satisfy the individual needs of the workers. The other portion is value "m" which is to satisfy the common needs of society. Finance can derive its income only from the "m" portion of the national income. If this realm is exceeded then the consumption portion for the individual workers will be encroached upon. How bid the "m" portion of the increase in the national income can become is again governed by three factors (Note: This "m" portion is derived from computing the proportion between "v" and "m" of the base period and not the "m" portion ultimately formed in the distribution of the national income of the current year; same below), namely: 1) Economy in the use of production materials in the production process; 2) Rise in labor productivity rate; and 3) Addition of new labor productive force. Under conditions where prices remain unchanged and the laborers maintain the same standard of living as in the base period, if the increased portion of the national income is due to the first two factors mentioned above, then the entire increased portion belongs to the "m" portion. On the other hand, if the third factor accounts for the entire increase, then only part of the increase belongs to the "m" portion. The size of this new "m" portion is determined by the proportion between "m" and "v" of the national income in the base period and the larger the proportion "m" occupied then the larger the "m" portion of the increased national income now. If the newly increased portion of the national income is due to a combination of all three factors, then the size of the new "m" portion is determined by the relative importance of the three factors and by the proportion between "m" and "v" in the base period. It follows that the smaller the proportion occupied by the factor of additional labor force the larger the "m" volume and that the larger the proportion attributable to economy in production materials and to a rise in the labor productivity rate likewise the larger will be the "m" volume. The size of the "m" portion of the increased part of the national income determined by the abovementioned factors is the maximum amount of possible increase in the financial income of the current year. Under the socialist system, except in case of war or other contingencies, mobilization of financial income should never exceed this maximum limit, otherwise the national economy and the people's livelihood will be endangered.

Let us turn next to the workable limit on the incrase of financial income for the current year. The "m" portion of the increase in the national income which is derived from computing the proportion between "m" and "v" of the base period is not the final quantity limit which finance can possibly mobilize. How much of the "m" portion of the newly increased portion of the national economy can be mobilized to increase financial receipts is further regulated by the following two factors: 1) It is regulated by the rate of population growth. The increase in national income of the current year must first of all be used to insure that the standard of living of the newly increased population is not lower than that in the base period. If the national population growth rate is not taken care of by using a portion of the newly increased national income to satisfy the livelihood needs of the new increased population, the the universal lowering of the actual standard of living of the entire masses of workers will be entailed and this will be contrary to the basic economic law of socialism. The quantity limit for insuring the livelihood needs of the newly increased population is the product of the gross consumption volume in the base period multiplied by the population increase rate or the product of the average per capita consumption in the base period multiplied by the size of the population growth. 2) It is regulated by the average increase rate in per capita consumption of the productionworkers. The basic economic laws of socialism require that from the increase in national income a portion must be used to increase the per capita income of the workers and thus to raise their standard of living. This portion cannot be mobilized as financial income. How is the amount of this volume derived? The answer is that it is determined by the yearly average increase rate and the volume is the product of the gross consumption volume of the workers in the base period multiplied by the planned rate of increase in the standard of living. The sum of the above two factors is the second quantity limit which must be deducted when planning the actual amount of increase in financial income.

2. Quantity limits of financial disbursements.

First is the minimum quantity limit of disbursements of a consumption nature for the current year. This limit is made up of two parts. One part consists of the consumption volume which was reached in the base period by workers in the administrative and enterprise departments, that is to say, the volume of expenditure spent in the preceding year on meeting the consumption needs of workers in nonproductive departments. The second part consists of the volume of expenditure spent in the base period on meeting the collective consumption needs plus the minimum volume of expenditure for collective consumption which must be increased to correspond with the increase in population. The sum of the above two items is the minimum quantity barrier that must be insured in the financial disbursements of a consumption nature. This volume is the minimum amount which must be insured in determining financial planning. If this is not observed, then the actual standard of living of the masses will be lowered.

Next is the minimum volume of accumulation disbursements of a nonproductive nature. This is the necessary volume barrier to insure that there is no reduction in the level of cultural, health and other benefits enjoyed by the laborers. At present, there is a population increase every year. This requires that society must not only appropriately effect increases in expenditure in order to satisfy the individual's consumption needs but also appropriately increase accumulations of a consumption nature in order to insure increases in public facilities such as residences, nurseries, public health institutes, schools and so forth. If in planning financial disbursements no additional disbursements are arranged in this connection despite the increases in population, then it would hardly be possible to insure maintenance of the level of benefits in culture, public health and other sectors. The minimum increase in volume of this nonproductive accumulation consists of two parts. One part consists of the minimum required volume of fixed assets of a nonproductive nature. The formula for its calculation is to find the product of multiplying the figure of population increase in the current year by the average per capita fixed assets of a nonproductive nature of the preceding year. The second part arises out of the need to appropriately increase the volume of articles for consumption as reserves in view of the increase in per capita consumption. This is the product of multiplying the minimum volume of increase in consumption goods by the coefficient of reserves of consumption goods at the preceding year's level. The sum of the funds required for the above two items is the minimum volume of accumulation disbursements of a nonproductive nature which must be taken care of in planning financial disbursements.

Now let us turn to the minimum volume of accumulation disbursements of a productive nature. This is the minimum accumulation volume required for expanding the reproduction of consumption goods to insure that the level of the people's livelihood will not be lowered. In order to insure meeting the consumption needs of population increase, society must step up the production of consumer goods and must increase investments in expanding the reproduction of consumer goods. This kind of necessary minimum amount of investment of a productive nature is the minimum volume of increase in accumulations of a productive nature that is required. The numerical value of this volume is the product derived from multiplying the investment coefficient by the sum of the gross value of consumption goods which must be increased on the basis of the increase in population plus the gross value of the production materials which must be increased in order to produce these consumption goods.

The above represent the minimum limits for insuring that the original level of the people's livelihood will not be lowered. We call the three of them the minimum limits of disbursements of a maintenance nature. After having made financial arrangements for these disbursements of a maintenance nature, the remaining portion may then be used to further raise the people's current standard of living and to further increase investments of an accumulative nature. This category of disbursements we call disbursements of a development nature.

The quantity limit for disbursements of a development nature is the balance of the current year's total quantity limit for financial income minus the quantity limit for disbursements of a maintenance nature. In the financial planning for disbursements of a development nature, we cannot allow the spending of the entire balance after deduction of disbursements of a maintenance nature on increasing the accumulations of a productive nature. Suitable arrangements must still be made between accumulation and consumption and this is again regulated by several other quantity barriers. They are: 1) The minimum quantity limit for disbursements of a consumption nature which must be increased in order to annually raise the people's standard of living based on the premise of production development, including the minimum quantity limit for increased consumption on the part of workers in nonproductive departments and also the quantity limit for increased consumption of a collective nature. 2) The minimum quantity limit for accumulations of a nonproductive nature which must be increased in order to insure an annual rise in such collective welfare benefits as those pertaining to culture and public health. In the financial planning for disbursements of a development nature, all these minimum quantity limits must be insured otherwise if the disbursements of a development nature are devoted entirely to disbursements for accumulation of a productive nature, then there will be a lack of harmony between production and living in the ensuing years and there will be an imbalance in the proportion between accumulation and consumption.

Our actual experiences for the past 30 years in financial work have amply proved that if the quantity limits in financial income and disbursements are violated then the national economy will be seriously endangered. On the other hand, if they are respected and work is done in accordance with those objective quantity limits, then finance will be able to play a positive role in correctly handling the proportionate relationship between accumulation and consumption, thus insuring the smooth development of the national economy. During the period of the First Five-Year Plan, when planning income, due regard was given to the condition of increasing the national income and it was possible to achieve an increase in financial receipts in accordance with the size of the"m" portion of the increase in national income and at the same time appropriately raising the people's standard of living. With regard to disbursements, those of a maintenance nature and those of a development nature were thought out rather comprehensively and were comparatively and objectively in accordance with the order of procedure and the quantity limits. The result was that the proportion between accumulation and consumption was comparatively harmonious, that production achieved rapid development and that people's standard of living was improved rather considerably. During the period of the Second Five-Year Plan, due to people getting "swell-headed" and to the influence of boastfulness and blindly seeking high targets, financial work disregarded objective laws. From 1958 to 1960, for 3 years in succession, we violated the quantity limits which governed the increase in financial income in relation to the increase in the national income. In 1958, the national income increased by 21 billion yuan over the preceding year. The labor productivity rate was down by 8.5 percent. Consumption of production materials increased. Hence, the increase in national income was basically due to new labor power being injected into production. According to the objective quantity limit, the additional increase which finance could muster should be at most around 10.1 billion yuan. Yet the actual increase was 13.3 billion yuan, in other words, 3 billion yuan more. In 1959, the national income increased by 10.4 billion yuan over 1958. On the basis of the workable limit for the increase in financial income, the increase in financial income should only have been 3.2 billion yuan. Yet the actual increase was found to be 13.5 billion yuan. In this way, the entire portion of the increase in the national income was cumulated and in fact was exceeded by over 30 percent. What was more serious was that in 1960 the national income took a downward turn in comparison with 1959. If the objective quantity limit governing financial income was followed, then basically speaking financial income could not be increased, but actually an increase of 5.6 billion yuan was made over the preceding year. On the side of finanical disbursements, the objective requirements of "following the order" and "quantity limits" were also completely ignored. Earnest efforts were made one-sidedly to increase accumulation disbursements for capital construction. In particular, in 1960 the financial income of that year was only increased by 5.6 billion yuan but the increases in capital construction disbursements amounted to 6.7 billion yuan. This seriously violated the quantity limit which financial disbursements must obey. As a result, the ratio of accumulation in the disposition of the national income was greatly increased. In 1958, accumulation accounted for 33.9 percent of the national income but went up to 43.8 percent in 1959 and to 39.6 percent in 1960. Due to this situation of a serious imbalance in the proportionate relationship between accumulation and consumption, the people's livelihood could not be improved and the people's enthusiasm for production was dampened. It also brought about an average yearly decrease of 4.3 percent in farm production during the Second Five-Year Plan period. Industrial labor productivity dropped by 8.5 percent in 1958, was down 7.5 percent in 1959 and fell sharply by 28.8 percent in 1961. All these factors, plus the occurrence of natural disasters and the Soviet Union perfidiously rescinding agreements and contracts, brought about serious difficulties to the national economy, making it necessary for its all-round readjustment. In the course of the readjustment, financial income and disbursements closely followed the quantity limits which, objectively speaking, must be obeyed. In planning the disbursements, investments in capital construction were first of all greatly curtailed. Such investments in 1961 were reduced by two-thirds in comparison with 1960 while in 1962 they were again curtailed by one-half compared with 1961. In this way, the proportionate relationship within the national economy was gradually restored to normal. In 1964, accumulation recovered the normal proportion of 22.2 percent of the national income, and the national economy achieved a rapid recovery and development. However, between 1966 and 1976 the national economy again suffered interferences and disruptions, this time from Lin Biao and the gang of four. In economic work it was impossible then to follow economic laws. As a result, the national economy was on the verge of bankruptcy. In general, the two "ups and downs" in economic construction over the past 30 years have taught us a lesson that finance must vigorously exercise its role of regulating the proportion between accumulation and consumption, that there must be harmonious relationships within the national economy, and that financial income and disbursements must start with following the basic economic laws and strictly follow the objective quantity limits. All these constitute objective requirements which cannot be changed by man's wishes. Going against them will entail punishment.

Strengthening the Role of Finance in Appropriately Arranging the Proportionate Relationship Between Accumulation and Consumption

The role of finance in regulating the proportionate relationship between accumulation and consumption is determined by the objective character of socialist finance while the planning and arranging of financial income and disbursements in strict accordance with certain basic quantity limits are the objective demands of basic economic laws under socialism. However, neither objective laws nor objective demands can of themselves assert their role. All depends upon mankind in actual practice giving due recognition to their demands and scrupulously abiding by these objective quantity limits to the end that planning and arranging financial income and disbursements are strictly in accordance with objective demands. Only in this way can finance give full play to its active regulatory role of insuring that a correct proportion is formed between accumulation and consumption.

The prolonged disruptions caused by Lin Biao and the gang of four have brought much confusion to financial and economic administration. Many unsolved problems have been left behind. For example, there is no clear-cut demarcation of power and responsibility in financial and economic administration. Between the central government, the localities and the enterprises, there is much confusion in such matters as the centralization and division of power. Where power should be centralized it is not centralized and when it should be divided it is not divided. All these factors serously impede the correct exercise on the part of finance of its function of regulating the proportionate relationship between accumulation and consumption. At present, in order to strengthen the function of finance to effect a rational proportionate relationship between accumulation and consumption we must, in reforming financial and economic structure, give finance its proper place in economic administration, strengthen the responsibility of financial work, and correctly handle the questions of centralization of power and division of power in financial work.

First of all, the financial departments must be given the responsibility of realizing a correct proportionate relationship between accumulation and consumption. The fact that finance plays a decisive regulatory role over the proportionate relationship between accumulation and consumption objectively determines that departments handling financial work must shoulder this responsibility. Unfortunately, for a prolonged period of time, financial departments did not and could not take up this responsibility. But a fundamental measure to insure a harmonious relationship between accumulation and consumption in the national economy is to strengthen the responsibility of financial departments for correctly handling the proportionate relationship between accumulation and consumption. To enable the financial departments to take up this responsibility requires that they be given appropriate powers.

First of all, we must insure that financial departments have the power to determine what financial income should consist of and the power to reject requests to increase financial income which have no basis for support. If financial departments were forced to add, without any basis, to the income targets, then finance would be unable to shoulder this responsibility. Second, if in planning the disbursements finance is require to firmly insist on following the objective quantity limits, then it must possess the power to reject demands for investment that violate these objective limits. As for planning and arranging for production and construction and for distribution of material resources, financial departments should have the power to veto plans or arrangements that disrupt the normal proportion between accumulation and consumption. Only when their powers are not encroached upon can financial departments shoulder the responsibility of insuring the realization of a correct relationship between accumulation and consumption.

Next, we must strengthen the unification plan of finance and its efforts to achieve comprehensive equilibrium. The ratio of deployment of the national income between accumulation and consumption is an economic ratio vastly broad in scope. We must look at the task with a full perspective of the whole national economy and then work out a comprehensive plan. However, the distribution and redistribution of the national income, no matter whether it concerns organizing financial income or using financial funds, cannot be handled solely by the central financial authorities. Instead, local finance at various levels must be depended upon to contribute joint efforts. All activities concerning financial income and disbursements on the part of localities at various levels necessarily affect the proportion between accumulation and consumption in the national income. This requires finance to strengthen unified planning and to formulate a comprehensive financial plan so that under a unified plan, the income and disbursement activities of financial links at various levels may be coordinated to realize a rational proportionate relationship between accumulation and consumption.

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[Article by Wu Dingcheng [0702 7844 2052] of the Economic Institute of the Chinese Academy of Social Sciences: "Correctly Understand and Apply the Law of Distribution According To Work"]

[Text] In the articles "Several Problems Concerning Distribution According to Work" (GONGREN RIBAO 21 March 80 p 2) and "Preliminary Views on the Principle of Comprehensive Material Interests," (REMNIN RIBAO, 14 July 80, p 5) Comrade Jiang Yiwei puts forward some of his initial ideas on how to understand and implement correctly the principle of distribution according to work and on the reform of the wage and welfare system. [Hereafter all quotations without attributation are from these two articles] If it is considered necessary to implement comprehensively the principle of material interests, "we must let the masses of people see and feel both individual and overall material interests and see the direct relationship between individual and overall interests as when a boat goes up as the river rises." "We must let the broad masses of laboring people feel directly that individual interests depend on each individual's work ability and contribution and that they derive from the fruit of collective labor and also from the economic development of the country." Jiang Yiwei advocates that "under the socialist system, individual material interests of staff members and workers should come from three sources: the first is individual wages, the second is collective welfare services of enterprises, and the third is welfare services of society. For quite a long period of time to come, income from wages will still be the chief source of individual interests. But with the development of socialist construction, the proportion of collective and social welfare will increase day by day." These ideas are noteworthy, but some of the problems need further study. The following are some of my opinions which have not yet been considered thoroughly.

1. Is Marx's Tenet of Distribution According To Work Suitable for Large-Scale Production With Socialized Labor?

Comrade Jiang Yiwei holds that "in order to facilitate the explanation of the tenent of distribution according to work, Marx used simple commodity production as a format, whereas in our actual life, small-scale production based on individual labor no longer exists, and what we have is highly socialized large-scale production." We consider that Marx's scientific exposition on the tenet of distribution according to work was not based "on the format of simple commodity production" at all, but rather on socialized large-scale production. Marx said that during the stage of socialism, "the individual producer receives from society--after deductions have been made--exactly what he gives to it. What he has given to it is his individual quantum of labor.... He receives a certificate from society that he has furnished such and such an amount of labor (after deducting his labor for the common funds), and with this certificate he draws from the social stock of the means of consumption as much as the same amount of labor would cost. He gives to society in one form the same amount of labor he receives in another." ("Seclected Works of Marx and Engels," "Critique of the Gotha Program," vol 3, pp 10-11) Marx's exposition on distribution according to work is well-known to all. Is the economy in the socialist society mentioned here by Marx an economy of simple commodity production then? Not at all. Marx said, "Within the cooperative society based on common ownership of the means of production, the producers do not exchange their products, nor does the labor employed on the products appear here as the value of these products, as an objective quality possessed by them, since now, in contrast to capitalist society, individual labor exists in an indirect fashion but directly as a component part of total labor." (Ibid) Engels also made a similar exposition: "Once society possesses the means of production, commodity production will die out and so will the domination of products over producers. The situation of anarchism within social production will be replaced by planned and conscientious organization." ("Selected Works of Marx and Engels," "Anti-Duhring," vol 3, p 323) In other words, Marx and Engels, according to the situation of the economic development of the advanced--such as England, France and so on--capitalist countries in the 1970's of the 20th century, anticipated that the proletariat would first win a revolutionary victory in these countries and would construct socialism on the basis of a rather well-developed socialized labor and large-scale system of production. Thus, there is a marked difference between the socialism anticipated by Marx and Engels and the reality of our socialism. First, it has a unitary system of public ownership, whereas in our socialism, the system of ownership by the whole people and the system of ownership by the collective exist simultaneously, together with a small quantity of the system of individual ownership. Second, its social productive force reach quite a high level, whereas we are building socialism on the basis of a backward economy of a semicolonial and semifeudal society with a very low level of productive forces. Third, under the circumstance of a unitary public ownership and rather high level of productive forces, the relation between commodity and money dies out, the category of value no longer exists and the labor coupon becomes a common form of payment for labor, whereas it is still necessary for us to develop commodity production with great effort, to extend the circulation of commodities and to use monetary wages. To sum up, the socialist society anticipated by Marx and Engels has quite a well-developed, socialized labor, large-scale system of production and does not take simple commodity production as a format. On the contrary, in our present real-life situation, small-scale production based on the individual labor force makes up a certain proportion and the degree of the socialization of production is not high. Therefore, the belief that Marx's tenet of distribution according to work is based on simple commodity production, and that we already have a highly socialized labor, large-scale system of production, and that consequently, the thesis that "Marx's classical explanations of distribution according to work cannot be applied in practice in an oversimplified way," not only is not in conformity with out actual life today but also is not in conformity with the historical course of the idea of scientific socialism. First, the capitalism personally observed by Marx and Engels was still nonmonopoly capitalism. They explicitly pointed out that the basic contradiction of the capitalist society was the contradiction between socialization of production and private ownership, and consequently they scientifically foresaw that "when the concentration of the means of production and the socialization of labor reaches a stage which is incompatible with their capitalist shell, the shell will explode." (Das Kapital," People's Publishing House, 1974, pp 831-832) Thus, after winning the socialist revolutionary victory, the proletariat can, of course, only further develop the system of socialized labor, large-scale production on the original basis and cannot return to the small-scale production based on individual labor. How can it be imagined that Marx expounded the tenet of distribution according to work on the basis of simple commodity production? Second, Lenin and Stalin personally saw the development of capitalism from nonmonopoly capitalism into monopoly capitalism, that is, the stage of imperialism, in which production was highly concentrated and labor further socialized. However, Lenin summarized the tenet of distribution according to work as "Getting back an equal amount of product for an equal amount of labor," and realizing "equality in labor and equality in payment." Based on experience in socialist construction, Stalin further developed the tenet of distribution according to work into "from each according to his ability, to each according to his work." All this shows that Marx and Engels foresaw that the socialist society would be one with a socialized labor and large-scale system of production. Besides, Lenin and Stalin actually saw that the socialist society could only be one with a socialized labor and large-scale system of production. Proceeding from the prerequisite of socialized labor and large-scale system of production, they put forth that a producer's labor quantity and quality were taken as a standard for measuring the distribution of individual means of consumption.

Comrade Jiang Yiwei also holds that "Marx's explanations of distribution according to work can only be understood as a tenet and cannot be applied to practice in a simplistic way." As is mentioned above, Marx's scientific exposition on distribution according to work was put forward on the basis of a socialized labor and large-scale system of production in a socialist society and not on the basis of a simple commodity production. This being the case, Marx's classical explanation of the tenet of distribution according to work can certainly be applied in practice to socialist construction. In practice, many countries in which the proletariat have achieved victory through revolution have adopted various forms to implement the principle of "getting an equal amount of product for an equal amount of labor" and have been giving more to those who work more and conversely to those who work less. They have defended the personal interests of the laborers and aroused their enthusiasm in production. Deviation from this law will either give rise to equalitarianism or widen the gap between those who have more and those who have less in the distribution of the individual means of production, thus dampening the enthusiasm of the laborer and damaging the productive forces. There have been serious lessons in this respect both abroad and in China. Of course, in some departments and units, where the degree of socialization in production is comparatively high, there actually exists the situation where "within an enterprise, individual labor can only form a part of the product and individual labor can become effective labor only after the whole product is completed by the effort of all the laborers of the enterprise." Therefore, no one can say that a certain product is produced by "him." But from this we cannot draw the conclusion that since not any one of the products is produced by any individual producer, it is impossible to measure the amount of labor furnished by each producer, and "it is impossible to evaluate directly the individual labor contribution." If we say that because products are produced collectively, "it is impossible to evaluate directly the individual labor contribution," then, according to this logic, it is not only impossible to carry out business accounting in teams and groups and in workshops and to determine separately their collective contribution, but it is also impossible for enterprises which produce parts to carry out business accounting independently and to determine their own collective contribution. It follows that only enterprises which undertake to assemble and produce finished products can carry out business accounting independently and know their own collective contribution. If that is really true, the so-called "distribution according to work to be effected after distribution according to collective contribution of enterprises," and "distribution according to work within enterprises should also stress distribution according to labor contribution of small collectives," have all become unrealizable, empty words. Even if enterprises which produce finished products can calculate their own collective labor contribution, individual labor quantity cannot be determined. What then is to be used as a basis for measuring the distribution of individual means of consumption? I think that under the circumstance of socialized large-scale production, each product is the fruit of collective labor, and not the fruit of any individual's labor. This is a fact. However, through social practice it is still possible to determine the amount of labor furnished by each producer according to how he takes part in productive labor. The method of fixed labor quotas commonly adopted in different trades and professions is proof. As for producers working on a production line, it is difficult to calculate the number of products each of them produces. This only shows that the piecework wage system is not suitable for the fixed quota method. Even under these circumstances, time of labor, intensity of labor, degree of proficiency, safety operation, maintenance of equipment, cooperation and coordination, product quality, economization on materials and so on can be used to determine the amount of labor furnished to society by each individual producer, which serves as a basis for the distribution of individual means of consumption.

Again, Comrade Jiang Yiwei holds that under the existing conditions of commodity production and money circulation, "the contribution made to society by an enterprise as a whole can only be evaluated by the total value of the products it hands over to society. It is impossible to evaluate directly the labor contribution of an individual." Is this really so? Judging the intent of the statement, it really is like this. The products of an enterprise are produced by everyone together, and a sum of money is obtained after selling the products. It seems impossible to find out how much the labor contribution of one worker is. However, it is still possible to calculate the labor contribution of each producer if we strengthen enterprise management and fix properly the amount of staff and quotas, so that the output is counted, the quality is checked, the consumption has standards, the costs of production are calculated, the rate of attendance is recorded, the work is evaluated, the workpoints are allotted as in production teams, and comparisons are made between labor workpoints, total output value and net output value. This kind of calculation cannot be absolutely exact, but if we practice it continously and make summation and improvements continuously, we can calculate more exactly with each passing day the labor quantity of each individual producer.

Generally speaking, the Marxist tenet of distribution according to work is certainly applicable to a socialized labor and large-scale system of production. It is applicable when commodities and money still exist and it is also applicable after commodities and money have died out. That is to say, it is applicable throughout the whole historical stage of socialism.

2. What are the major problems in wage relations?

There are a lot of problems in our present wage system. What really are the major problems if our scope is confined to wage relations alone? We must make this point clear before we can suit the remedy to the ailment. It is necessary here to review history. After the wage reform in 1956, wages were adjusted a total of 4 times in the 21 years from 1956 to 1977. The shortest period between adjustments was 3 years and the longest 8 years, so the chances of promotion for staff members and workers were very few, resulting in the phenomenon of equalitarianism--having "several generations" of master workers and apprentices "in the same hall." Besides, differences in types of labor were over emphasized in the wage reform of 1956 so that the standard wages for some types of work in production were on the low side. For example, in industry, the wages of staff members and workers in some light industries were on the low side. Among industry, agriculture and commerce, the wages of staff members and workers of farms and commerce were on the low side. Between departments which produce materials and which do not produce materials, the wages of staff member and workers of the latter were on the low side. Between physical and intellectual workers, the wages of ordinary intellectual workers were on the low side. Among different regions, the wage grades of some regions also appeared to be slightly too low because of changes in the economic situation.

Let us look at the bonus system. It also has many problems. If, disregarding whether an enterprise has overfulfilled its production tasks and disregarding whether staff members and workers themselves have furnished extra labor, bonuses are distributed as a certain percentage of profits or of total wages and are distributed matter of factly month after month, with each person having a share, then they have actually become a form of supplementary wages. This phenomenon of equalitarianism is quite common. What is more, owing to various objective reasons, profits can vary among different enterprises. If bonuses are distributed according to profits before adjustments are made with regard to economic measures, the situation of having unequal shares of hard and easy jobs appear. Few institutions distribute bonuses. Schools usually do not distribute bonuses. Party organs, the government and the army do not distribute bonuses at all. Thus, differences emerge in material treatment given to staff members and workers of enterprises on the one hand and those of nonenterprise units on the other. These new situations have already attracted the attention of the people.

Generally speaking, equalitarianism exists quite commonly to varying degrees in standard wages within the same type of production work and in bonuses within the same enterprise. Some standard wages are on the low side for different types of production work and for different regions. Bonuses are distributed in different enterprises irrespective of the difficulty of the job. Unreasonable differences exist in the material treatment of staff members and workers of enterprises on the one hand and that of nonenterprise inits on the other. These are the major problems of the present system of wage relations. Only if these problems are studied in accordance with facts, if the law of distribution according to work is correctly applied and if feasible and reasonable measures are put forth can the enthusiasm of the broad masses of staff members and workers in the production system be brought into full play. Comrade Jiang Yiwei holds that "the first problem to solve should be indifference to good or bad work among different enterprises. Only then can the distribution problem within enterprises be solved.... If this problem of distribution according to work on a larger scale is not solved, and if distribution according to to work is carried out only for the individual within enterprises, then we are putting the cart before the horse." "If the problem of large-scale equalitarianism in enterprises is solved first, and if distribution according to work is carried out in smaller collectives within enterprises, where the result of labor or work can be calculated more easily, and equalitarianism among small collectives is overcome--if these two types of equalitarianism are overcome, then a small amount of equalitarianism within small collective will not affect the situation as a whole but will even do it good." We do not fully agree with this view. Indeed, the problem of equalitarianism among enterprises and among workshops is very serious and should be solved, but it is not part of the problem of distribution according to work. We will discuss it again later. As for the distribution of individual means of consumption, we consider that we must use labor as a measure and must deal with it according to the concrete situation in order to overcome equalitarianism. That "a small amount of equalitarianism will not affect the situation as a whole but will even do it good" is really difficult to understand. If such a path is followed, equalitarianism within enterprises will be moe serious and the phenomenon of distributing bonuses irrespective of the difficulty of the job will be even more conspicuous.

3. How to link material interests of staff members and workers with achievements of enterprise management?

Comrade Jiang Yiwei holds that "when we presently talk about distribution according to work, we often do not proceed from comprehensive material interests, leave out some links and merely talk about distribution according to individual labor ability and the amount of contribution. In theory it is defective and in practice it leads to laborers separating individual interests from collective interests and state interests and laborers paying attention only to individual material interests while ignoring the results of collective production and management or the economic development of the country." Here we must first make it clear as to when we talk about distribution according to work, are we "only paying attention to individual material interests"? We consider that: First, viewed from the distribution of individual means of consumption, to implement distribution according to work is to solve the problem of integrating labor quantity furnished by individuals with the amount of social payment, that is, to solve the problem of individual material interests. But viewed from the distribution of the total products of the society, the prerequisite of distribution according to work is the integration of the material interests of individuals, collectives and the state. It means that the distribution of individual means of consumption according to work is carried out after various deductions from the total products of society have been made. Therefore, distribution according to work follows the principle of integrating individual interests with overall interests and integrating immediate interests with long-term interests and is based on appropriately handling the relations of material interests among individuals, collectives and the state. It by no means causes people to care only about individual interests and immediate interests. Of course, in actual life the phenomenon of the so-called "paying attention only to individual material interests without paying attention to either results of collective production and management or the economic development of the country" does exist, but these are problems in actual work which need studying and solving. It is also proof of not correctly implementing the principle of distribution according to work and it is not a result of "merely talking about distribution according to individual labor ability and the amount of contribution."

Comrade Jiang Yiwei also holds that "if Marx's notion of distribution according to work is changed into: Each enterprise makes labor contribution to society, and, after various deductions, receives from society exactly what it has furnished to society, it then will suit the actual conditions of our country." As I understand it, this actually means direct distribution according to profits of enterprises. Will this really work? First, judging from the point of view of individual producers, if we say "distribution according to work should first be based on distribution according to collective contribution of enterprises," we are bound to give people a false impression: since everyone takes part in collective labor, everyone should have a share in the distribution, so it is reasonable to "eat in the canteen the same as everyone else" whereas it is groundless to deal with different people in different ways. Equalitarianism within enterprises will surely be encouraged and labor enthusiasm dampened. Second, judging from the point of view of enterprise profits, it outwardly is a complex reflection of the fruit of collective labor of enterprises but in reality it is related not only to individual labor and collective labor of the entire body of staff members and workers of respective enterprises but also to various objective factors. For example: 1) Though enterprises may have similar conditions, those better organized and with more advanced techniques and equipment make greater profits because of less material consumption, higher labor productivity and consequently lower production costs. These greater profits are the results of state investment. 2) Though mines and enterprises may have similar conditions, those with rich resources, mineral reserves of high grades and simpler operations, and farms with better climate and geology are bound to have more profits than their counterparts which do not. The extra profits are "differential income" which are derived from natural conditions. 3) Profits from exported commodities are usually more than those of commodities only sold on the domestic market. Profits of products for military use are usually more than those of products for civil use. Profits of high-grade products are usually more than those of low-grade products and so on. Such differences in profits are caused by differences in the processing structures of products. 4) Difference in external conditions such as transportation, supply and marketing also causes differences in profits. Under similar conditions, enterprises which have communication and transportation facilities, which have a regular supply of raw materials, fuel and power and which have unimpeded channels for selling their products are bound to have more profits. 5) The influence of higher or lower prices and of higher or lower tax rates over profits of enterprises is now especially obvious. Therefore, if wages of staff members and workers are decided in an oversimplified way, that is directly calcualted to the amount of each enterprise's profits, it will undoubtedly lead to enterprises unequally distributing the hard and easy jobs. This deviates from the basic requirements of distribution according to work. Third, judging from the point of view of the basics of political economy, what the central and local authorities receive all belongs to the category of "social deductions," and the portion from enterprise income used for the production fund, the reserve fund and the welfare fund also belong to "social deductions." Only the portion used for bonuses and annual dividends belongs to the category of distribution according to work. Comrade Jiang Yiwei holds that "distribution according to work by society to enterprises is chiefly reflected in distribution of total wages plus profits of enterprises." Hence the portion from enterprise income used for the production fund, the reserve fund and the welfare fund is also distribution according to work. This is worthy of further study and discussion.

From the three points mentioned above, to change Marx's distribution according to individual labor of producers in an oversimplified way into "distribution according to collective labor of enterprises," that is, direct distribution according to profits of enterprises, in theory, needs further study and discussion and in practice does not work. It will even bring about serious consequences.

How can material interests of staff members and workers be linked with achievements of enterprise management then? First, we consider that linking material interests of staff members and workers with achievements of enterprise management here does not mean fixing the wages of staff members and workers in an oversimplified way according to profits of enterprises but means using a portion deducted from enterprise income or profits for bonuses and collective welfare so that staff members and workers can see economic interests brought about by satisfactory individual labor and collective labor. In the future, when conditions are ripe, we can consider linking the range of promotion of staff members and workers or the level of their standard wages with achievements of enterprise management so as to further arouse the enthusiasm of staff members and workers to do a good job together in enterprise management and to raise the economic results. Second, to link material interests of staff members and workers with achievements of enterprise management, we must pay attention to solving the problem of unequal distribution of hard and easy jobs among enterprises. The thorough way to solve the problem of enterprises having unequal distribution of hard and easy jobs is to make use of such economic levers to adjust excess income brought about by various objective factors as collecting charges for using fixed assets and circulating funds, levying resources tax and income tax, adjusting prices of products, and reforming the tax system and so on, so that profits of enterprises can basically reflect the total fruit of individual labor and collective labor. If material interests of staff members and workers are linked with achievements of enterprise management on this basis, both the fundamental requirements of distribution according to work can be fulfilled and the problem of enterprises having unequal distribution of hard and easy jobs can be avoided. But at present, this cannot be done in one step. We can only adopt some transitional methods to carry out adjustment. For example, we can first affix the amount of bonuses to be set aside by deciding the percentage of bonuses in regard to total wages and then decide the percentage of such bonuses in regard to profits and finally in accordance with the potentials of different enterprises determine separately the percentage for setting aside bonuses according to profits of enterprises. In this way, although requirements for distribution according to work cannot be fully met, the problem of enterprises having unequal distribution of hard and easy jobs can be solved on the whole.

Moreover, Comrade Jiang Yiwei deems it "necessary to set the target for raising wage standards in the state plan for economic development. With the fulfillment of the plan for national economy, different grades of wage standards can be generally raised to a certain extent. In other words, if the actual ability of a staff member or a worker have not been raised and he cannot be promoted within a certain period, but his wage level can still be raised as a result of the development of state economy, it will then make him feel that individual interests are closely linked with the development of state economy." We consider that in principle it is absolutely correct to make staff members and workers see the direct relation between individual interests and the development of national economy. However, the way to realize this needs further study. 1) We must proceed from the actual conditions of our country and adopt practical and feasible measures. At present, there are numerous wage problems in our country and we simply do not have conditions for generally raising the wage standards. Therefore, the more practical and feasible steps should be: first matching wage grades with technical grades, technical titles and academic titles progressively so that wages of middle-aged staff members and workers can be raised more quickly. This leads to the realization of the principle of distribution according to work and arouses the enthusiasm of key vocational workers and at the same time solves the rather glaring problems in wages. It is like killing two birds with one stone. 2) Grant a certain amount of subsidies to staff members and workers in accordance with their length of service. This does not deviate from the principle of distribution according to work, and can also increase monetary wages of staff members and workers who have not been promoted for many years. It at least insures actual wages do not decrease. Of course, a certain material base must exist. We can only work to actively create conditions and gradually carry out this plan. 3) We should follow the principle that particular things develop with the improvement of the general situation, and adjust prices according to the situation of production and circulation. Monetary wages should also be adjusted to insure the actual income of staff members and workers does not decrease further so as to stabilize the livelihood of families of staff members and workers. This is an important problem concerning production, circulation and distribution and must be studied and solved as soon as possible. Finally, with the development of the national economy, collective and social welfare should be extended correspondingly so that the broad masses of staff members and workers can really feel that individual interests are closely linked to achievements resulting from enterprise management and the development of the national economy, and their initiative and enthusiasm in doing a good job in the four modernizations can be aroused.

To sum up, following Marx's tenet of distribution according to work, when we talk about more pay for more work, we do not mean to consider only individual interests but to take the integration of individual interests with collective interests and the integration of immediate interests with long-term interests as a prerequisite. When we talk about relating material interests of staff members and workers to achievements of enterprise management, we do not mean distribution according to profits of enterprises in an oversimplified way but to integrate appropriately material interests of staff members and workers with individual labor and collective labor and staff members and workers.

CSO: 4006

DEVELOPING COAL DRESSING, PROCESSING SAID IMPORTANT IN RESOURCE CONSERVATION

Beijing RENMIN RIBAO in Chinese 23 Oct 80 p 2

[Article by Hao Fengyin [6787 7364 0603], Deputy Chief, Production Division, Ministry of Coal Industry]

[Text] Editor's Note: Coal dressing is an indispensable link in coal production. Dressed coal and undressed coal are very different. Dressing can improve the quality of the coal, increase the varieties, raise the heat efficiency, and save on transportation. The gangue left from dressing may be used as low quality fuel and to manufacture cement. The rate of dressed coal in China is very low, always fluctuating at about 18 percent over nearly 20 years. It appears that coal dressing and processing should be emphasized and developed step by step in a planned manner.

China's energy utilization rate is very low. It is preliminarily estimated at 28 percent only, while the heat energy utilization rate of coal is below 25 percent. One of the reasons of this con dition is the low ratio of dressing. The quality of the products is poor, the varieties are few, and the utilization is not reasonable.

Dressed and Undressed Coal Are Not the Same

Dressing is an important measure to improve the quality of the coal products and to increase the varieties. The development of dressing and processing coal for reasonable utilization of the coal resources has important significance for the entire national economy. In some developed nations, the ratio of dressed coal is above 85 percent.

When raw coal is dressed, it is divided into different grades or varieties of different qualities to supply to different users. The economic efficiency of dressing may vary. First, it may effectively improve the burning efficiency to raise the heat energy utilization rate. Second, after dressing and processing the gangue and the ash of the raw coal are either eliminated or utilized locally. This fact alone may save more than 15 percent of coal transportation volume. Third, dressing may improve the value of coal products. Dressing may improve 30 percent of the value of coking coal and 20 percent of that of power coal. On the national average, the value of one ton of raw coal may increase 5 yuan. Fourth, the coal resources may be more fully utilized; the area of mining of low grade coal may be expanded and the ratio of mechanized mining may be raised. The gangue left from dressing may be processed into low quality fuel and construction materials. Due to these advantages of coal dressing, all countries of the world are trying to develop coal dressing and processing industries.

Slow Development of the Dressing Industry Has Unfavorable Effects on the National Economy

Since the establishment of the country, the ratio of coal dressing in China has been growing. At present, there are 102 coal dressing plants in the country, with a total capacity of 110 million tons. The growth of the ratio has been slow, however, and it has stayed at about 18 percent in nearly 20 years. Due to the slow growth of the dressing ratio and the imbalance between mining and dressing, the heavy burden is felt throughout the entire national economy, and manifested especially in the following four aspects:

(1) The ash content of coal is high and the varieties are few. At present, more than 80 percent of the users are using undressed and unprocessed coal with very low utilization rate of heat energy. The energy consumption for producing one ton of steel in China about doubles that in Japan and the poor quality of the coking coal is an important reason. The ash content of China's coking coal averages at 10.5 percent while it is generally 7-9 percent in foreign countries. The furnaces of the thermoelectric power stations should be supplied with pulverized coal but in fact most of them are provided with raw coal. The rate of coal consumption per kwh is about 50 percent higher than that in Japan.

(2) This fact increases ineffective transportation for the railways to cause the transportation situation to be more tense than it should. According to statistics, due to the fact that most of the commercial coal is undressed raw coal, the ash and gangue contents are high and they increase by about 30 million tons railway transportation volume every year.

(3) The waste of coal resources is serious. Only about 100 million tons of generally distributed coking coal is dressed every year, while more than 100 million tons of that is burned as power coal. Some varieties of Chinese coal having very high reputation on the international markets, such as the antracite of Yangquan, the raw coal of Taiyuan, the high adhesive coal of Fengfeng and Kailuan, etc. can compete very favorably, but due to lack of dressing process, 40 percent of these are burned as raw coal. If all these are dressed and processed, the quality of refined coal may be greatly improved (the equivalent of increasing the quantity of high grade coal). A condition may be created for the users to save energy resources and a portion of these may be exported to earn foreign exchange.

(4) Evironmental pollution is made to be more serious. It is estimated that when every 10 million tons of raw coal is burned, 2 million tons of coal ash, 300,000 tons of smoke dust, and 30,000 tons of sulfur dioxide are produced to cause serious pollution. If the cities burn dressed coal instead, the extent of pollution may be obviously reduced.

In the future, the degree of mechanization of coal mining will continuously increase and the condition of coal mining will worsen while the quality of the raw coal will also drop. If the ratio of dressing is not increased, by 1985, the ash content of raw coal may increase to 30-32 percent and the ash content of commercial coal will also raise to 26 percent. For this reason, more ways must be found concerning dressing and reasonable utilization, otherwise the problem of environmental pollution will necessarily become more severe.

Policy Must be Adjusted to Develop Dressing Processing

How can the coal dressing process be quickly developed to change the present condition of imbalance? First of all, in the idea of direction, the development of dressing process should be regarded as the important measure for opening the resources for energy conservation and for changing the structure of coal products. Second, coal products must be developed in the direction of improving the heat energy utilization rate, reducing environmental pollution, enhancing the advantage of coal, and guaranteeing export needs. At the same time, there should also be necessary reforms and adjustment in the existing management system and economic policy.

(1) The existing product planning, management, and quantity computation in mainly unit tons of raw coal should be changed. The production plan and inspection standard of state-operated coal enterprises use raw coal tonnage indices, and the various technical and economic indices, consumption limits, awards, and distributions are all tonnages of raw coal. The quality of the products and the number of varieties are not regarded as major inspection indices. For this reason, many coal mines give first consideration to the completion of the raw coal production plan. They are not willing to develop coal dressing. Some coal mines have dressing plants but are not using them. Although the quantity of raw coal production in China increases continuously, the ash content of the raw coal increases with it. The coal production of coal mines in 1965 was 170 million tons; it rose to 340 million tons in 1980, but the ash content of the raw coal also increased from 21 to 25 percent. Of the 170 tons of increased coal production, the ash increase factor took about 14 million tons. This type of emphasizing quantity of production but not the quality must be changed. In future management, the coal industry must use quality of the products and varieties of the coal as standards of inspection. In computation, China must be like the majority of the countries of the world, using standard coal or commercial coal as the unit of calculation, so that the plan management may be scientific while the coal mines may also be encouraged to develop dressing process to improve the composition of the coal products and to save the volume of transportation.

(2) The existing coal product distribution system should be changed. For a long time, coal has been managed in China as a general distribution material and not as a supplied merchandise. The existing coal products distribution system is very unreasonable. The producer, the transporter, the seller, and the user do not see one another. The production unit just produces; the distribution department only distributes in accordance with the production tonnage plan; the user cannot have direct link with the production unit and has no right of choosing products. Consequently, the product and variety are not fitting. What is supplied is not what is needed to create serious waste. Some local economic committees or related departments are afraid of dressing loss. The dressing process will affect the quantity of tonnage for distribution. After dressing, the superior quality products (with heat energy of 6,000-8,000 Cal) will be transferred out of the area and the by-products (with heat energy of 3,000-4,000 Cal) are retained for local use. For this reason, they cannot be positive about dressing. It is suggested that in the future, there should be unified management for production, supply, and sale. Under the unified plan, economic method is employed for scientific distribution to achieve high quality, multiple variety, individualized supply, and reasonable utilization. Different varieties are supplied to meet different needs of different

customers, so as to maximize the savings of the transportation capacity and improve the heat energy utilization rate of coal. The user and the production unit should sign contracts directly so that the supply will reach the designated areas and the quality will be stable.

(3) The existing pricing policy should be reformed. The existing price of coal products is generally too low, and the price difference between coal products is also not reasonable. This unreasonable policy should be changed to that of high price for superior quality and low price for inferior quality. The price should be determined according to the quality so as to encourage dressing. The function of pricing and taxing should be used to raise the tax rate of the raw coal and to limit the direct sale of raw coal for the purpose of encouraging the development of dressing processing.

(4) New techniques, new work processes, new equipment, should be adopted to establish a complete system of designing, researching, manufacturing, constructing, producing, and assembling industries. The present coal dressing procedure should be reconstructed to accelerate the design and construction of new plants. Scientific research of coal dressing should be strengthened as well as the leadership in developing, reforming, and reconstructing work. The development of coal dressing was not emphasized in the past. Most plants are using equipment and work procedure of the 50's so that the cost of constructing a coal dressing plant is high, the construction takes a long time, the work procedure of the plant is backward, the ash content of the products is high, the moisture content is great, and the environmental pollution is serious. In the future, the condition of a single product, such as the coking coal dressing plant produces only coking coal, must be changed. A system of capability of producing multiple products must be developed to grow in the direction of large size, high efficiency, and simplified plants.

As China's coal dressing engineering is backward, the mines are distributed in many areas and medium and small mines occupy a large ratio, attention must be given to develop practical dressing processes. The plant should be at a suitable site to achieve economic efficiency so that the user and the coal mine may both reap the benefit. Coal dressing plants of new mines and key old mines should be coordinated and expanded. For very old mines and small mines producing coal to be sold in nearby areas, moveable dressing plants may be developed or simplified technique of improving the quality of the coal may also be adopted.

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SPECIAL ECONOMIC ZONES DISCUSSED

HK270814 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 6, 20 Jun 81 pp 62-68

[Article by Tang Huai [0781 2037] of the Hong Kong and Macao Economic Research Center of the Economic Research Institute of the Chinese Academy of Social Sciences: "China's Special Economic Zones As Seen From Conditions in Export Processing Zones in the Developing Countries and Areas"]

[Text] Our country has decided to set up four special economic zones in Shenzhen, Zhuhai and Shantou of Guangdong Province and Xiamen of Fujian Province. Under the independent leadership and management of the government, these zones are providing a suitable investment environment and preferential conditions, to import and make use of foreign capital and technology in a bid to promote production, earn foreign exchange and serve the four modernizations. These zones represent a new form employed by a socialist country in making use of capitalism, and therefore during the early stage there have existed a number of problems that have to be studied and resolved. Fundamentally speaking, our special economic zones differ from the export processing zones or free trade zones set up by developing countries and regions. But they are similar with regard to earning foreign exchange by making use of foreign funds and developing their economy. This article deals with the experiences of the export processing zones or free trade zones set up by developing countries and region; proceeding from specific conditions of our special economic zones, it also probes several problems arising during the construction of our special economic zones.

I. The Historical Background and Major Problems in Developing Export Processing Zones

Export processing zones in some countries and regions began to emerge in the 1960's and they developed rapidly in the 1970's. In fact these zones followed the old track of the special economic zones set up in free-port areas. But the zones in different countries and regions differ in their business, with different names and management. The basic characteristics of these zones are that they are built in places with convenient communications and are usually not far from ports. Such zones provide various preferences for foreign investments in establishing processing industries with export-oriented products and in free trade and tourism. The purpose of these zones is to attract and make use of foreign capital and technology in developing industries so as to accumulate foreign exchange and provide employment. The preferences usually include free or lower import and other taxes, allowing transfer out of funds and profits, providing conveniences for visa and residence of foreign staff providing water, electricity, transportation and communications and related service trades and providing laborers.

In their economic war following World War II, the capitalist world mastered advanced product technology and equipment and cheap labor power. Compared with the price of labor power in advanced capitalist countries, wages in economically backward countries and regions are particularly low. Consequently, they have become sources for multinational and other international companies to plunder excessive profits, through producing commodities in such countries and regions by making use of cheap labor power and in particular by setting up labor-intensive processing industries. This is also the best way for such companies to squeeze out their competitors and win markets for their products. Take the production of electronic products for example. The reference materials of United in January 1975 showed that the annual production costs of 1 million radio sets in the Far East and Africa were respectively 230 percent and 240 percent lower than in Western Europe, and the labor portion of production costs used in Western Europe was 75.9 percent as against 63.8 and 51.7 percent respectively for the Far East and Africa. The annual production costs of 3 million electronic products in the Far East were 356 percent lower than in Western Europe and the labor costs in Western Europe were 483 percent more than in the Far East.

On the other hand, most of the economically backward countries and regions had very few or even no modern industry. They have to import industrial products for daily necessities. Such countries and regions are characterized by serious unemployment in both rural and urban areas, deficits in finance and foreign exchange and enormous foreign debts. In such an economic situation, they cannot but rely on foreign capital and technology to develop their economy, earn foreign exchange and expand employment. Consequently, the setting up of export processing zones has been regarded as an applicable form for making use of foreign capital and technology.

In short, most export processing zones have played their predicted role to different extents. Countries and regions with particularly backward economy have been able to considerably improve their national economy. But we cannot expect too much from the role of export processing zones or their ability to absorb foreign capital. Up to 1978, the workers of the 52 export processing zones (including free trade zones) of the 28 countries and regions totaled 474,000, with an average of only 9,100 workers per zone. The amount of investment in various zones was also not much.

The following are accumulated investments in major export processing zones in Asia (in $US millions)

Masan Free Trade Zone (South Korea, August 1975)	98.5
Kaohsiung, Nantzu and Taichung (Taiwan Province, December 1978)	175.9
Four Zones in Malaysia (1975)	123.6
Kartunzyak (Sri Lanka, November 1978)	74.5

With the exception of Egypt and Bataan in the Philippines, the figures for foreign investments in other zones are even lower.

Because different zones have made different achievements with different prices paid, and because of different degrees of utilization, limitation and reliance of foreign capital, different evaluation must consequently be made with regard to the gains and losses of different zones. In studying the nature, role and achievements of export processing zones it is imperative to pay attention to the following questions:

1. How to become gradually free from foreign capital.

The export processing zones in former colonies and tributaries have played a relatively great role in developing the economy. But these countries and regions have not been able to become independent of the former metropolitan states or U.S. capital and consequently there is no exception in the situation of the export processing zones in these places. The companies that have invested in bigger projects in these zones are multinational or international companies from the United States, Japan and Western Europe. The machinery, equipment, parts and raw materials are imported to these zones from companies in the United States, Japan and Western Europe or from their subsidiaries in other countries while the products are transported to the United States, Japan and Western Europe or dispersed in the markets opened up by the investors.

Therefore the main problem for these export processing zones is how to become independent of foreign capital.

2. We cannot expect too much from the role of export processing zones in promoting the industries of the countries or regions where they are located.

The processing industries in export processing zones are mainly labor-intensive light industries such as knitting, garment, shoe and hat industries, electronic and home appliances industries, plastics industry, industries producing daily necessities and the bicycle and motorcycle assembly industry. Some zones have tried to import medium or large production plants but they have made little achievements, with the exception of Bataan in the Philippines, which imported a processing plant of the Ford Motor Corporation and Penang in Malaysia, where a shipyard has been built. The reason for this is that medium and big industries require more investments, complicated equipment and technology and enormous transportation of raw materials and products. In addition, they require better facilities for transportation and water and electricity supply. Most export processing zones are not in the position to provide all these facilities. In addition, such industries require long construction and investment periods, with bigger investment risks. On the other hand, light, textile and processing industries require fewer investments, with shorter construction period and quicker capital turnover. These industries also require less laborers, with less risk and big profits. They also require less production technology and equipment; they import raw materials and semifinished products and export their products; therefore they do not have relations with the local industrial structure. That is to say, export processing zones do not have much effect in promoting the industrialization of the countries where they are located.

It must be pointed out here that countries and regions that have been producing, marketing and exporting their own light industrial and textile products in large quantities have, in order to protect the markets of their own products, taken measures to forbid foreign capital from taking advantage of cheap labor force in export processing zones and from taking advantage of preferences such as lower tax to produce the products that belong to the same categories or are similar of their own products. Such measures include limiting or forbidding investments.

3. The question of whether success depends on whether proper sites are selected for export processing zones.

The export processing zones that are in a position to attract foreign capital usually have the following economic conditions: First, they are able to provide better infrastructure such as ports, transportation, communications, electricity and water and services for daily life. Second, they are able to provide low labor costs, land rents and transportation costs and to provide more preferences, so that the products will have stronger competitiveness in international market. Third, they provide financial services directly linked with the international financial market which make transferring funds, credit and settlement of foreign exchange convenient. Fourth, they allow the setting up of enterprises with all the interest belonging to foreign capital. Fifth, they have high efficient administrative organizations. An increasing number of export processing zones has been set up in Asia, Africa and Central and South America. In their competition, these zones are providing the best possible preferential conditions and environment for investments. As a result, investors have more chance to select better zones. For example, a foreign enterprise set up in Bataan in the Philippines was originally intended to be built in another place in Southeast Asia, but comparison showed that Bataan was most suitable because it is convenient to use English language in the Philippines and because the company was permitted to market [figure indistinct] percent of its products in the locality and was granted a preferential loan. It is clear that export processing zones will have to pay a high price economically before they are able to attract foreign funds. If a zone is only able to attract few investments and fails to achieve the anticipated economic results, it will lose rather than gain. The export processing zones that have developed quite rapidly with certain achievements are those set up in trade ports that have better infrastructure and financial and trade industries. Capital construction in such zones requires less investment but yields quicker returns. On the other hand, Candara economic zone in India is backward economically, and has backward transportation and infrastructure. Consequently, this zone failed to attract foreign investments and make anticipated economic achievements. Some countries like Egypt welcome foreign companies to invest in any place in addition to export processing zones, with the same preferential treatment. Mauritius provides treatment similar to that of export processing zones to foreign companies investing in any place in the country. The whole area of traditional free trade ports such as Hong Kong and Singapore in fact provides favorable conditions for the export processing industry. Therefore, unspecified export processing zones or free trade zones are also in a position to import foreign capital in the form of setting up processing industries, compensation trade, and export processing industries jointly undertaken by both sides or totally invested in by foreign capital.

II. Some Problems in the Construction of Special Economic Zones in Our Country

1. What Kind of Special Economic Zones Should Be Built

Before a plan for a special economic zone is worked out. It is imperative to understand the relationship between the zone and the foreign investor in using each other for its own end. In order to make use of foreign capital, the zone must first of all create and provide proper conditions, but at the same time it must in no way spoil sovereignty and foreign trade. At the same time, the interest gained by this zone must exceed the price paid by the whole country, and not the price paid by a region or a unit. Foreign investors make use of this zone in order to get quite big profits. If the profits do not exceed or are even less than the profits in other places, they will not invest in this zone. Investments can be realized only when both sides make profits. Therefore, in deciding the form of a special economic zone, it is imperative to consider both necessity and feasibility.

The situation regarding communications, ports and industrial infrastructure of our four special economic zones differs very much from each other. Therefore we must put forward different demands on each zone according to its specific conditions and features, so that each will be able to display its advantages and avoid shortcomings. For example, let us probe the situation of Shenzhen special economic zone.

Bordering Kowloon, Shenzhen is a passage from the interior to Hong Kong and Kowloon, by railway and highway. There is a coastal area in Shenzhen, but it has no deepwater port. Exchanges of goods and people between Shenzhen and other countries all have to pass through Kowloon. Shenzhen urban area was formerly a small town, with an agricultural production region and an offshore fishing industry. Its existing infrastructure was not in a position to meet the needs in developing industry and commerce. The local residents have families or relatives working in Hong Kong or abroad, while the peasants and fishermen living in border areas can freely go to Hong Kong and Kowloon to sell their products. Consequently, their income and living standard are much higher than those in the interior. As some of the population have flowed out, there are not many young people and male laborers in this zone. So far no coal deposit has been found in Zhenzhen and there is little raw material for medium and big industries. Thus according to its natural conditions and social situation, there is no possibility for the region to develop big industry. But as the region borders Hong Kong and Kowloon, it is in a position to develop processing industry with export-oriented product. But compared with other cities of our coastal areas, Shenzhen is less advantageous in labor costs and industrial foundation. It is true that wages and land rents in Shenzhen are lower than in Hong Kong, but judged by its development, wages in Shenzhen will gradually increase because of various influences from Hong Kong. In addition, low wages do not necessarily mean low costs per unit. Take a garment factory for example. With similar equipment, a worker in Hong Kong produces several to 10 times more garments than his counterpart in Guangzhou, and the current situation in Shenzhen still differs very much from Hong Kong. Even if the labor cost per unit and the production costs in Shenzhen are only a little bit lower than Hong Kong, additional transshipment fees for transporting products to Hong Kong are needed as long as there are no roads for transporting goods directly to ports in Hong Kong and Kowloon for loading into vessels.

Labor costs in Shenzhen export processing zone must be compared not only with Hong Kong but also with other coastal cities in our country, as well as with other export processing zones and free trade zones in Southeast Asia and other parts of the world. Foreign businessmen will invest in Shenzhen only when it is more advantageous for them to do so than in other places. Labor costs in export processing zones in Southeast Asia are much lower than in Hong Kong. The following are average daily wages for manufacturing industry in export processing zones (excluding welfare, in U.S. dollars). (Figures from "Hong Kong Statistics Monthly," English edition, May 1980. Other figures were quoted from "The General Situation of the World Export Processing Zones"].

	Average	Unskilled worker	Skilled worker
The Philippines:			
Bataan (1978)	--	1.36	1.90
Malaysia:			
Penang (electronics industry, 1977)	--	1.42-2.84	1.90-3.80
Malacca (monthly wages, 1979)	62-71	--	--
Sri Lanka:			
(Kartunayak, 1979)	--	0.77	1.16
Hong Kong (September 1979)	8.11	--	—

It can be seen from our recent investigations of the average wage level in two units and the income of agricultural and sideline production in border areas in Shenzhen that: 1) monthly income of the most skilled woman worker of Nantou garment factory in 1980, when the piecework wage system was introduced, was 250 yuan. (Nantou garment factory is an enterprise with collective ownership and installed with foreign equipment; it is engaged in processing work.) 2) The new monthly wage standards that are defined by China Merchants Steam Navigation Company Limited for its industrial zone in Shekou are 108.1 yuan for a second-grade production worker, 140 yuan for a fourth-grade worker, 182.7 yuan for a sixth-grade worker and 240 yuan for an eighth-worker; 181 yuan for a 20th-grade administrative cadre, 275 yuan for the 16th grade, 357 yuan for the 14th grade and 504 yuan for the 10th grade. The income of laborers engaged in agricultural and sideline production is higher than that of workers, with daily income of about 4 to 10 yuan, and exceeding 10 yuan in a few cases. It is apparent that labor costs in Shenzhen are much higher than in other regions in our country, and also higher than most export processing zones in Southeast Asia. Labor costs are the biggest item in the costs of the labor-intensive processing industry; they are also the key factor for investors in selecting places for investments.

It must be pointed out here that of the items carried out in processing industry and compensation trade in Shenzhen, Guangzhou and other countries and people's communes in Guangdong Province over the past 2 years, most are labor-intensive items with products similar to our export-oriented products. From point of view of a county or commune, no doubt it has earned foreign exchange, provided employment and promoted economy; but at the same time it has weakened the competitiveness of our similar export-oriented commodities and harmed industry with similar products in other regions. To view this from the situation of the whole country, losses outweigh gains. Therefore it is necessary in future to proceed from the situation of the whole country and to define that our special economic zones must in no way process products from foreign companies at low cost when such products will seize the foreign markets of our products; but exception must be given to products that can be reexported from Hong Kong to overseas markets as quotas. In fact such a definition has long been practiced by export processing zones in other countries and regions.

Therefore we must not overestimate the ability of Shenzhen special economic zone in attracting foreign investments. However, Shenzhen has particularly advantageous conditions for developing tourism, retail shops, land and property development and agricultural and sideline production and fisheries for exports. In addition, Shenzhen borders Kowloon, and Hong Kong and Kowloon are tiny places full of buildings with one of the densest populations in the world. So when Shenzhen is able to afford conveniences to people and allows vehicles from Hong Kong and Kowloon to enter (for example, holders of Hong Kong identity cards and driving licenses can come in and out at any time), exempt import and export commodities from tax, add more facilities for tourism, recreation and sports, run well service trades and improve environment and hygiene, it will consequently be able to attract more tourists from Hong Kong, Kowloon and other countries. Official statistics show that the population of Hong Kong and Kowloon is more than 5 million and the number of tourists visiting Hong Kong over the past few years was more than 2.2 million, making a total of 7 to 8 million. Suppose that an average of 20 percent of these people visit Shenzhen once a year, it means about 1.5 million will tour Shenzhen. In fact, every weekend and holiday, the streets in Shenzhen are crowded with several hundred thousand tourists a day. Shenzhen is now undergoing construction. Therefore once its conditions are improved, Shenzhen no doubt will be able to attract more tourists. While developing its tourist industry, it is also necessary for Shenzhen to set up shopping centers for selling agricultural and sideline products and industrial products for daily use. These centers may also sell imported commodities with retail prices lower than Hong Kong because thanks to tax-free imports, wages, shop rents and management fees for warehouses and others in Shenzhen will be lower than in Hong Kong. This means that with shopping centers where quality commodities are available at low prices, Shenzhen will be able to attract more tourists. Take tourism in Hong Kong for example. Many tourists come to Hong Kong for shopping. (As Hong Kong is a free trade port with imported goods exempt from tax, sale prices of commodities in Hong Kong are lower than those in the places of origin of these products; therefore tourists often purchase commodities in Hong Kong that are made in their own countries. Many tourists from Japan and Southeast Asia come specially to Hong Kong to purchase wedding clothes and jewelery. In the first 6 months of 1979, tourists coming to Hong Kong spent 67.5 percent of their total consumption in shopping. But as Shenzhen now lacks commercial management staff and is not familiar yet with channels for selling commodities, it can only take the form of joint ventures with foreign businessmen for a certain period.) Shenzhen may also supply vegetables, dairy products, poultry, fresh water fish and garden products to Hong Kong. There are also good prospects for building (certain sections of land in the Luohu area, Shenzhen, have all been purchased by Hong Kong developers and the buildings are now under construction) that can be sold and leased to overseas Chinese and Hong Kong and Kowloon compatriots. Developing tourism and setting up shopping arcades require less investments than infrastructure in establishing industrial zones; they can be built in a shorter period with quicker turnover and they earn more foreign exchange. Probably it is better for Shenzhen special zone to develop tourism and build shopping arcades as the key, and at the same time to develop beneficial industry, commerce, agriculture, animal husbandry and fisheries, rather than develop processing industry with products for export as the key. This is the way to display advantages and avoid shortcomings.

The three other special economic zones must work out their planning according to their specific conditions. Zhuhai zone, for example, has good beaches for attracting tourists and it has resources in agriculture, animal husbandry and fisheries for exports. Therefore this zone may develop these two aspects and develop small processing industries for exports that do not require much energy and transportation.

2. The question of currency in special zones.

The question of currency in special economic zones includes two aspects. On the one hand, it is necessary to create conditions for foreign funds so that they will be able to link with the international money market. Modern capitalist industry and commerce will not exist without financial business such as credit, settlement of accounts and foreign exchange. There are three ways of solving this problem. First, to allow foreign banks to set up branches in special zones. Second, to allow foreign capitalized enterprises in the zones to have direct business relations with the Hong Kong money market (including banks, finance companies, insurance companies, trust companies and commodity and stock exchange markets). Third, to let the Bank of China act as agent for international financial business and handle the foreign currency deposits. We must choose the form that is most favourable to our country.

Another question is the currency in Shenzhen special zone. In addition to renminbi and foreign exchange certificates (various sectors hold different views whether foreign exchange certificates are currency, but under certain conditions they play part of the function of currency) there are also foreign currencies (mainly Hong Kong dollars) that are being illegally used. This situation has caused various defects. How can we solve this problem? One idea is to issue special zone currency as the sole form circulation within the special zone. The average exchange rate of this special zone currency against foreign currencies will be adjusted basically according to the exchange rate of purchasing power, so that the legal average price will basically accord with free exchange rate. There is no precedence in other export processing zones for issuing special zone currency. It sabotages the unity of the state currency, has a bad political influence, and makes it difficult to maintain a stable value. If the rate between renminbi and special zone [words indistinct] there is no difference between the latter and foreign exchange certificates, and the only difference is in the range of circulation. If the rate between the two fluctuates, the renminbi will have two different exchange rates, against special zone currency and against foreign exchange rate in other places of the country. Consequently, the exchange rate between the renminbi, special zone currency and foreign currencies will become very complicated to encourage illegal activities such as smuggling and arbitrage.

Another idea is to adjust the current non-trading exchange rate of the renminbi so that this rate will be near to the exchange rate of purchasing power while foreign exchange certificates will cease their function. The renminbi should be the only means of circulation in special economic zones and other places of the country. The current non-trade foreign exchange rate differs so much from the exchange rate of purchasing power that measures have been taken to compensate for exchange rate for exported commodities. As a result, Hong Kong and Macao citizens and overseas Chinese would usually spare no efforts to bring commodities with them when coming to China for resale, and they do not want to remit money; tourists have found that their costs for daily necessities in China are too high when calculated in foreign currencies, and people have found it beneficial to engage in smuggling and arbitrage; such activities are difficult to check even when strict penalties are imposed. As our foreign trade system is being readjusted, the control over direct exports by various regions and departments has been relaxed. With increasing numbers of overseas Chinese and compatriots from Hong Kong, Macao and Taiwan coming to visit their families in China, it is imperative to develop tourism in a big way. In addition, foreign funds are being imported in various forms, our special economic zones are being expanded and our government has joined the IMF. All this shows that our economic relations with other countries [word indistinct] from the past in both breadth and depth. If we continue with our present exchange rate that goes against the law of value, a series of problems will inevitably crop up and these problems will cause unfavorable results to our foreign trade, industries that produce for export, tourism, remittance from overseas Chinese, foreign exchange and import and export management, while the problem of currency in special zones will become even more outstanding. We will not be able to solve these problems if we just treat the symptoms, not the disease. This is also the case with problems of foreign exchange certificates. If the exchange rate is readjusted according to the exchange rate of purchasing power, the above problems will automatically adjust and improve themselves through the law of value, and this method is feasible for solving the currency problems in special zones.

Of course preparations must be made before the average rate is readjusted according to the exchange rate of purchasing power. For example, in defining the exchange rate of purchasing power it is imperative to carry out all-round investigations and study. Prices of goods in international markets fluctuate around production value, while different countries have different market value for various reasons. Therefore it is a complicated question how to get average market value. The local prices of goods in our country include planned prices and nonplanned prices and the former often accord with production value. Therefore what local market value should be compared with international market value is a very complicated problem. It is also imperative for us to gradually probe into and solve this problem.

3. Import foreign capital selectively.

As export processing zones in some countries and regions depend on foreign capital and the foreign capital in such zones is mainly invested in the light, textile and assembly industries, it is imperative for such zones to pay attention to importing capital selectively. First of all, the sources of foreign capital must be diversified as much as possible so that special economic zones will not fall under the control of a few multinational or international companies. In particular, special attention must be paid when we are importing capital from overseas Chinese and compatriots from Hong Kong and Macao who have quite strong economic power. A considerable amount of this floating capital is now seeking places for investment. In addition, funds from overseas Chinese and compatriots in Hong Kong and Macao are medium and small funds that are being squeezed out by big foreign capital, and consequently they are seeking new places for investment. In particular, the structure of the Hong Kong economy is now in a period of transition. Labor-intensive industries that progressed rapidly in the 1960's and 1970's such as the garment industry, plastic flowers industry and toy industry have gradually lost their competitiveness in the international market because the growth of labor costs and land rents in Hong Kong has surpassed that in neighboring regions, except Japan, while production costs have also increased. Therefore the capital in these sectors is being invested in trades with intensive capital and labor, or diverted to other regions where labor costs are lower. It is estimated that the investment diverted to other regions (mostly Southeast Asia) over the past few years totaled as much as $10 to $15 billion. A Hong Kong economy of this type gives us chances to make use of Hong Kong capital. Second, most overseas Chinese and Hong Kong and Macao compatriots love their country and they have countless ties with China. Under specific conditions, they are more willing to invest in China than foreign capital. In addition, they are also more willing to cooperate. Third, in special zones, industries such as the light, textile and processing industries, tourist facilities, foodstuff production, agriculture, sideline production and fisheries are more attractive to foreign capital. These trades require less investment, not high technology, and they are within the capability of medium and small capital from overseas Chinese and Hong Kong and Macao compatriots. Therefore, in order to encourage overseas Chinese and Hong Kong and Macao compatriots to invest, it is imperative to work out investment regulations with more preferences. Various forms of joint ventures must be introduced to attract foreign capital. For export processing industries, to import capital is not only a matter of using this capital but also a matter of making use of the business management and sales channels of foreign businessmen. But in the case of enterprises with foreign investment and processing enterprises, sales markets are in the hands of foreign businessmen themselves and it is beyond our reach to grasp the situation of these markets. Therefore, once foreign businessmen terminate their contracts we can in no way succeed them; but such a situation will not happen in the case of joint ventures. In addition, the enterprises with foreign capital must use our raw materials and intermediate products as far as possible. This practice will not only increase our production in prices of products and create more foreign exchange but will also decrease control over raw materials and intermediate products by foreign capital.

4. Leadership and management over special economic zones.

The export processing zones in a number of counties and regions are under unified leadership of the central government. The departments concerned send their experienced and capable cadres to form management organizations, work concentratedly, simplify administration procedures and improve efficiency. It is necessary for our special zones to be put under unified leadership. Such a measure is needed because special zones are related to foreign affairs politically and economically, and they are characterized by strong policy nature. Following their development in future, these zones will have to do business with richly experienced international consortia and multinational companies that have formed their own international networks for the production and sales of certain commodities through parent companies and subsidiaries. On the other hand, our country has for a long time studied very little and consequently understands very little about capitalist industry and commerce and international markets. In addition, our special zones have relations with various departments of our country. Therefore, without unified leadership and management, each zone will carry out work in its own way, and consequently they will not be able to coordinate and carry out their work according to the special conditions of special zones. Thus the best way is for the central authorities to set up or empower an organization to exercise unified leadership, work out policies and coordinate the work between special zones and various departments and regions. Under the unified leadership of the central authorities, each special zone must set up its own management organization composed of cadres who are familiar with policies and business and who come from various departments of foreign trade, customs, banks, border defense, labor, industry, commerce and administration. This organization will manage in a unified and centralized way the business of various departments concerned with the zone, and will not implement in the zone policies and laws that do not accord with it.

All the business departments set up or invested in special zones by the industrial and commercial departments of the central authorities and various provinces and municipalities must come under the management of the special zone management organizations. All their business operations, suspensions, items of business and imports of foreign capital must be checked and approved by special zones, which have the right to suspend and correct any policy that does not accord with their situations.

In addition to setting up administrative management organizations, special zones must also set up investment and construction companies to be responsible for organizing and managing the infrastructure, tourist facilities and facilities for daily life and for leasing out standard plants and residential buildings. The sources of investments may be imported or may come from bank loans. The items of investment must be able to recover the capital invested and make profits in a predictable period.

It is hoped that the above-mentioned views will be discussed by the comrades who are interested in the economic theory and practice in special zones.

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'JINGJI GUANLI' ON LESSONS FROM IMPORTING EQUIPMENT

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[Economic commentary by Lin Senmu [2651 2773 2606]: "Lessons Drawn From the Importation of 22 Complete Sets of Equipment"; passages within slantlines published in boldface]

[Text] After the smashing of the "gang of four," the party Central Committee made a decision to expedite the pace of our socialist modernization program with the utilization of foreign funds and technology. Practice has fully proven this to be entirely correct. But it must be acknowledged that there cropped up some shortcomings and mistakes in the process of implementing this correct policy decision. The importation of the 22 projects of complete sets of equipment signed in 1978 was a prominent instance. This batch of projects was the product of "leftist" mistakes, and was a product of not seeking truth from facts, and of subjectivism.

In the 10 chaotic years, our national economy was brought to the brink of collapse, the disproportionate relations of the national economy were very serious, the scope of capital construction was overstretched and the orientation of investment was irrational. Normally speaking, after the smashing of the "gang of four," we should have carried out readjustment and rectification and let the people rest and build strength, instead, we called for "getting going and going all out" and building 120 large-scale backbone projects, and the total amount of investment within 8 years (from 1979 to 1985) was planned to exceed the total sum of the past 28 years. Under the guidance of this "theory of achieving quick results," an upsurge of importing complete sets of equipment was started. In 1979 in a very short period of time, large numbers of contracts to import foreign equipment based mainly on the 22 projects were signed. This included the contracts comprising about half of the total amount of transactions which were signed within 10 days beginning from 20 December 1978 to the end of that year. Many of them were projects outside the state plan. The Shanghai Baoshan Iron and Steel General Plant, the biggest project ever seen to date, was also a project outside the state plan. On the issue of importing these projects, no procedure of construction was followed, neither were any earnest investigation and study nor technical and economic deliberation and comparison of various plans made, and also no overall balance was made through the planning departments. Everything in this respect was decided by the leading cadres by marking dots and small circles. Even without the simplest certificates for planned tasks but only based on a scrap of note paper with some dots and ring marks, they could sign more than US$2 billion worth of contracts with foreign businessmen and decide on construction projects with a total investment of 10 billion [presumably yuan]. Therefore, the importation of these 22 projects was made largely at random and in a blind way. The large quantity of foreign exchange used and investment poured into these projects could only help make the imbalances of the national economy worse.

/1) Making the scope of capital construction become viciously inflated./ The long-drawn-out situation in which the scope of our national economy was overstretched, the management was in disorder and the investment effects were poor has remained unsolved for a long time. Although these 22 imported projects were small in number, the investment channelled into them was substantial. This made the already overstretched scope of capital construction continue to expand. It will take 7 or 8 years to fulfill the volume of investment needed by the planned large and medium-scale projects which have not been completed, calculated on the basis of their original level of investment of that year, even without any new projects being set up. The 22 imported projects (excluding the accumulative total of fulfilled volume) occupied 34 percent of the total investment needed. According to their original plans, the investment in these imported projects will reach a climax in 1980 and 1981, each year needing 10 or 20 billion yuan of investment, surpassing the limit of the national financial strength and material resources. In fact, to make this batch of projects form comprehensive productive forces requires the building of additional necessary complete sets of projects such as railway and power stations, and transforming electrical transmission lines, coal cleaning plants and projects for the production of industrial chemicals, and the corresponding urban construction. It was estimated that the actual scope of the 22 imported projects plus their necessary complete sets of projects would be 100 percent greater than the planned scope. This will greatly surpass the actual abilities of our national strength.

/2) The orientation of investment is irrational./ In China's distribution of investment in capital construction there has existed a tendency in which heavy industry is given one-sided stress while light industry does not receive the deserved attention, resulting in a very irrational economic structure. Because of the one-sided priority given to the development of heavy industry and the overly low proportion of investment in agriculture and light industry, agriculture and light industry could not develop in a proper way. In the inner sectors of heavy industry, owing to the practice of "taking steel as the key link," the basic structure such as the energy industry and transport and communications have become the weak links. With the backward state of energy and transport and communications, only 20 to 30 percent of the industrial productive forces could be utilized, and many enterprises stopped production for 3 days and operated for 4 days, and vice versa. Therefore, it is necessary to readjust this irrational orientation of investment and rationalize the economic structure. However, among the 22 imported projects signed in 1978, the main projects were metallurgical and chemical industrial projects comprising 74 percent of the total volume of investment in this batch of projects, energy projects constituting only 11 percent and light industrial and textile industrial projects occupying only 12 percent. As a result, the orientation of investment has become more and more irrational.

The total volume of investment needed by the unfinished projects of the planned large and medium-scale projects which were under construction centered on heavy industry, particularly the metallurgical industry comprising 22 percent of the total volume of investment needed by the unfinished projects and the chemical industrial projects constituting 10.6 percent.

/3) Without the conditions for production being practicable, even though the items are completed, they still cannot go into operation./ Most of the 22 imported projects consume large quantities of energy. After going into operation, they will annually consume 10 million tons of crude oil and 20 million tons of coal. In the present situation in which our energy supply is strained, the state cannot afford to supply. Take a copper-producing basic construction project for instance. If its conditions for coal, electricity and transport and communications are unpracticable, it will annually consume 1 or 2 million tons of coal according to the originally planned scope. This will affect the newly built power plants and the balance between production and demand of coal, and coal should be imported from other areas, which in turn will add weight to the overloaded railway transport, thus demanding additional railways to be built or rebuilt. Some chemical industrial projects still do not know where to get crude oil from. In addition, several other projects will encounter the problem of energy supply of raw materials after completion.

In sum, the problems of the construction of the 22 imported projects were relatively many. Therefore some of them got stranded before going into operation; many projects which have been put into construction had to be cancelled or postponed and still others whose construction plans should be altered and scale should be reduced. In this way, warehouses had to be constructed to store the several billion U.S. dollars' worth of equipment, consuming a large amount of manpower, materials and finances to preserve and take care of them, resulting in several billion [currency unspecified] units of foreign exchange or scores of billion renminbi lying idle over a long period of time. This was unprecedented in terms of politics and economics.

At present, the primary task for clearing away and ridding ourselves of the "left" deviationist ideological shackles in economic work and further implementing the principle of readjustment of the national economy is the further curtailment of capital construction to a proper degree. In the meantime, it is imperative to earnestly sum up and draw lessons from these 22 imported projects.

/1. Borrowing from abroad to buy mechanical equipment depends on the amount of national funds necessary to manufacture complete sets of equipment./ Under the prerequisite of putting self-reliance first, it is entirely necessary to borrow from abroad to import some advanced techniques. This is conducive to counteracting our weaknesses in construction funds to speedily enlarge the productive forces and utilizing advanced technology to transform the national economy. But most of the foreign debts we borrowed 2 years ago were used to buy mechanical equipment. Using foreign debts to buy mechanical equipment does not depend on our subjective will but depends on how much investment the state can afford for the necessary complete sets of equipment. The ability to manufacture the necessary complete sets of equipment should be considered in two ways: one is the national investment, materials for equipment and ability to construct needed by the projects to manufacture the necessary complete sets of equipment, and the other is the ability to form complete sets of raw materials, fuel, power and transport and communications after the projects have been constructed.

Some people once argued that it was permissible to separate the carrying out of capital construction using equipment bought with foreign debts from the domestic planned arrangements, thus allowing it to go its own way, that is to say, it could be disconnected with the domestic state plans or finance. This "theory of disconnection" does not hold water. Take the first phase of the project of the Shanghai Petrochemical Industrial General Plant, which has been completed and put into operation for example. This project has 18 sets of equipment in all, of which 9 sets were introduced from abroad and 9 others are Chinese-made. The public facilities, municipal administrative facilities and nonproductive construction were all supplied domestically. Viewed from the angle of the ratio of investment, the imported installations comprised 37 percent while the Chinese-made ones constituted 63 percent. If the portion of the 9 Chinese-made installations had been imported from abroad, we should have spent more foreign exchange. Meanwhile, the domestic productive capacity of these projects cannot be utilized. This is economically irrational. If we build by means of borrowing from abroad the public facilities (heat and power stations, water works, railways, roads and docks) and import all power-generating equipment, rail sleepers and locomotives, this seems to be disconnected, but where should we get the needed rolled steel, timber and cement from? Apart from the bricks, tiles, lime, sand and stones which should be taken from the domestic market, it is almost impossible to rely on foreign countries to supply cement, electricity, coal and transport and communications facilities needed by the construction. The nonproductive construction (housing, canteens, shops and hospitals) and the construction of water supply, sewage, gas, telephone and transport facilities which serve factories also cannot be solved by borrowing from abroad. In addition, taking production into consideration, even if we borrow from abroad by processing supplied materials, assembling supplied parts and importing assembly lines, and pay them with products exported, we still require domestic replenishment of complementary materials, packaging materials, necessary complete sets of equipment and the relevant funds. How can the large-scale imported projects be disconnected with the domestic appropriate ones? Needless to say, no matter what means and measures we take in borrowing from abroad to undertake construction, it is necessary for agriculture and light industry to provide us with the means of livelihood. Borrowing from abroad to undertake production should be based on the substantially increased production of agriculture and light industry. The disconnection of arrangements between construction using borrowed foreign funds and production by domestic strength, in fact, is to be divorced from the overall balance of the whole national economy, starting to build all over again. This will inevitably lead to loss of control over the scope of capital construction and damage the proportionate relations of the national economy.

Therefore, in borrowing from abroad to import some projects, it is necessary to make an overall plan and link up the interior and the exterior to attain overall balance. As regards all projects using foreign investment, it is essential first of all to consider the degree of capability and possibility to cooperate and manufacture the necessary complete sets of equipment domestically. It is not permissible to decide in isolation on the scale, schedule and effects of the imported projects regardless of the conditions for the construction of projects to manufacture necessary complete sets of equipment and the possibility for cooperation of building times and conditions for construction. The imported projects and the projects for the necessary complete sets of equipment should be arranged well concurrently, otherwise even when they are completed, they will not produce any practical results and on the contrary, they will become a heavy burden.

/2. It is necessary to proceed from the national condition and increase the capability for self-reliance./ The aim of importing technology by using foreign investment is to increase our capability for self-reliance. We should rely on our own strength in building the four modernizations and not buy modernization. In using foreign debts, we should not import any projects whatsoever production. Particular stress should be laid on introducing advanced technology and trying in every possible way to increase the domestic level of designed capacity and manufacturing capability. Everyone should take the overall interests into consideration and energetically foster the domestic manufacturing industry. It is not permissible to weaken and attack the domestic engineering (manufacturing) industry. Hence the domestic departments concerned should be allowed to undertake every design that can be undertaken or mastered through learning at home. Equipment that can be manufactured and supplied at home should be supplied as much as possible by the departments concerned at home. As for some equipment that cannot be supplied at home for the time being, it is permissible to introduce from abroad the blueprints (drawings) and technical data, and engage foreign specialists as instructors. We should try our best to manufacture them by ourselves. In case we are obliged to buy equipment from abroad, we should buy the key equipment.

Furthermore, in importing advanced technology, we should take our own actual conditions and the current national ability and resources into consideration. Our country has limited funds, insufficient technological force and a large population. Therefore in carrying out modernization, we have to consider what is to be modernized first and what later, proceed on the priority principle, make rational arrangements, differentiate what is primary from what is secondary and distinguish between what should come first and what should come later. Whenever modernization is mentioned, people think that everything can be accomplished by "pressing a button." It is unnecessary and impossible to do things like that. In our country, advanced and relatively backward techniques will exist concurrently. Therefore, it is necessary to spontaneously develop automation, semiautomation, mechanization, semimechanization and manual labor of various types.

/3. Decisions on every project should be based on scientific confirmation and technological and economic deliberation./ In deciding on every imported project, we should act according to the procedure of capital construction and the scientific laws and correct the unhealthy tendencies of writing instructions or notes arbitrarily and starting projects in an unplanned way. Without the examination of comprehensive departments concerned and approval through collective discussion, no one, from secretaries of the people's communes to members of the Standing Committee of the CCP has the right to ratify any projects.

An earnest technical and economic deliberation (feasibility study) should be made before importing a project, including the main problems of the research projects such as resources, (?geology), raw materials, fuel, power, communications, technological processes, equipment selection, product specifications, varieties, quantity and market. We should conduct technological and economic investigation and study of the project, make a comparison of the various plans and calculate the technical and economic results after it is completed. Only after this project has been proved to be technically advanced and reliable, economically beneficial and profitable, and in addition, we are capable of undertaking it, can we begin to carry out trade negotiations and sign contracts for imports. Without making any scientific confirmation and without any analysis of technological feasibility or economic feasibility with regard to the imported projects, we decided on them after making assumptions by marking only a few dots and small circles on a piece of paper. We "did not have a real understanding of how things stand but had great determination and lots of measures." This practice of blindly deciding on projects to be imported will inevitably cause great waste and inflict many hidden dangers and insurmountable incurable diseases on production.

/4. Learn to do business./ Over the past 20 years, blocked by imperialism in the first stage and disrupted and sabotaged by Lin Biao and the "gang of four" later, it was impossible for us to develop economic activities with other countries on an intensive scale. As a result, we have a poor understanding of international economic activities and little knowledge in many respects. Owing to lack of experience, the importation of the 22 projects was a bit too hasty, hence we suffered some losses. We must learn to do business and master the knack of doing business.

In negotiating loans to import technology, we have come into contact with many foreign capitalists. We should soberly realize that foreign capitalists are after all capitalists, and are "the personification of capital" (quotation from Marx). Their motives and aim for doing business are to achieve the biggest profits. The profits they aim to obtain definitely cannot be less than the average international profit rate. If the profits they gain are less than the average profit rate, they will not take risks to make investments and they are entirely justified in keeping their money in banks to receive interest safely and surely. In talking about the role of gold under the socialist system, Lenin pointed out: "After winning international victory, I think, we will build some lavatories with gold in the streets of the several biggest cities in the world." But at present, we "must still treasure gold. If you sell your gold, sell it at a higher price, and if you buy any commodities with gold, buy them at a lower price. If you live with wolves, you should learn to bark like wolves."

Promptly summing up experience, upholding what is correct and correcting what is wrong are our fine traditions and also the main reasons for the progress we have made in our work. We should uphold our fine traditions and do a proper job in using foreign investments to import technology.

CSO: 4006/421

'JINGJI GUANLI' PROBES ECONOMIC REFORM IN SICHUAN

HK291450 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 16-23, 26

[Article by Lin Ling [2651 0407] of the Sichuan Provincial Social Sciences Research Institute: "Experiences and Problems Concerning Reform of the Economic Systems in Sichuan Province Over the Past 2 Years"]

[Text] I. Developments in Reforming Economic Systems in Sichuan Over the Past 2 Years

In Sichuan, experiments in reforming economic systems have been conducted under the guidance of principles established at the 3d Plenary Session of the 11th party Central Committee. Over the past 2 years, the people and the authorities at all levels in the province have exerted joint efforts, and the reform has greatly developed both in scope and in depth. Judging from its scope, the experimental reform has been extended from industry to agriculture, commerce, the handling of goods and materials, public finance, planning, pricing of commodities, banking, construction and other economic sectors. It involves the realms of production, circulation, distribution, consumption and so on. Judging from its depth, experimental reform has affected not only the whole economic realm, but also the superstructure and ideology. It has been transforming a series of traditional ideas that have been formed over many years. In this sense, our reform of the economic systems is really a profound and major socio-economic change. Therefore, we have strong confidence in this reform.

The reform in Sichuan involves many issues. We will now examine several major ones.

(1) Expanding Enterprise Autonomy

This is the point which we proceed from and base ourselves on in reforming our economic systems, whose gravest weaknesses are: first, power is overly centralized, so that the enterprises are rigidly fettered; and second, "eating out of a big pot" has made the enterprises and workers lazy. To reform our systems, we must proceed from increasing enterprise autonomy and fully mobilizing the enthusiasm of the enterprises and workers. Over the past 2 years, starting from increasing the autonomy of a minority of enterprises, our experimentation has developed in depth, having been extended to grassroots units in scientific research departments and in various economic sectors such as industry, communications, commerce, the handling of goods and materials, banking, supply and marketing, and so on. There are 417 trial-point units among the industrial enterprises. Among the local industrial enterprises in the province, their output value, realized profits and profits turned over to the state respectively account for 70 percent, 80 percent and 90 percent of the totals. The results of their experiments will now decisively affect industrial development in our province. There are 238 trial-point units among the commercial enterprises as well as a relatively large number of enterprises experimenting with expansion of autonomy in the sectors of communications, banking, the handling of goods and materials and supply and marketing.

Increasing enterprise autonomy aims to free the enterprises from the fetters of the existing systems so that they can become genuine relatively independent producers of commodities. However, this aim cannot be achieved overnight. We must go through a definite process of development which includes several steps. We roughly envisage the following: First, we let the enterprises retain part of their profits and give them correspondingly greater autonomy in planning, marketing products and expanding reproduction; pay taxes instead of turning over profits to the state, and assume responsibility for their own profits and losses. (It must be clarified here that when enterprises under the system of ownership by the whole people assume responsibility for their own profits and losses, they do so to a certain extent and within certain limits under the conditions of the system of public ownership of the means of production. Some comrades call this a system of responsibility for profits and losses.) We must then further free the enterprises from their relations of subordination to various departments or local authorities, so that they will really be able to independently carry out management and production activities under the guidance of state planning. At present, the majority of enterprises in Sichuan are still taking the first step. Some 10 industrial enterprises and 99 commercial enterprises are experimentally assuming responsibility for their own profits and losses. There is still a long way to go before the enterprises can really become relatively independent producers of commodities.

Because we have increased enterprise autonomy, the enterprises in Sichuan have gained five categories of powers to different extents: the powers over part of planning, marketing part of their products, retaining part of their profits, and using their own funds to expand reproduction and labor personnel. Many changes have been caused by the increase in the enterprises' power. The most important one is that the enterprises have become dynamic organic bodies which have great vitality and which can grow by themselves. This change is of extremely profound and far-reaching significance. It enables our whole economy to acquire vitality.

(2) Reforming Economic Management Systems Centered Around Increasing Enterprise Autonomy

An increase in the enterprises' autonomy requires relevant economic departments to correspondingly assign greater power to the enterprises. That is, increasing their power must be concurrent with assigning greater power to them. Otherwise, increasing their power will be empty talk. The leading comrades of the provincial party committee have paid great attention to this point. From the very beginning of the experimentation, they organized the leading comrades of relevant departments at the provincial level to take part in the experimentation. Such departments include the planning, financial, goods and materials handling, commercial, personnel and labor departments. The comrades of these departments have been required to free themselves from the fetters of traditional ideas, have their ideology and action unified, vigorously reform various systems adopted by their departments, and jointly give the green light to increasing the enterprises' autonomy.

After 2 years and more of experimentation, Sichuan has accomplished a series of major reforms of various management systems.

In the arena of the planning system, in the past the enterprises could carry out production only according to the directive targets assigned by the state; now they can also formulate some plans to supplement state plans according to market needs.

In the arena of the goods and materials handling system, we have broken free from the theory that the means of production cannot be commodities. Aside from a few products which are important to our national economy and the people's livelihood or which are in short supply, and aside from dangerous goods, all of which are still purchased and distributed solely by the state, the majority of the means of production have found their way into the realm of circulation. Through direct supply contracts or through the market, the enterprises can purchase them to satisfy part of their own needs.

In the arena of the commercial system, monopolistic purchase and marketing by the state, monopolistic running of business and reliance on a single channel have been done away with. A commercial system embodying many channels of circulation, many forms of business operation and many economic sectors has been preliminarily formed. Industrial enterprises may market some of their products, and some large shops may directly purchase goods from factories without going through the link of wholesaling.

In the arena of the financial system, we have begun to put an end to centralized collection of revenue, centralized spending and the system of eating out of a big pot. The enterprises' relatively independent economic interests have been acknowledged. They can now enjoy a definite share of their profits which depend on how well they are run, and use these retained profits for tapping potential, renovating and restructuring, improving their workers' collective welfare, and increasing bonus payments. Thus, the enterprises are beginning to have internal economic motivation.

In the arena of the labor management system, there have been some tentative ideas of reform, such as recruiting workers by advertising and selecting the best candidates for the jobs, dismissing workers, and so on. However, these ideas have not been implemented because we have not yet been able to solve the employment problem.

The achievement of these reforms has been promoted by the move to expand enterprise autonomy. This move has provided a motive force, which goes from bottom to top, for the reform of our economic systems, as well as an objective basis for such reforms. Proceeding from expanding enterprise autonomy to reform our systems may be a means to achieve the goals of our reforms without having to experience major upheavals.

Proceeding from increasing the enterprises' power to reform our economic systems must be coordinated with other ingredients of a complete set of reforms. An enterprise should have many different kinds of power which cannot be separated from one another. An economic system is also an entity, a network composed of various systems. Any change in any one link will affect the overall situation. In expanding the enterprises' power, the right to retain part of their profits represents the core of the enterprises' autonomy. Without this right, other facets of their autonomy will be void. Therefore, to expand the enterprises' power, we must first reform the financial system. However, if the enterprises are denied other powers except the power to retain part of their profits, that is, if they cannot plan production according to market needs, nor market their own products, nor use their own funds to expand reproduction, and so forth, then it will be impossible for them to retain their profits. Therefore, the planning, commercial, goods and materials handling and other systems must also be reformed in conjunction with the reform of the financial system. In this sense, Sichuan's experimental reforms have been carried out in a thoroughgoing way. Of course, these amount to a large-scale undertaking. However, in practice, we may consider using complete sets on a different scale. We may start with a small-scale complete set, and then proceed to a medium-scale one and finally to a large-scale one. Our reforms which are centered on expanding the enterprises' power can be said to form a small-scale complete set. Reforms centered on requiring the enterprises to assume responsibility for their own profits and losses and to be reorganized or integrated, which include putting an end to their relation of subordination to various departments or local authorities, and which include reforms of the pricing and taxation systems, can be said to form a medium-scale complete set. The future reform of the entire structure of economic organization and the entire system of economic leadership can be said to form a large-scale complete set. By envisioning changes in this way, I wish to explain that reforms must be carried out simultaneously in complete sets, but it will also be impossible to get the whole set of reforms ready before we implement them.

(3) Integrating Regulation by Planning Mechanism With Regulation by Market Mechanism

Regulation by market mechanism plays a prominent role in the following four aspects:

1. According to traditional theory, under socialist conditions, the law of value does not play a regulatory role in the realm of production. As a result of our reforms, aside from complying with state plans, the enterprises can also formulate plans and carry out production according to market needs. Thus, changes in market supply and demand have begun to regulate, within certain limits, production at the enterprises and the orientation in their use of funds. Consequently,

the disparity between demand and output, which could not be changed for many years, has begun to narrow. This shows that the realm of production cannot be divorced from regulation by market mechanism.

2. Traditional theory acknowledges that the law of value plays a role in the realm of circulation, but limits its role to the circulation of the means of subsistence, excluding its application to the means of production. Actually, the means of subsistence are also allocated by the state, resulting in a vast disparity between supply and demand. In our reforms, we have subjected the majority of the means of production to the workings of the market mechanism, and let the market mechanism play a greater regulatory role in the realm of circulation, so that the disparity between supply and demand has markedly narrowed.

3. In the final analysis, regulation by market mechanism amounts to a pricing problem. Although we have not reformed the pricing structure, however, because we have practiced regulation by market mechanism, the old pricing structure, basically characterized by a single set of planned prices, has disintegrated. Fixed prices, floating prices, negotiated prices and free prices represent four forms of pricing which have just appeared. Although this change in the pricing structure has caused some commodity prices to rise, it has begun to put an end to the vast disparity, which has persisted for many years, between price and value. It has opened up the way to reform our pricing system and to use the price lever to regulate production.

4. The most conspicuous role of regulation by market mechanism is its increasing influence on the enterprises' economic interests, which, thanks to such regulation, have begun to be related to the competitive ability of the enterprises' products in the market. Consequently, competition, which has traditionally been viewed as a characteristic of capitalism, has appeared among enterprises of the same industry. Market competition is just like an invisible but powerful propeller, which forces the enterprises to try all means to produce superior-quality, inexpensive and marketable varieties of products, and to provide good service, so as to gain as much economic benefit as possible. It continuously urges backward enterprises to improve technology and management, so as to keep up with advanced ones. In our country, Sichuan is a locality where industrial development is relatively backward. The quality and varieties of products of its local industrial enterprises are far inferior to those of coastal regions. With the appearance of competition, commodities from the coastal regions have poured into Sichuan, posing a grave threat to Sichuan's local industries, but also creating a powerful motive force which encourages the enterprises to strive for progress and to improve technology, business operation and management. An increasing number of products of Sichuan's local industrial enterprises have begun to establish their own positions and nationwide competition. This demonstrates that even in the socialist mode of production, there are objective conditions for the existence of competition. Therefore, socialism should not preclude competition, but should "safeguard competition."

With the market playing a role, how to practice guidance by the planning mechanism has remained an unresolved practical issue. Nevertheless, macroeconomic control has still been safeguarded. Judging from Sichuan's experiences, state planning and administrative control still remain important constraints on regulation by market mechanism. In production, directive state planning has not been abolished. The value of the enterprises' products not produced according to state plans accounted for only around 10 percent of the total value of local industrial output in 1979, and around 20 percent in 1980. State planning has still been playing a leading role. In the marketing of products, in 1980, merely 17 percent of the total volume of commodities retailed in the province were sold through channels other than the state commercial units. Out of this 17 percent, 6 percent represented local industrial products. Thus, state commercial units still constitute the main body of circulation. Considering prices, the prices of the principal means of production, daily goods needed by the people and the majority of other products are still controlled by state plans. Some confusion has indeed occurred because of regulation by market mechanism and competition, but this has not been the main trend.

(4) Reorganize Industry and Practice Integration According to the Principle of Cooperation Among Specialized Units

With the expansion of enterprise autonomy and the appearance of competition, enterprises have begun to smash the boundaries between industries, between localities and between systems of ownership. Direct, horizontal links have been established among industrial enterprises; between industrial enterprises and commercial enterprises, goods and materials handling agencies; between industrial enterprises and agricultural enterprises; between civil industries and military industries; and between industrial enterprises and scientific research institutions. Many kinds of cooperation among specialized units and economic conglomerates have emerged as the times require. There are production conglomerates which mainly produce certain products through cooperation, marketing conglomerates which market products jointly, conglomerates for formation of complete sets which organize combinations of products into complete sets of equipment, production-related scientific research conglomerates which develop new products and new technology through cooperation, agricultural-industrial or agricultural-commercial conglomerates which process agricultural and sideline products, as well as agricultural-industrial-commercial conglomerates which take commercial business as part of their work. By the end of 1980, a number of integrated organizations had been established in the province, including 45 specialized companies of various types which are run as enterprises, 8 integrated groups of factories, and 150 economic conglomerates of various types with a total membership of 988 enterprises. The formation of various types of specialized companies and economic conglomerates reflects a process whereby production and funds are centralized. Cooperation among specialized units and integration have given rise to new productive forces.

Judging from the development of integration and cooperation among specialized units in Sichuan, integration and such cooperation are not artificial inventions, but are the inevitable consequence of developments in competition and expansion of enterprise autonomy. They are essential to socialized large-scale production, and to the enterprises if they want to extend their production capability and improve their economic results. Integration and cooperation among specialized units represent an integration of various parties' economic interests. If rational division of labor and cooperation alone are emphasized at the expense of various parties' economic interests, integration will not be successfully accomplished. The enterprises' relation of subordination to various local authorities or departments is antagonistic to and is the greatest obstacle to integration and cooperation among specialized units. We must do away with this relation, so that the enterprises can really become relatively independent. Then, integration coupled with cooperation among specialized units will be able to develop on a large scale. Therefore, we must take further steps to substitute taxes for profits that are turned over to the state as well as carry out other reforms.

In integration, the emphasis on the enterprises' economic interests, voluntary change and mutual benefits does not preclude wholesale promotion, organization, coordination and intervention by the state. Ours is a socialist planned economy. To achieve integration and cooperation among specialized units, it is absolutely necessary for us to go from top to bottom in formulating unified plans and achieving rational distribution in a planned and gradual manner. If we can integrate the enterprises' interests with the state's efforts, integration and cooperation among specialized units will develop much more smoothly.

(5) Implementing on a General Scale the Principle of Material Benefits; Seeking Principles, Forms and Methods Correctly Embodying the Interests of the State, the Enterprise and the Individual

In the experimental reform of our systems, we have solved the problem of the right of enterprises under the system of ownership by the whole people to enjoy relatively independent economic interests, and have designed and experimented with five forms of distribution of profits between the state and the enterprise as well as three forms of distribution of profits between the enterprise and the individual. If the enterprise has its own economic interests, and if the workers' benefits are closely integrated with the enterprise's interests, then the enterprise will become vigorous.

The five forms of distribution of profits between the state and the enterprise are: (1) sharing a basic level of profits plus sharing profits in excess of this basic level; (2) sharing the total profits; (3) assuming responsibility for one's own profits and losses; (4) undertaking the whole task if it results in losses or meager profits; and (5) profits of enterprises under county authorities to be shared in the proportion of 4:3:3 (or 4:4:2). Each of these five methods has its particular effectiveness and shortcomings. The first method provides for a relatively stable and reliable distribution of benefits for both the state and the enterprise. However, because the basic level of profits depends on the previous year's figures, the enterprises are disinclined to tap their own potential. The second method is simple and convenient, but if the proportion is not appropriate, the state's benefits will be prone to be affected. The merits of the third method are that economic results are marked, reasonable revenue for the state is insured and the enterprise must bear risks. However, there is a different tax rate for each enterprise and consequently it is not easy to popularize this method. The fourth method is most effective. If a task is undertaken by an industry as a whole, the effects will even be better. The fifth method is suitable for small enterprises run by county authorities. However, if the method is applied to state-owned and collectively run enterprises which pay taxes instead of turning over profits to the state and which assume responsibility for their own profits and losses, the effect will even be better.

Because there are different methods, the ratio in which profits (this refers to profits remaining after payment of industrial or commercial taxes) are shared between the state and the enterprise varies. If the method of sharing a basic level of profits plus sharing profits in excess of this basic level is adopted, the enterprise will get a smaller share. If an enterprise assumes sole responsibility for its profits or losses, it will get a larger share.

From the figures obtained in our experiments, can we derive correct quantitative limits governing the distribution of profits between the state and the enterprise? Can we discover any objective basis on which these limits should be defined? Our tentative idea is that as a relatively independent producer of commodities, an enterprise which assumes responsibility for its own profits and losses should have three categories of economic power, namely, the power to utilize after-tax profits to carry out expanded reproduction which is closely related to simple reproduction; the power to provide collective welfare to the workers; and the power to pay wages and bonuses to the workers. That is to say, expenditure in these three areas should come from the enterprises' after-tax profits. If these three categories of power are justified, then the enterprise income ration adopted by five enterprises in Sichuan that are responsible for their own profits and losses may provide reference for defining the quantitative limits governing the distribution of profits between the state and the enterprise.

However, the ratio in which profits are to be distributed between the state and the enterprise should not only depend on the economic powers due to the enterprise as a relatively independent producer of commodities, but should to a large extent depend on the situation of state fiscal revenue. Recently, the proportion of the enterprises' income has only been able to depend on whether the state can obtain sufficient revenue from the growth in the enterprises' current profits. Only thus can the reform of our economic systems develop healthily with state fiscal revenue growing steadily, or with state expenditures decreasing correspondingly in the absence of any growth in revenue. Judging from Sichuan's experiences over the past 2 years, a relatively appropriate proportion of the enterprises' income is around 10 percent.

There are three main forms in which benefits are shared between the enterprise and the workers: 1) For enterprises adopting the method of sharing a basic level of profits plus sharing profits in excess of the basic level, their workers' basic wages, legal bonuses (12 percent of standard wages) and collective welfare funds (11 percent of total wage payments) are set aside according to state regulations. In addition, part of the enterprises' profits are allocated for collective welfare or for awarding individual bonuses to workers. 2) For enterprises whose total profits are shared between themselves and the state, their workers' basic wages are paid according to general regulations. The workers' individual bonuses and collective welfare funds are all drawn from the enterprises' retained profits. 3) For enterprises which assume sole responsibility for their own profits and losses, their workers' basic wages, bonuses, collective welfare funds and so on are all drawn from the enterprises' after-tax profits. Among these three methods, the correlation between the workers' economic benefits and the success in running the enterprises decreases from the third method to the second, and then to the first one. Nevertheless, even the first method is much better than excessive collectivism. If it is impossible to practice any of the desired methods, we may consider taking these three methods in three progressive steps. By its nature, a bonus is a reward for labor performed in excess of some set quota.

Whichever method is adopted, distributing individual bonuses to workers must follow the principle of distribution according to work done. To implement this principle successfully, we must rectify and strengthen basic enterprise management work, as well as establish and perfect various systems of job responsibility in conjunction. Only thus will there be a scientific basis for calculating the quantity and quality of a worker's labor.

(6) Staff and Workers To Be Masters of Their Own House and Manage Enterprises

Increasing enterprise autonomy correspondingly gives rise to a major problem. Who will be responsible for decisionmaking in the enterprises?

In some socialist countries, workers are subordinate to factory directors, whose decisions usually determine how well the enterprises are run. Yugoslavia adopts a system of autonomy by the workers, with the factory directors responsible to worker councils. Judging from our country's actual conditions, we must gradually turn staff and workers' congresses into the highest organs of power in enterprises. Factory directors should be elected by and responsible to staff and workers' congresses. Moreover, they must be appointed by and responsible to the state. Important matters concerning the enterprises should be decided by the staff and workers' congresses. The factory directors will participate in the whole decisionmaking process and execute the staff and workers' congresses' resolutions. If such resolutions are in conflict with the state's principles or policies, or go against our national interests, the factory directors will have the power to request reconsideration of these resolutions by the staff and workers' congresses, to report such cases to higher authorities, or to suspend execution of these resolutions. The party committees of the enterprises should mainly educate the staff and workers, encourage them to exercise their rights as masters of their own house, insure that these rights are not infringed upon, and participate in the entire decisionmaking process. It seems that such a system of decisionmaking will be more compatible with our country's actual conditions.

The above-mentioned reforms have brought unprecedented vigor to the economy of Sichuan. The success is very marked. Between 1978 and 1979, the value of the output of 84 local industrial enterprises among 100 trial-point enterprises increased by 14.9 percent, their realized profits grew by 33 percent, and the profits they turned over to the state grew by 24.2 percent. In 1980, the five enterprises which had been experimenting with assuming responsibility for their own profits and losses displayed additional vitality. The value of their output grew by 42.7 percent over the previous year, their realized profits grew by 80.7 percent and their profits turned over to the state grew by 49.1 percent. Because Sichuan was beset with grave shortages in the supply of energy resources, great inadequacy of production tasks for heavy industrial enterprises and other difficulties, and because of backward management and some defects in the methods of reform, the total profits turned over to the state by all local industrial enterprises decreased by 7.55 percent compared with the previous year. This decrease resulted from a 30.3 percent drop for non-trial-point enterprises and a 3.7 percent drop for trial-point ones. However, absolute figures reveal that in 1980, the total profits turned over to the state by all industrial enterprises in the province amounted to 880 million yuan, while the trial-point enterprises turned over 94,000 [as published] yuan. That is to say, the trial-point enterprises turned over more profits to the state than the rest of the provinces; the profits from the trial-point enterprises offset the other enterprises' losses.

Because the profits turned over to the state by some of the trial-point enterprises decreased compared to the previous year, some comrades have become skeptical of Sichuan's experiments in reforming the economic systems. Considering this in relation to the serious fiscal deficits, inflation and price rises in our country, some people even wonder whether these latent dangers are due to inappropriate reforms. Meanwhile, we have considered these problems and found that although some defects in the specific methods of reform did exist, the overall orientation is correct and the main trend is good. Therefore, we need to clear up some views.

First, on the Criteria for Evaluating the Results of the Reform of Our Economic Systems

How good are the results of the reform of our economic system? Since last year, we have been assessing the results by three indicators, namely, output value, realized profits and profits turned over to the state. These criteria are undoubtedly correct (of course, not absolutely correct) in normal circumstances. However, in a situation of economic readjustment, there is a problem that some conditions are not comparable. Considering the changes in our principles governing construction, these several criteria alone are also inadequate. In 1979, when we readjusted our economy, some enterprises were faced with the problem of the lack of production tasks and demand for their products. Then, some trial-point enterprises took advantage of their expanded autonomy to "seek out rice to put in their pots" and market their own products, so that they could achieve substantial growth in all three targets. However, by 1980, for one thing, the problem of lack of production tasks for the trial-point enterprises deteriorated; the tasks assigned by the state to some trial-point enterprises with high profit rates in relation to their output value, in particular the metallurgical, machine building and chemical and pharmaceutical enterprises, amounted to only 30 to 50 percent of their production capacity. It became increasingly difficult to "seek out rice to put in their pots" by relying on their original products. For another thing, the energy resources shortage began to develop into a crisis, so that even the limited number of production tasks were affected. Consequently, the enterprises were forced to reduce or even stop the production of old products, vigorously change the composition of their products, produce new varieties and improve the economic effect to comply with social needs. Thus, the enterprises' output value and profits dropped, but they have embarked on a new road of development. For example, the year before last, the Chengdu Measuring Instruments and Cutlery Factory mainly produced prestigious products with high output value and profits. However, because of blind production and inadequate demand for its products, the value of overstocked products amounted to one-fourth of the value of its total output that year. Last year, the factory changed its policy of operation, and despite a 20 percent drop in output value and a 21.98 percent drop in profits compared with 1979, because it developed more than 100 new products urgently needed by society, it was able to sell all the products it produced last year. Consider another example, the Ningjiang Lathe Factory. In 1979, a very large proportion of its products were products which yield a high profit rate, such as jig borers. Last year, tasks to produce such products were cancelled, and tasks to produce instrument machine tools, which require a great deal of working time and bring about low profit rates, increased drastically. The fulfillment of orders for these newly produced products will stretch into 1982. However, the profits have been smaller than those of the previous year. Yet another example is the Chengdu Seamless Steel Tubes Factory. In the past, it mainly produced large-bore, thick-walled tubes. The year before last, there was a problem that such tubes were unmarketable. Last year, the plans assigned by the state provided for an output which amounted to only 41 percent of its production capacity. It resolved to alter the composition of its products, and therefore drew 5 million yuan from its retained profits to develop new product varieties. Consequently, the output of small-bore tubes and thin-walled tubes increased by 100 percent and 460 percent respectively over the year before last. It also carried out the trial manufacture of casing pipes and drill pipes for oil extraction. Last year, it produced 210,000 tons of steel tubes, of which only 0.37 percent did not satisfy the requirements of contracts. These examples illustrate that because of our large-scale economic readjustment, the external conditions for the enterprises have changed drastically, giving rise to many factors which make comparison impossible. To use merely three indicators to make comparisons with the previous year in evaluating the reform of our economic systems is not only unscientific, but is also not absolutely compatible with the orientation of our reforms, namely, to make the running and management of the enterprises change over from some work done simply to fulfill state plans to some work done to satisfy the people's material and cultural needs--a new path for us to embark on. Therefore, to evaluate the results of our reforms of economic systems, we should not only notice the rate of economic growth, but should also look at the extent to which social needs are satisfied and the magnitude of social economic benefits. It is particularly necessary for us to do so during a period of major economic readjustment, when principles of our construction are changing. If the enterprises' products are marketable and can satisfy the people's needs, and if new products are continually supplied in response to market changes, then even if the economic growth rate is falling or even becomes negative, we should think that the enterprises have achieved great success and should commend them. It is because this reflects a qualitative change in the policies concerning the running of enterprises, which results in much greater material benefits for the people than if the growth rate is very high but the products are overstocked because they are unmarketable.

Second, the Problem of Expanding Reproduction by Relying on the Enterprises' Own Funds

The leading comrades of the party Central Committee have pointed out that in the future, our national economic development will not rely mainly on extending the scale of capital construction, but will rely on bringing the role of the existing enterprises into play. This is a very important strategic decision. Bringing the role of the existing enterprises into play involves not only strengthening the running and management of the enterprises, but also the important tasks of tapping their potential, renovating and restructuring them and expanding reproduction. Should tapping their potential, renovating and restructuring them be effected by relying on state investment, or by letting the enterprises use their own funds and requisite bank loans? Sichuan's practical experience over the past 2 years has proved that we should adopt the latter method. Although in the past we also tried to transform old enterprises, however, because investment, materials, equipment and construction workers were all subject to centralized state planning and the enterprises' initiative was not brought into play, there was still a great deal of waste and results were not satisfactory though economic results were better than if new enterprises were built. Since greater power was assigned to the enterprises last year, the work of tapping their potential, renovating and restructuring them has been closely integrated with the enterprises' economic benefits and they have taken their own business into their own hands, practiced careful calculation and strict budgeting in their investment, tried all means to economize on materials and equipment, allocated construction workers internally, and strived to complete projects in the shortest possible time. To make sufficient funds available for transformation, the workers of some enterprises voluntarily suspend the repair of their living quarters and the distribution of bonuses to overcome difficulties. Some comrades have estimated that compared with relying on state investment, tapping enterprises' potential, renovating and restructuring them by relying on the enterprises' own strength will reduce the amount of funds needed by one-third, and will result in faster completion of projects. If the enterprises have their own funds as well as the power to tap their own potential, renovate and restructure themselves, will this lead to duplicate construction, duplicate production and extension of the capital construction front? Such phenomena will be possible, but not inevitable. If we strengthen state control over and comprehensive equilibrium in the enterprises' investment, as well as institute necessary procedures in granting permission and carry out administrative intervention, we will be able to solve these problems. Judging from how the enterprises have tapped their own potential, renovated and restructured themselves over the past 2 years to expand enterprise autonomy, relatively larger projects undertaken in Sichuan have basically been necessary. Duplicate construction has not been mainly due to expansion of enterprise autonomy, but has been due to sharing of financial responsibility for undertaking whole tasks between two levels, and due to blindness in developing enterprises run by communes or production teams.

Third, the Problem of Vitality Versus Disorder

Our reforms have enlivened the economy, but have also led to some disorder. For example, speculation, profiteering and violation of laws or discipline are on the increase. Even some capitalist things have emerged. How should we view these problems? I think that if we want the reforms, these problems will inevitably emerge, because the prerequisite for our reforms is to admit that our economy is a planned socialist commodity economy, and an important orientation of our reforms is to vigorously develop the production and exchange of commodities and to fully bring the role of regulation by market mechanism into play under the guidance of state planning. Therefore, certain defects of the commodity economy will emerge, and it is not surprising that those problems should occur. Our policy is that we must enliven the economy, and must also control those problems and curb them when necessary. The current problem is that we have not tackled them at all, or we have tackled them in a rigid way, thus reverting to the beaten track. These two erroneous tendencies must be corrected.

Fourth, Should the Enterprises Under the System of Ownership by the Whole People Assume Responsibility for Their Own Profits and Losses? Can They Assume Responsibility for Their Own Profits and Losses?

Both the theoretical circles and the departments responsible for practical work have debated this question. I think that it is objectively inevitable that enterprises under the system of ownership by the whole people, as relatively independent producers of commodities, will have to assume responsibility for their own profits and losses within certain limits and to a certain extent in their operation and management. (This is called a profit and loss responsibility system.) All enterprises should take this road. Otherwise, the problem of eating out of a big pot will never be solved. Although in Sichuan there are only five enterprises assuming responsibility for their own profits and losses on a trial basis, they are showing the way. In the past, we said that these enterprises enjoyed favorable conditions, were not typical and could not demonstrate the superiority of assuming responsibility for one's own profits and losses. Recently, I have seen these five enterprises' economic achievements during the first quarter of this year: an 11.8 percent growth in output, a 21 percent growth in profits and a 37.4 percent growth in the sum of the three categories of taxes paid to the state. I think we must change our view about these five enterprises and study their experiences in depth. First, two of these enterprises have been assigned an adequate number of tasks, their supply of raw materials and other materials has been insured, and their profit rates are also high. They can justifiably be called "fat enterprises." However, two other enterprises are in a different situation. Last year, the planned tasks assigned by the state to the electric wire factory amounted to only 11 percent of its production capacity, and this year the situation has been worse. The state-planned tasks for the Xinan Electrical Appliances Factory have been maintained at some 40 percent of its production capacity, and it must always seek tasks by itself to utilize the rest of its production capacity. Can we say these two [?are "fat] enterprises." The planned profit target for the First Sichuan Cotton mill set early last year was 45 million yuan, but in July the staff and workers' congress resolved to raise the target to 50 to 55 million yuan. The actual profits turned out to be 60 million yuan, a nearly 100 percent increase over the previous year. Similar things happened to the Chongqing Watch and Clock Company. Such a great achievement cannot be explained simply by saying that they are "fat enterprises." We must acknowledge the important role of assuming responsibility for one's own profits and losses.

II. Some Problems in Our Reform of Economic System

The reforms in Sichuan over the past 2 years have not been perfect. There have been a series of problems which we must solve. The three major problems are as follows.

(1) In Enlivening Microeconomics Macroeconomic Guidance Has Not Shown Corresponding Progress

Increasing enterprise autonomy, practicing regulation by market mechanism and launching competition have played a positive role in encouraging the enterprises to produce marketable products and improve economic effect so as to satisfy the materials and cultural needs of all members of society. However, because the enterprises have independent economic interests of their own, their interests are prone to conflict with those of the state. At present, there are four main problems: First, not following state plans in carrying out production; second, duplicate construction; third, lavish distribution of bonuses; and fourth, extending the range of products sold by the enterprises themselves. We must take measures to solve and prevent these problems. However, we must definitely not severely restrict the enterprises' production and business activities again as a solution. Instead, while continuing to enliven the enterprises, we should also mainly strengthen macroeconomic guidance and integrate the enterprises' interests with those of the whole society. For example, the enterprises may be allowed to independently carry out production and business activities, but they must not swerve from the orientation of production stipulated by the state, and must fulfill the plans assigned by the state. The enterprises may be allowed to use their own funds to carry out expanded reproduction which is closely related to simple reproduction, but the orientation of their investment must be in line with the needs of national development, and must be subject to the permission and requirements of comprehensive equilibrium stipulated by state planning bodies. If an enterprise is making profits, it may increase bonuses for its workers, but it must not surpass the total growth in wages stipulated by the state. The means of production and means of subsistence must be circulated through many channels and the enterprises may sell some products themselves, but the state commercial agencies and goods and materials handling departments will always remain the main channel of circulation. To sum up, the enterprises' production and business activities must satisfy these two conditions: compatibility with the enterprises' own economic interests, and compatibility with the state's interests. It is very difficult to solve these problems. To tackle them, we must formulate correct policies, adopt appropriate economic measures and rely on rigorous economic legislation and supervision.

(2) Some Stipulations and Methods of Handling the Relationship Among the State's, the Enterprise's and the Staff and Workers' Interests Have Been Inappropriate

Last year, when we were formulating the method whereby total profits are shared between the enterprises and the state, we inappropriately put forward the slogan: "Safeguard vested interests." In our trial-point methods, we incorporated 20 percent of the enterprises' original share of surplus profits into the basic level of the enterprises' share of profits, so that some enterprises whose profits have decreased still retain a large share of profits while state revenue is reduced. This is irrational. The slogan of safeguarding vested interests is erroneous, because: 1) With inequality in the enterprises' external conditions, such as prices, the vested interests of some enterprises have not been acquired through the enterprises' own efforts. Such vested interests must not be safeguarded. 2) Circumstances are always changing. When the profits of some enterprises fall, their income should correspondingly fall. The vested interests must not be safeguarded. Therefore, we must certainly change this method. However, because we declared we would not change it for 3 years, we have resolved to temporarily put off any changes. Nevertheless, we must clearly explain this issue to the enterprises.

(3) There Is Grave Inequality in the Enterprises' Economic Hardships and Benefits. We Have Not Yet Found a Correct Solution to This Problem

The emphasis of our reforms is on increasing the enterprises' power. However, we have not concurrently carried out reforms trade by trade. This is a shortcoming. If our reforms are on the basis of individual trades, then through internal pricing, we may regulate the inequality among various enterprises in the same trade, and may even practice centralized planning, arrangement and use of funds within the domain of an individual trade in tapping the enterprises' potential, renovating and restructuring them, so that duplicate production or construction may be avoided.

III. Some Tentative Ideas About Carrying Out Reforms in the Course of Readjustment

Our overall view is that during readjustment, readjustment and reform must supplement each other. We should vigorously carry out all reforms that are favorable to readjustment. Otherwise, we will not be able to achieve the aims of readjustment. From the long-term point of view, the steady and coordinated development of our national economy will depend on the establishment of new economic systems which are compatible with our national condition. If we do not vigorously and steadily reform our economic systems, or if we even revert to old practices, our cause of the four modernizations will not develop smoothly.

We initially envisage the following several measures of reform:

(1) Simultaneously Continue To Enliven Microeconomics and Strengthen Planned Guidance Over Macroeconomics

We hold that we should persist in and safeguard whatever reforms have been proved to be correct and effective in practice over the past 2 years. At the same time, we must adopt many solutions to solve the problems emerging in the enlivening of microeconomics, instead of allowing these problems to exist. Strengthening macroeconomic guidance should be interpreted in the broad sense. It embodies at least five things: 1) Macroeconomic guidance embodies guidance over formulating both directive planning and guidance planning. We must both formulate annual plans and firmly grasp the formulation of medium-term and long-term plans.

In the initial stages of our reform, both directive planning and guidance planning should coexist and must be integrated with various economic means. 2) It embodies guidance over using economic levers. That is, we must fully exploit the role of pricing, taxation and interest rates to guide and promote microeconomics in the orientation stipulated by the state in matters of economic interests. 3) It embodies guidance over supplying market information. Under the conditions of a commodity economy, market information is very important. The enterprises and leading economic bodies at all levels should establish special agencies and assign special personnel to take charge of matters related to market information, so that in the near future, we may be able to supply economic information concerning various industries or products to the enterprises, just as meteorological observatories issue weather forecasts. 4) It embodies establishing a normal economic order through economic legislation, management and supervision. We should begin with formulating provisional management regulations, then proceed to formulate formal regulations, and finally enact laws through the NPC on the basis of summing up experiences. 5) It embodies any necessary administrative intervention, which refer to administrative decrees concerning certain particular matters. Such decrees will permit certain things to be done and prohibit other things from being done. For example, the resolution to freeze commodity prices promulgated by the State Council belongs to this category. Administrative intervention should be adopted as infrequently as possible.

(2) Consolidate and Improve the Results of Expanding the Enterprises' Power, and Further Promote the Advancement of Expansion of Power

The enterprises must make the transition from retaining part of their profits to assuming responsibility for their own profits and losses (or profit and loss responsibility system). Different methods may be adopted by different enterprises in the light of their different circumstances. Large and medium-sized enterprises under the system of ownership by the whole people should gradually change over to a profit and loss responsibility system if conditions favor their adopting this system. The other enterprises should adopt either a system of retaining part of their profits or an enterprise funds system. If we can gradually accomplish these changes within several years, then we will be able to free the enterprises from the old system of eating out of a big pot and enable them to achieve greater economic benefits.

(3) Vigorously Promote Reorganization and Integration of Enterprises

To reorganize the industrial enterprises according to the principle of coordination among specialized units and to promote the integration of these enterprises constitute an important ingredient of our current readjustment work and of our reforms. We must rely on key cities and make plans for industrial enterprises in and around these cities (including military industrial enterprises). Then, by means of coordination, we will formulate overall plans for the whole province. Reorganization plans will be established following dialectical analysis and theoretical proof of feasibility as well as the making of comparisons. Such plans will be implemented, and relevant organization work will be carried out, after they have been approved. When various conglomerates have been formed via reorganization and integration, we may consider using these conglomerates, which will by nature be organizations formed on the basis of individual industries, to practice management and coordination. However, by relying on key cities, we must not cause the enterprises to be brought under lower administrative levels, or cause management to be divided up among separate local authorities.

(4) Rectify and Reform Management of Existing Enterprises

Here we should follow three principles. 1) According to the principle of a commodity economy, enterprise management must comply with the requirements of the law of value, so that the running and management of enterprises will change over as speedily as possible from eating out of a big pot to independent accounting and assuming responsibility for one's own profits and losses. 2) According to the principle of socialized large-scale production, we must comply with the requirements of socialized large-scale production and as soon as possible establish a system of job responsibility governing factory managers, a system of directing production whereby factory managers exercise leadership and a system of job responsibility governing various categories of personnel at various levels. We must conscientiously strengthen basic enterprise management work, such as keeping original records, calculation, management by quotas and so on, so as to lay a foundation for scientific management. 3) According to the principle of socialism, to rectify and reform the management of existing enterprises, we must fully bring the superiority of socialist enterprises into play. The three most important things are: 1) we must earnestly transfer the power of making decisions on major enterprise affairs to the staff and workers' congresses, so that the staff and workers will really become the masters of their own house; 2) we must sum up experiences, carry out political and ideological work by means of scientific methods, and continually raise the staff and workers' consciousness; and 3) by means of various responsibility systems, we must link staff and workers' income to the fruits of their labor, overcome egalitarianism in distributing bonuses, and practice [words indistinct] can only be testified or disproved by practice.

CSO: 4006/421

BRIEFS

HUNAN COMMERCE CONFERENCE--The Hunan Provincial CCP Committee and the Hunan provincial people's government held a provincial commercial work conference recently in Changsha. The conference discussed how to support production, expand sales, stabilize prices and invigorate the market. The conference was attended by more than 500 people including comrades responsible for financial and commercial work in the prefectures, municipalities and counties. Responsible persons of the provincial party committee, the provincial people's congress standing committee and the provincial people's government, Wan Da, Liu Fusheng, (Ji Zhaoqing), Cao Wenju and Shang Zijin, spoke at the conference. [OW200555 Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Jul 81]

CSO: 4006/421

AGGREGATE ECONOMIC DATA

NATIONAL AGGREGATES

[The following selected national aggregate economic data have been extracted from various press sources as indicated. In the abbreviations below, GVIO stands for "gross value of industrial output" and GVAO stands for "gross value of agricultural output"]

Item	Increase	Value in billion yuan	Date; or period of comparison	Source
Light industry	11.6%	12.52	81:80 Jan-Jun	1
Industrial fixed assets	26-fold	410	1980:1952	1
Raw coal (wt)	8.4-fold		1980:1952	2
Electric energy production (kwh)	40-fold		1980:1952	2
Machine industry	53-fold	127	1980:1952	2
Import/export total	7.7-fold		1980:1952	2
GVIO (average annual)	19.6%		1953-1956	2
GVAO (average annual)	4.8%		1953-1956	2
Industrial fixed assets	3-fold		1966:1956	2
GVIO	11.2-fold		1953-1978	3
Commodity turnover	9.48-fold		1953-1978	3
Postal-telecommunications service	11-fold		1953-1978	3
Electric power	28-fold		1953-1978	3
GVIO		10.8	1949	4
GVAO		42.8	1949	4

Item	Increase	Value in billion yuan	Date; or period of comparison	Source
Industrial fixed assets		12.8	1949	4
GVIO	41.5-fold	459.1	1979:1949	4
GVAO	2.7-fold	158.4	1979:1949	4
Industrial fixed assets	25-fold	328	1979:1949	4
National income	7-fold	337	1979:1949	4
Average annual industrial output	13%		1950-1979	4
Average annual agricultural output	4.5%		1950-1979	4
GVIO (average annual increase)	34.8%		1950-1952	5
GVAO (average annual increase)	14.1%		1950-1952	5
GVIO (average annual increase)	18%		1953-1957	5
Light industry	6.52%	9.021 million	81:80 May	6

FOOTNOTES

1. Beijing RENMIN RIBAO, 7 Jul 81, p 1
2. Chengdu SICHUAN RIBAO, 1 Jul 81, pp 1-2
3. Beijing JINGJI GUANLI (ECONOMIC MANAGEMENT), No 3, 15 Mar 81, p 14
4. Beijing JINGJI YANJIU (ECONOMIC RESEARCH), No 4, 20 Apr 81, p 30
5. Tianjin TIANJIN RIBAO, 9 Jun 81, p 3
6. Beijing GONGREN RIBAO, 12 Jun 81, p 1

CSO: 4006/402

AGGREGATE ECONOMIC DATA

PROVINCIAL-LEVEL AGGREGATES

[The following selected provincial-level aggregate economic data have been extracted from various press sources as indicated. In the abbreviations below, GVIO stands for "gross value of industrial output"]

Province	Increase		Value in million yuan	Date; or period of comparison	Source
Guangdong	GVIO:	10.9%		81:80 Jan-Apr	1, 2
	Light industry:	16.9%			1, 2
Shandong	GVIO:	3.45%		81 (May/Apr)	3
	GVIO:	3.49%		81:80 May	3
	GVIO:	3.37%		81:80 Jan-May	3
	Light industry:	18.15%		81:80 Jan-May	3
Sichuan	GVIO:	2.3%		81 (Apr/Mar)	4
	GVIO:	3.8%		81 (May/Apr)	4
	Light industry:	9.2%		1981:1980	4
Hubei	GVIO:	4.13%	9,256	81:80 Jan-May	5
	Light industry:	14.1%			5
Tianjin	GVIO:	4.5%	10,226	81:80 Jan-Jun	6
	Light/textile industry:	13.3%		81:80 Jan-Jun	6
	GVIO:	28.7-fold		1980:1949	7
			652	1949	
			19,396	1980	

Province	Increase	Value in million yuan	Date; or period of comparison	Source
Tianjin	Light industry: 16.9-fold		1980:1949	7
		10,313	1980	
		577	1949	
	Heavy industry: 120-fold		1980:1949	7
		75	1949	
		9,083	1980	
	Capital construction investment	898	First 5-Year Plan	7
		7,150	Fifth 5-Year Plan	7

FOOTNOTES

1. Guangzhou NANFANG RIBAO, 21 May 81, p 1
2. Hong Kong CHING-CHI TAO-PAO, 3 Jun 81, p 8
3. Jinan DAZHONG RIBAO, 7 Jun 81, p 1
4. Chengdu SICHUAN RIBAO, 8 Jun 81, p 1
5. Wuhan HUBEI RIBAO, 10 Jun 81, p 1
6. Beijing RENMIN RIBAO, 4 Jul 81, p 1
7. Tianjin TIANJIN RIBAO, 26 Jun 81, p 1

CSO: 4006/402

BRIEFS

HEILONGJIANG, ANHUI TAXATION--Beijing, 18 Jul (XINHUA)--By the end of June Heilongjiang and Anhui Provinces had already fulfilled over one-half of their annual tax collection plans. The amount of taxes collected by Heilongjiang during the first half of the year exceeded that of the corresponding period for last year by over 47 million yuan, or 5.1 percent. Of the amount of taxes collected by Anhui during the same period, 52.4 percent--or 7 percent more than the same period last year--came from the light and textile industries and daily consumer goods industry. The fairly successful accomplishment of these two provinces' tax plans can be attributed to their intensified efforts in tracking various types of tax evasion. [OW221654 Beijing XINHUA Domestic Service in Chinese 1217 GMT 18 Jul 81]

QINGHAI CURRENCY WITHDRAWAL--In the first 6 months of 1981, Qinghai Province, instead of putting 5 million yuan into circulation, which is a limit set by the state, withdrew 6.91 million yuan of currency from circulation. This amount is 12.64 million yuan more than that in the corresponding 1980 period. This indicates that the national economic readjustment has achieved initial success. [SK121400 Xining Qinghai Provincial Service in Mandarin 1100 GMT 11 Jul 81]

CSO: 4006/421

BRIEFS

GUANGDONG LIQUEFIED PETROLEUM GAS--The Guangdong Maoming Petroleum Industrial Company exports liquefied petroleum gas to Macao. It is welcomed by the people there. Since 1980, the company has exported more than 1,000 tons of liquefied petroleum gas to Macao, worth $260,000 in foreign exchange. Liquefied petroleum gas is an ideal gas for civil use in urban areas. To produce more liquefied petroleum gas, the Maoming Petroleum Industrial Company has installed more facilities to improve the operation of production. In the first 5 months of 1981, the quotas for production and export of liquefied petroleum gas have been fulfilled. [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 22 Jun 81 HK]

HUNAN POWER GENERATION--During the first half of 1981, Hunan generated 5.8 billion kwh of electricity, fulfilling 51.9 percent of its 1981 annual target and marking an increase of 2.7 percent compared to the same period in 1980. It also exerted strenuous efforts to save coal in generating electric power. As a result, it saved 29,700 dun of coal during the first 6 months in 1981. [OW110623 Changsha Hunan Provincial Service in Mandarin 1100 GMT 8 Jul 81 OW]

NATIONAL HYDROELECTRICITY DISCUSSION--The national academic discussion on increasing the economic effect of the small hydroelectricity stations was held in Yangshan County in Guangdong Province from 1 to 9 June. Engineers and technicians engaged in research in small hydroelectricity stations, experts and scholars of universities, colleges and scientific research units and responsible comrades of departments concerned from 25 provinces, municipalities and autonomous regions--some 140 people altogether--attended. The representatives listened to the experience of the county in strengthening scientific administration and increasing the economic effect in the small hydroelectricity stations and to the experiences of other localities. They discussed the special subject of increasing the economic effect in the small hydroelectricity stations. [HK260916 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 14 Jun 81]

CSO: 4006/421

BRIEFS

TITANIUM WHITE PRODUCTION--Beijing, 22 Jul (XINHUA)--Scientists at the Institute of Chemical Engineering and Metallurgy, the Institute of Dynamics and the Tianjin Chemical Works have succeeded in trial-producing an industrial pigment, rutile titanium white, for the first time, according to the Department of Chemistry of the Chinese Academy of Sciences. The pigment, under development since 1975 by a staff of 30 scientists, is used in the production of synthetic fibers, paper, plastic articles, rubber, ceramic ware, paint and printing ink. Previously, China, though rich in titanium resources, had to import the pigment, the production of which requires complicated technology. The titanium white is now being used in several paint and printing ink factories in Tianjin, Beijing and Dalian. A plant for semi-industrial production is being built in Tianjin. [Text] [OW221839 Beijing XINHUA in English 0212 GMT 22 Jul 81]

CSO: 4020/231

INDUSTRY

'JINGJI GUANLI' ON PHOSPHATE FERTILIZER PLANT

HK300906 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 27-28

[Article by the Economic Commission of Mianyang Prefecture of Sichuan Province: "Enterprises Responsible for a Task Until Its Completion and With Limited Profits Should Also Have Their Power Expanded"--Learning from the Jingyang Phosphate Fertilizer Plant assuming responsibility for a task until its completion and with limited profits--slantlines denote boldface]

[Text] In the reform of the economic management system, expanding the decisionmaking power on a trial basis of those enterprises which have great profits has been proved by practice to be correct in its orientation. No unified thinking up till now has been reached on the matter whether or not enterprises with limited profits should also have their decisionmaking power expanded. The practice of the Jingyang Phosphate Fertilizer Plant in the past year shows that the decisionmaking power of enterprises with limited profits should also be expanded.

What Was the Basis for the Losses in the Past 8 Years?

The Jingyang Phosphate Fertilizer Plant has net fixed assets of 2.83 million yuan and a total of 446 staff members and workers. After operating for 14 years and due to abnormal production, it incurred losses for 8 years running, with a total of 810,000 yuan in losses. The losses incurred in this enterprise did not mean that its leadership, staff members and workers had not worked hard, rather, it was the result of excessive and rigid control of the present management system.

/1) The excessive and rigid control of planning bound the enterprise hands and feet, thus the staff members and workers lacked initiative and enthusiasm./ The planning for the production and marketing of products was passed down to the enterprise by the higher authorities in a unified way and the latter had to organize the production and sale of its products according to the instructions from the higher authorities and was not in a position to make any complementary plans of its own. All profits were handed over and all losses were made up by the higher authorities. Even if the enterprise had to stop production for 6 months of the year, everybody still "felt at ease and justified."

/2) Since the materials were under unified control, the enterprise was unable to carry out regulation by market mechanism./ The main raw materials needed for production such as sulphuric acid and phosphorus ore were under unified planning and distribution as well as allocation. The supply of sulphuric acid had continuously fallen short of demand. The enterprise required large quantities of powdered phosphorus ore, instead it was supplied with a mixture of powder and stone. The enterprise once joined with other similar enterprises to organize their own supply of sulphuric acid and phosphorus ore, but they were branded as "organizing a reckless and thoughtless cooperative and as taking the capitalist road." Thereby, forcing these enterprises to "live within the state plan."

/3) The equipment of departments of the enterprise did not form a complete set, thus the enterprise was producing under its capacity./ When a discontinued cement plant was rebuilt into a phosphate fertilizer plant in 1965, only one set of ball-type grinding equipment and industrial chemical equipment with the capacity of producing 60,000 tons of calcium bicarbonate [pu gai 2528 6862] per year were installed without the necessary supplementary complete sets of equipment for producing sulphuric acid. As a result, the phosphate fertilizer plant had to consistently seek a supply of sulphuric acid. The supply of sulphuric acid has fallen short of demand for a long time in our country. Coupled with the serious corrosion of equipment, the enterprise, operating under capacity, suffered great economic losses. This is the important reason why losses were incurred in the plant.

Why Could 300,000 Yuan of Profits Be Made in 1980?

The Jingyang Phosphate Fertilizer Plant was provided with 2,669 tons of sulphuric acid in 1980 according to the state plan, and was asked to produce 7,000 tons of sulphuric acid within the plant. These two combined amounts equaled less than half of the annual volume of consumption of the plant. In addition, the supply of phosphorus ore according to the state plan was still a mixture. If the enterprise continued to "live within the state plan," it would have continued to suffer losses. For this reason, the enterprise's departments responsible for production work and the financial department concerned met and decided that the Jingyang Phosphate Fertilizer Plant could "assume responsibility for a task until its completion and with limited profits. Accordingly, it should hand over 30,000 yuan of its profits to the higher authorities, retain that part of profits in excess of the plan for its own use, which can be used for tapping, innovating and transforming the enterprise. In the event it failed to hand over the profits originally agreed upon, it will pay interest on this portion of the outstanding account to the financial department concerned and its staff and workers would not be in a position to receive bonuses. Meanwhile, the plant was to be given specific decisionmaking power in production and management." Through practice in 1980, it achieved the best results since it went into operation 14 years ago, thus removing the label of incurring losses for 8 years running from itself. The annual output of calcium bicarbonate was 52,500 tons, a gain of 34,700 tons over 1979, or an increase of 162.6 percent over the 1980 state-assigned quota. The plant made 300,000 yuan in profits, and handed over 36,300 yuan of its profits to the higher authorities, 6,000 yuan more than was originally agreed to be handed over. This "assumption of responsibility" for a task until its completion and with limited profits integrated economic responsibility with the economic interests of the plant and of its staff and workers. In fact, it is a responsibility system linking the handing over of profits of an enterprise to the state. The task of assuming certain economic responsibilities from the higher authorities by an enterprise and the economic interests serving as the motive force among the departments of an enterprise enhanced the enthusiasm of an enterprise and its staff and workers, and helped to achieve improvements in production and management in four fields:

/1. Under the guidance of state planning, production plans were worked out according to the principle of production according to sale, thus the production level rose remarkably./

The calcium bicarbonate in phosphate fertilizer as a commodity supply fell short of demand. The counties, cities and the people's communes concerned vied with one another to place orders for calcium bicarbonate with the Jingyang Phosphate Fertilizer Plant, totaling 45,000 tons in all and constituting 45 percent of the total output of calcium bicarbonate for the whole district. After investigating the market conditions and requesting a supply of phosphorus ore and sulphuric acid and in line with the materials allocated according to the state plan for producing annually 20,000 tons of calcium bicarbonate, the plant worked out an annual plan to actually produce 50,000 tons of calcium bicarbonate. Hence the initiative and enthusiasm of the enterprise's staff and workers was aroused. Practice has shown that the integration of the unified balance of the state plan with the complementary plan of the enterprise in conformity with the principle of production according to sale can bring the superiority of the socialist system into full play in the production and management of the departments of the enterprise.

/2. The enterprise coordinated planned readjustment and regulation by market mechanism by taking the former as the key link, thus utilizing its total capacity and raising profits notably./

Under the guidance of unified state planning, the enterprise energetically used regulation by market mechanism, changed the old practice of "living within the state plan" and revitalized its production and management. The planned supply of sulphuric acid delivered in the early part of 1980 plus the sulphuric acid produced within the plant was less than half of the total needed for production. If the enterprise organized production in accordance with this supply of raw materials, it would have continued to suffer from losses in 1980. To bring about a fundamental change in this situation, the enterprise increased its production of sulphuric acid and organized the labor force and went to the market for raw materials needed to "feed its machines." Second, it established regular contacts with the trades concerned; it formulated and implemented product quantity and quality; it set up monthly, quarterly and annual sales records; it regulated its storage capacity; and it established a communications network with some key sulphuric acid plants inside and outside the province. Third, it provided information on its initiative to the enterprises concerned on its production capacity, the quantities of sulphuric acid and phosphorus ore on hand and its storage capacity and the newly formed communications network. Fourth, the plant reported on market conditions and the request it had made to the higher authorities and integrated the overall balance of the arrangements of the higher authorities with regulation by market mechanism, thus forming two channels of supply for raw materials. Putting the above-mentioned measures into effect, the Jingyang Phosphate Fertilizer Plant established "sister relations" with the enterprises concerned in Beijing, Zhuzhou, Lanzhou and Yumen, and bought from Zhuzhou 2,747 tons of sulphuric acid which was outside the plan. Meanwhile, through the channels of the responsible provincial departments, they bought 5,324 tons of sulphuric acid from sulphuric acid plants in Lanzhou, Baiyin and Yumen. These two purchases were equal to 193 percent of the planned supply by the state or 80 percent of the total output of in-plant produced sulphuric acid. At the same time, together with the Qingping people's commune, the Bangqiao people's commune and Xingyong people's commune as well as the commune-run enterprises, they carried out the practice of "linking up plants with enterprises," signed contracts for replenishing their stock of phosphorus ore and bought 14,500 tons of phosphorus ore. By practicing regulation by market mechanism, production registered an increase of 26,000 tons, comprising 50 percent of the total annual volume of calcium bicarbonate output. The net increased industrial output value was 2.41 million yuan, resulting in an additional 150,000 yuan of profits. The utilization of capacity of the plant was 190.18 percent higher than in 1979.

/3. Enterprise management was rectified and strengthened, sound and normal production order and work were established, thus product quality improved markedly./

Under the unified leadership of the plant's party committee, the job responsibility system was carried out among the plant's party secretary, vice party secretaries, directors and deputy directors to every worker. The system of fixed basic quotas of labor, materials and funds of the enterprise was rectified and perfected, and basic managerial work such as record-keeping, accounting and statistical analyses of enterprise management was rectified and enhanced. Thus normal production order and work were restored and strict enterprise labor discipline imposed.

On this basis, leadership over quality control was intensified and full scope was given to the role of the professional, technical and function departments. By adopting six measures, the rate of high quality calcium bicarbonate was 99.9 percent, an increase of 56 percent over the original plan. A number of products were upgraded to grade-3 products.

/4. Energetic efforts were made to rectify equipment and transform technology, thus the level of technology and the rate of availability of equipment in good condition were raised noticeably./

To cope with the problems of long-neglected equipment, low rate of availability, high rate of leakage, backward technology and techniques, equipment unable to be formed into a complete set and low production efficiency, the enterprise adopted strong measures and achieved good results.

The enterprise firmly grasped the rectification of equipment, formulated a responsibility system for equipment and rules and regulations for preserving and repairing and for operating equipment. The enterprise cleaned and repaired every machine, line, valve and meter according to the standards of equipment issued by the Ministry of Chemical Industry. Of the 332 machines within the whole plant, 262 machines or 84 percent attained the standards of equipment in good condition. The leakage rate of static hermetically sealed points were reduced from 5.5 percent to 3.5 percent.

By utilizing available funds, the enterprise carried out technical transformation of the sulphuric acid equipment and achieved good results, thus enhancing the equipment capacity for producing 7,500 tons of sulphuric acid annually. In 1980, the plant was able to produce 10,235 tons of sulphuric [acid], a gain of 2,735 tons over what had previously been thought of as the equipment's capacity.

CSO: 4006/421

INDUSTRY

SHANGHAI BOOSTS PRODUCTION OF ELECTRIC APPLIANCES

OW270724 Beijing XINHUA in English 0701 GMT 27 Jul 81

[Text] Shanghai, July 27 (XINHUA)--Shanghai, China's leading industrial city, is expected to double the production of television sets in 1985 with an annual output of 1.4 million, the city's Statistical Bureau said.

The city produced 700,000 T.V. sets in 1980 and will produce 900,000 this year.

According to a recent survey of 350 families of various categories conducted by the Shanghai T.V. Set Wholesale Department, there is one T.V. set every two families in this largest Chinese city.

Apart from meeting its own needs, an official of the Statistical Bureau said, Shanghai also supplies its T.V. sets to other parts of the country.

A survey by the bureau indicates a boom in the production of household electric appliances between 1980 and 1985.

The city will produce 1.15 million electric fans this year, an 8.5 percent increase from 1980. The 1985 output will be two to 2.85 million. Almost one-third of the city's families own electric fans.

Output of washing machines will be 40,000 this year, six times as many as 1980. An official of the bureau predicts that the production will probably climb to 350,000 in five years in view of the growing demand.

Shanghai will produce five million radio sets this year, 35 percent more than in 1980, he said. Annual output will remain the same through 1985. At present, he said, 94.3 percent of Shanghai's urban households have radio sets, and half of the city's 1.46 million rural households also have sets.

The increased production will be achieved through new equipment installations and the streamlining of existing enterprises. The goods will be sold both in Shanghai and throughout the rest of China.

Following are the figures for other electric appliances' increases from 1980 and the projections for 1985 output:

Tape recorders: 159,000, down by 27 percent, and a 1985 output of 700,000.

Refrigerators: 7,200, up by 80 percent, and a 1985 output of 20,000.

Electric cookers: 22,000, up by 38 percent, and a 1985 output of 100,000.

Electric razors: 100,000, up by 28 percent, and a 1985 output of 250,000.

Electric irons: 890,000, up by six percent, and a 1985 output of 1.55 to 1.58 million.

Air conditioners: 1,200, up by 38 percent, and a 1985 output of 9,000.

CSO: 4020/231

USE OF SICHUAN CIVIL AIR DEFENSE PROJECTS

Chengdu SICHUAN RIBAO in Chinese 8 Jun 81 p 1

[Text] Civil air defense projects have been widely used as production, living and service facilities in Sichuan Province where as much as 287,000 m^2 of space designated for civil air defense have been thus utilized, realizing the benefits of investing in civil air defense projects.

In the famous salt-producing capital of Zigong City, an underground city was built as a civil air defense project with an area comparable to the actual total area occupied by the city's pre-liberation population. This underground city which people have named "the Second City" has a main thoroughfare 10 li long plus factories, schools, shops, exhibit halls, movie theaters, day-care facilities and teahouses. Luzhou City's Anfuzhen used an over 8,000 m^2 civil air defense project to set up an "underground recreation area" with various cultural and recreational facilities complete with restaurants, snack bars, teahouses, photographic studio and specialty shops which provide jobs for unemployed youths. The mountain city of Chongqing, often referred to as a "furnace," uses its civil air defense projects to build a total of eight cold storage houses in caves and increased the city's fresh meat freezing capacity by over 8,000 tons. During the hot summer season, some of the city's theaters, production workshops and conference facilities are set up to utilize the cool air from the civil air defense shelters nearby. In northern Sichuan, the important town of Nanchong uses its civil air defense projects to house a fully equipped 100-bed underground hotel which is very popular with travellers.

CSO: 4006/422

INDUSTRY

BRIEFS

GUANGDONG INDUSTRIAL OUTPUT--Guangzhou Municipality scored great achievements in industrial output in the first 6 months of 1981. There was an increase of 8.9 percent in gross output value, of which, light industry increased by 13.14 percent, while heavy industry increased by 1.24 percent. Since 1980, after an industrial reorganization, Guangzhou Municipality has united all enterprises to produce 10 "fist" products and 58 key products. Wristwatches, bicycles and sewing machines increased respectively by 11.49, 14.9 and 15.75 percent. There was an increase in the production of electric fans, washing machines, refrigerators and other commodities. Importance has been attached to readjustment work of heavy industry and key industries; the production structure has been readjusted in the machinery and electrical trades, and service has also improved. Metallurgical and chemical industries have vigorously promoted production of raw materials which are in short supply, thus providing more raw materials for light industry production. In the first 6 months of 1981, the rate of increase of production of collective industries and enterprises in Guangzhou Municipality was higher than that of state-owned enterprises. [HK110712 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 3 Jul 81]

GUANGDONG INDUSTRIAL PRODUCTION--Guangzhou, 10 Jul (XINHUA)--Guangdong's total industrial output value for the first half of 1981 rose 11 percent against the same period in 1980. The output value registered by light industry in the province in the period under review increased 16.9 percent from the corresponding period last year. According to incomplete statistics, 524 enterprises in Guangdong have integrated themselves into 129 joint economic businesses in the course of economic readjustment. [OW130555 Beijing XINHUA Domestic Service in Chinese 0131 GMT 10 Jul 81]

GUANGXI TEXTILE INDUSTRY--Over the past 32 years since the founding of the PRC, Guangxi region's textile industry system has steadily increased production by an average of 20 percent a year. From the founding of the PRC to 1980, the regional textile industry system submitted to the state an accumulated capital of 900.8 million yuan, which was equal to 3.6 times the amount of state investments in the same period. The taxes and profits submitted by the regional textile industry system to the state in 1965 accounted for only 2.47 percent of the region's revenue, but the taxes and profits submitted in 1980 represented 12.27 percent of the region's revenue. In the initial period of liberation, the region's textile industry was very backward and the region had only 20 small textile mills with only 260 workers. The total industrial output value was 1.08 million yuan. By the end of 1980, the region had 114 textile enterprises, 63 of which were owned by the state, with 55,000 workers. The total industrial output value was 729.9 million yuan, some 600 times greater than in the initial period. [HK180840 Nanning Guangxi Regional Service in Mandarin 1100 GMT 28 Jun 81]

JIANGSU TEXTILE INDUSTRY--The textile industry of Jiangsu Province overfulfilled its production plan for the first half of 1981. The total output value and the total profits increased by 17.19 percent and 16.48 percent respectively, compared with the same period of 1980. [OW221937 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 19 Jul 81]

NEI MONGGOL LIGHT INDUSTRY--By the end of June Ulanqab League in Nei Monggol had fulfilled 61.49 percent of its annual light industrial output value plan. Its light industrial output value was 14.93 million yuan, 41 percent more than in the corresponding 1980 period. [SK222354 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 22 Jul 81]

GUANGZHOU LIGHT INDUSTRY--Guangzhou Municipality's total light industrial output value in the first half of this year was approximately 10 percent more than in the corresponding period of last year. The municipality fulfilled some 50 percent of its annual quotas for the production of 32 products of the 40 main products, including sewing machines, bicycles, watches, batteries and soaps. Output of sewing machines, bicycles and watches was from 10 to 15 percent respectively more than in the similar period of last year. [HK110712 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 7 Jul 81]

HUNAN INDUSTRIAL MEETING--The Hunan Provincial People's Government on 6 July held a provincial telephone meeting on industrial production, urging the workers on the industrial front of the province to step up the "increase production, practice economy, increase income, reduce spending" movement and strive for better achievements in the second half of this year than the first half so as to realize the target: a 4 percent increase in 1981 industrial output compared with the 1980 record. [OW130555 Changsha Hunan Provincial Service in Mandarin 2300 GMT 7 Jul 81]

TIANJIN EXPORT GOODS--Tianjin second light industrial enterprises produced export goods worth 455 million yuan during January-June period, an increase of 20.55 percent over the corresponding 1980 period. In the last 6 months of 1981, Tianjin Municipality increased 21 export product varieties and signed contracts with countries including Japan, the United States, Canada and West Germany, for processing 24 products with export materials, expecting to earn an extra of 5 million yuan by the end of 1981. [SK192248 Tianjin City Service in Mandarin 0030 GMT 18 Jul 81]

HUBEI POWER LINE--China's first 500,000-volt electric power transmission line crossing Changjiang River was installed on 18 July. It is 600 km long and located between Pingdingshan of Henan and Wuhan of Hubei. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 19 Jul 81 OW]

HENAN NATIONAL GLASS MEETING--The Ministry of Building Materials and the Ministry of Railways recently held a joint meeting in Luoyang Municipality on packaging and transport of plate glass. The meeting called on the glass factories to reform the backward traditional packaging methods so as to reduce the losses incurred in the course of packaging and transport. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 22 Jun 81 HK]

CSO: 4006/420

FOREIGN TRADE

SHANGHAI PAPER ON IMPROVING FOREIGN TRADE

HK310940 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 9, 29 Jun 81 pp 9, 12

[Article by Ji Chongwei [1323 1504 1218]: "We Should Apply the Theory of 'Comparative Cost' To Guide Foreign Trade"]

[Text] Due to our onetime naive belief in closing the country to international intercourse and one-sidedly placing overall emphasis on self-reliance, for a considerable period of time in our foreign trade workers have become oblivious of the possible advantages that the development of foreign trade can bring to the national economy and to the people's livelihood. At the same time, the guidance of scientific theories has been lacking, and as a result the operation and management of foreign trade have been carried out more or less blindly. The failure to observe economic laws, the total disregard of production costs and forgetting profits and the loss and the neglect of economic results have seriously affected our national economy and the development of our country's foreign trade. The 3d Plenary Session of the 11th CCP Central Committee adopted the important policy of opening up the country economically to international intercourse and decided on the guideline, based on independence and autonomy, self-reliance, equality and mutual benefit, which calls for strengthening contacts with foreign nations both economically and through technology, the vigorous development of foreign trade and the active and reliable utilization of foreign capital and the introduction of foreign technology. All these are necessary measures for speeding up socialist construction.

However, in our foreign trade work, so far we have not had a definite and clear theory to guide us but have adhered to the concept of simply meeting each other's needs. Over many years, our foreign trade constituted the mere exporting of whatever goods were available in the country and the importing of whatever goods the country lacked. We seldom made a study of the conditions of the international markets, or on whether the composition of the commodities for export and import were rational or not, or on how to make use of foreign trade to display the advantages and superiority of our economy and to rectify our deficiencies and drawbacks. In this way, we lacked a correct strategy and policy to develop our foreign trade. In the past, among our country's foreign trade departments and economic theorists, influenced by "leftist" ideology, an important theory which had guided various countries engaging in foreign trade and formulated by the capitalist classical economist David Ricardo, namely, the "theory of comparative cost," was categorically refuted and was labelled as a reactionary theory serving the imperialists' exploitation of their colonies. The theory was thus relegated to the forbidden zone, so to speak. More recently, certain comrades among the theorists have suggested a renewed evaluation of Ricardo's "theory of comparative cost," with a view to absorbing its scientific inner substance to guide our country's foreign trade. I feel that this is extremely necessary and significant.

The "theory of comparative cost," also known as the "theory of comparative benefits," was an important theory brought up by the British capitalist classical economist David Ricardo in the early part of the 19th century when he examined the international division of labor and international trade. According to this theory, a country should export those products whose production it enjoys "absolute advantages" (superior or relative advantages) and import those whose production it is in an "absolutely disadvantageous" or "least advantageous" position. This will be beneficial to the participant nations in international trade. Ricardo's theory was formulated on the basis of the "theory of regional division of labor" evolved by another British capitalist classical economist, Adam Smith. Adam Smith wrote: "If there is any nation that can supply us with certain commodities at lower prices than what we can produce ourselves, then it is better for us to import them rather than purchase such commodities from our departments which are capable of producing them." Nevertheless, while Adam Smith saw that a nation should export those commodities whose production it enjoyed "absolute advantages," Ricardo asserted that if a nation was not in a position of having "absolute advantages" in the production of any two kinds of commodities but used that commodity whose production it had the "lesser disadvantages" of the two to trade with other countries, it would still be beneficial to the two parties concerned. He took for example trade between Britain and Portugal. He pointed out that while Britain produced grape wine and woolen yarn both at a less advantageous condition than Portugal but that if with the two commodities under comparison Britain could produce woolen yarn at relatively lesser disadvantages, then both countries could still benefit if Britain would export its woolen yarn in exchange for grape wine from Portugal.

Over the past 100 years, many capitalist economists have further interpreted the "theory of comparative cost" from various angles but all along they could not divorce themselves from the basic concept of Ricardo's "theory of comparative cost." Following the continual development of the productive force of a society, such factors as scientific technology, enterprise management and culture and education have all played an increasingly important role in the development of the economy and have also become important factors in production. At present, countries in the world are in possession of vastly different kinds of essential factors of production. A nation may enjoy economic superiority in respect of certain production factors but may be in an inferior position in respect to other production factors. For example, the United States enjoys superiority in advanced technology but is in a disadvantageous position because of its high wages. Our country has plentiful labor power and wages are low. This constitutes an advantage but our backward technology and management methods relegate us to a position of inferiority. The merging together of these superior production factors and inferior production factors give rise to the various types of economies now existent in the world, namely, the so-called "labor-intensive" type, "technology and knowhow-intensive" type, "resources-intensive" type, "capital-intensive" type, and so on. The disparity in the production factors and the differences in the types of economies of the various countries provide the basis for the international division of labor and for international trade today. At present, governments of various countries, under the guidance of the "theory of comparative cost" and based on the concrete conditions of their own countries, are devising various kinds of economic and trade policies in an endeavor to strengthen the superior position of their commodities for export and to lessen the advantages enjoyed by commodities in competition from other nations. Enterprises engaging in international trade in various countries are all devoting their utmost efforts to build themselves up into a position of superiority for their commodities, to investigate the conditions of the world markets, to select the best marketing techniques and in this way to formulate theories for "market studies." Under the present condition of large-scale industrial production becoming more internationalized, the "theory of comparative cost" is playing an even greater guiding role than before on the development of the economy and the international trade of a nation. At present, if a country wishes to engage in modern large-scale production, it must participate in the international division of labor and in international trade in order that the raw materials, products, production technology, equipment and capital which large-scale industrial production needs or it has in excess can have the benefit of reciprocal readjustment among the nations of the world. Take for example the case of steel and machine building. Even in countries in Europe and the United States and Japan where the iron and steel industry enjoy great development, they are unable to reach the stage of self-sufficiency in respect to all specifications and varieties of the products. On the contrary, they must, in accordance with the provisions of the law of value, export on the one hand those products possessing varieties and specifications which can demonstrate their countries' production superiority and on the other hand import those products possessing varieties and specifications in the production of which they are in an inferior position. This way of mutual adjustment benefits all countries concerned.

The development of international trade can achieve the objective of rapidly developing the economy of a nation. This theory has passed the test of actual practice in international trade over more than 100 years. Naturally the "theory of comparative cost" also has its serious drawbacks. For example, it prescribes the formation of the international division of labor to principally the differences in natural conditions and overlooks such factors as improvement in scientific techniques, higher standards of management and greater labor efficiency. Moreover, it bypasses the important role played by the trade policies and measures adopted by the various countries on the international division of labor. At one time the "theory of comparative cost" was utilized by the newly risen industrial capitalist class in Britain as basis for the formulation of the free trade policy. However, the imperialist monopoly capitalist class made use of this theory to support their expansionist policy, to set up the colonial system, to make the backward nations bases to supply them with raw materials and markets for the sale of their goods, and to earn high profits by means of this unequal system of international division of labor. This was one aspect of the "theory of comparative cost" as used by reactionary imperialism. But being a scientific theoretical weapon, it can just the same be used by us to serve the independent and autonomous economic policy of our country. We cannot, because it was made use of by imperialism, refute its scientific and rational aspects. If only our country can firmly insist on the guideline of independence, autonomy, equality and mutual benefit, put foreign trade under unified management and control, and fully display the superiority of socialism, we can still make use of the rational inner substance of the "theory of comparative cost," and actively take part in the international division of labor. Our country enjoys many advantageous conditions such as bountiful natural resources, plentiful labor power, low wages, and an established industrial foundation. Of course, there are also certain disadvantageous conditions, such as our scientific technology and standard of management not being very high, the low level of industrial organization and mechanization, low skills and the low efficiency rate of labor, and certain administrative systems and regulations actually hindering the development of foreign trade. We must give full play to our advantageous points and minimize the disadvantageous points. We must investigate and conduct research on our export and import commodities and the international markets, and make a thorough study of them. We must clearly ascertain the demands and trends of development of the international markets. In regard to each export commodity, we must find out its foreign exchange earning rate, the costs involved, and the general state of profits and losses. As for those commodities in the export of which we command absolute advantages such as handicrafts and certain special subsidiary agricultural products, we must put in full play all the advantageous factors and satisfy the needs of the foreign markets. Take for example the drawn work products of our country. They require the type of labor which can be done by female workers in the rural villages. The production costs are low. The foreign exchange rate is roughly 2.78 yuan to $1.00. No other country in the world can compete with us in this area. In recent years, the annual increase in the export volume of this commodity was from 20 to 30 percent, and last year the gross value of its export volume reached $400 million. Over 3.5 million people in the 20 provinces and municipalities of the country now depend on this commodity for a living. It is thus a commodity with an extremely good future. We must therefore develop it in a planned manner and with due consideration to the needs of the international markets. Take another example such as woolen knitwear in the markets of the United States. The selling price is roughly $28 per piece in the United States. In our country, the wages for machine-knitted woolen wear averages only 0.7 to 0.8 yuan per piece, whereas in Europe and in the United States the wages for workers making woolen wear are much higher. More or less the same conditions apply to other labor-intensive commodities such as clothing and shoes. Our country has plentiful coal deposits. An initial estimate places our deposits at some 600 billion tons. At present, the cost per ton is only 20 to 30 yuan, but in the international markets the price of coal reaches $50 per ton. Even taking into account the high transport charges involved in the export of coal, its export is still a profitable trade. As for tungsten ore, the purchasing price in our country is over 8,000 yuan per ton but the international price is over $9,000 per ton, and it can sell for more if the degree of purity is higher. For this reason, we should strive to export more labor-intensive and resource-concentrate types of goods. Our machine-building industry has already been provided with some definite groundwork. Some of the machine products are both technology-intensive and labor-intensive and it is more profitable to export them. The precision grinders made by the Shanghai Machine Tools Plant are good in quality and the production costs are about 10,000 yuan each, but they sell at more than $10,000 each in the United States. Again, take for example electronics products. They consume much labor in their making. At present, many plants in our country are doing the fitting and assembling work of electronics products for plants abroad, using parts and materials supplied by them. If we can organize well the production of the specialized elementary parts, then there are good prospects in the future for the development of the export trade in the categories of electric goods for civilian use.

In general, it must be said that in the case of those commodities in the exportation of which we are in a relatively advantageous position, if only we can devote efforts to improving them, playing up the good points and minimizing the weak points, then we will have the means for greater development. In the case of certain commodities such as glassware, they consume much fuel in their manufacture, have high production costs, require a nearly 40 percent of markup in the selling price to cover transportation costs and generally speaking, the overall procedure to acquire foreign exchange earnings from this commodity requires much effort and expense. Hence, we should limit the export of this commodity. As for these commodities that are imported, there are also the problem of playing up the strong points and minimizing the weak points and that of improving their composition. In recent years, among the commodities imported by us, agricultural products and industrial raw materials such as grain, cotton, sugar and chemical fiber have greatly increased in proportion. In particular, the proportion of imported materials reexported after processing made up 42 percent of the total volume of export trade last year, whereas the proportion of industrial commodities imported such as steel products, chemicals and machines declined. Under the present condition of agriculture not being well developed and the shortage of grain in the country, the importation of more grain is necessary and is worthwhile. This is because that from the standpoint of international prices of various kinds of agricultural products, the cost of grain in the United States and Canada is lower than that of the economic crops on account of grain being suitable to large-scale mechanization. Therefore, the current guideline of importing grain and planting more economic crops is a correct one. However, as for such economic crops as cotton, sugar and tobacco, since their international prices are high and their importation involves huge subsidies from the state, we must produce more of them in the future and strive for self-sufficiency by gradually reducing, and eventually ending their importation. A certain comrade has investigated the prospective profits and losses if we were to trade the agricultural products from Shanghai's suburban farms in the international markets. It was found that in the United States the price of 1 jin of wheat was about 8 cents and that of 1 jin of green pepper was 75 cents. In Shanghai, the price of 1 jin of wheat was a little over 0.1 yuan, while at the peak production period, 1 jin of green pepper could sell for only 0.02 yuan. Thus, 1 jin of green pepper from Shanghai could fetch nearly 10 jin of wheat in the United States. An American friend therefore asked: "Why don't you people trade these kinds of vegetable crops for wheat in the international markets?" It was estimated that in Shanghai's suburban areas, calculated in international prices the planting of 1 mu of wheat can earn an income of $32; planting of 1 mu of green sword beans can earn $264 and planting of 1 mu of garlic can earn an income of $600. Therefore, would it not be feasible for us to plant in the coastline areas and towns more of economic crops such as vegetables and fruits which are needed in the international markets and, after processing, export them in exchange for more grains? This indeed is a topic of research on the application of the theory of comparative cost to guide us in the reform of the composition of our export trade.

Below I would like to discuss the relationship between profits and losses in foreign trade and the policy governing the import and export commodities. This is because this problem influences all aspects and is also extremely complicated. Comrades engaging in foreign trade and in industrial or financial work and those in economic theoretical work are all concerned about it. It is necessary for us to examine both theory and practice to find out the real substance of the contradictions before we can find the right direction to solve the contradictions.

Since 1953, the foreign trade of our nation has been under state monopoly and both import and export trade have been under the unified control and management of the foreign trade departments. Because of the low foreign exchange rates of our currency, over the years profits were made in import trade while losses were incurred in export trade. The Ministry of Foreign Trade made the necessary readjustments in a unified manner and profits were used to make up the losses. In short, the practice of meshing together was practiced in foreign trade. At the time of the Great Cultural Revolution, even customs duties were abolished, under the pretext of "melting taxes and profits in the same pot." Over a period of 28 years, the Ministry of Foreign Trade reported profits for 19 years and losses for 9 years. In 1980, the separation of taxes and profits was made and remittance of customs duties alone amounted to about 3 billion yuan. Consequently, foreign trade operations shifted from making profits to suffering losses. This year, in order to encourage exports and discourage imports, a system of "internal conversion" of foreign exchange in foreign trade was adopted by means of which the exchange rate of $1.00 equaling 1.6 yuan was changed to $1.00 equaling 2.8 yuan for purposes of internal settlement of accounts. As a result, import trade was changed from making profits to incurring losses while the reverse was true in the case of the export trade. This of course applied to the overall rendering of accounts. In the case of individual commodities, due to the differences between the domestic prices and the prices abroad, profits were shown on certain imported commodities such as wristwatches, television sets, synthetic fibers, rubber and so on. At the same time, of the commodities of export, over 30 percent, comprising mainly industrial goods, still incurred losses of some kind. Some loss ratios amounted to 50 to 60 percent. According to estimates made by the Ministry of Foreign Trade, this year the losses incurred in import trade will reach over 10 billion yuan. The principal reason for this is that over the years the international prices of many commodities have been steadily rising whereas the prices fixed for them in domestic transfers in our country have remained stationary. As a result, huge subsidies had to be disbursed by the state. Take for example the case of imported wheat. In 1971, the purchase price was $64 per ton. By 1981, it had risen to $223, the equivalent of 724 yuan. However, the domestic transfer price is only 326 yuan, or a loss of nearly 400 yuan per ton. In 1971, the price of chemical fertilizer was $35 per ton; in 1981, it went up to $116 per ton, which was the equivalent of 325 yuan. In China, the domestic settlement price was only 173 yuan, a loss of over 150 yuan per ton. Similarly in the case of cotton, its price in 1971 was $832 per ton but went up to $1,956 per ton in 1981. The latter was over 5,470 yuan, but the domestic settlement price was only 2,658 yuan and a loss of 2,800 yuan per ton was thus incurred. More or less the same conditions applied to sugar and agricultural chemicals. Over the past 10 years and more, the international prices of commodities have gone up several times but the domestic prices in our country have not changed at all. Among the commodities for export, this year crude oil and petroleum products will bring profits amounting to 7.6 billion yuan as a result of their prices rising steadily in the international markets but remaining unchanged in the domestic market. As for agricultural subsidiary products and mineral ores, their foreign exchange acquisition cost was about 1 to 2 yuan to $1.00. In general, they were profit-making commodities for export. However, the expenses incurred in acquiring foreign exchange earnings from exported industrial products ranged from 2 yuan to 4 or 5 yuan per $1.00, and were the main (?reason) for the losses in foreign trade. Averaging the accounts, this year a deficit of about 1 billion yuan will probably be incurred in export trade and, according to estimates made by the Ministry of Foreign Trade, this year the overall picture will show a net deficit of 6 billion yuan in foreign trade. However, since the budget of the Ministry of Finance provided for a net deficit of only 4 billion yuan for foreign trade, this will be the cause of serious contradiction and dispute between the relevant departments. The situation appeared to be that in order to stabilize the domestic market and maintain industrial and agricultural production, certain material resources must be imported, but the selling price cannot be raised and among the industrial commodities of export, making many losing propositions. In the past, the Ministry of Foreign Trade handled all foreign trade affairs alone and was responsible solely for the profits and losses. It needed only to report the net results to the Ministry of Finance. Actually, there was no auditing of accounts. Many commodities which incurred heavy losses in their export and should not have been exported were exported just the same and many substandard and very expensive goods were bought in large quantities, to be subsequently stockpiled in the warehouses. Such a state of affairs will no longer be tolerated. Since the state cannot stand to continue to absorb losses resulting from the purchases of commodities, the way out is to restrict their purchases or to purchase them only at lower prices. This again causes disputes between the industrial and trade departments. In domestic marketing, it is easy to handle those commodities whose supply falls short of demand, but in the case of those commodities whose supply exceeds demand and which must be exported, failure to export them will result in the stopping or reduction of their production in which case workers will be idled and there will be reduced receipts in taxes and profits for the Ministry of Finance. For this reason, many industrial departments have sharply criticized the policy of "subsidizing and encouraging imports and reducing the purchase prices of export commodities or restricting their export." In order to reduce the anticipated deficits, this year the scale of purchases of commodities for export and, in fact, the entire export plan are below last year's level. Meanwhile, a recession in export trade will adversely affect the foreign exchange position of the state and in the event of the foreign exchange earnings failing to meet the foreign exchange payments and the widening of the adverse balance in the foreign exchange position of the state, then imports will eventually be adversely affected.

The causes for such a situation are complicated ones. First of all, our price system and price level formulated over the past 20 to 30 years were at great variance from the international level. International prices have been increasing at an average rate of 10 percent every year but the domestic prices in our country have basically not been changed. This had one good point and this was the maintenance of price stability, but it resulted in huge financial subsidies being paid out by the state and this was not a very sound base. Besides, the burden tends to become increasingly heavy as time passes and it may not be possible to keep the process going indefinitely. Second, we fixed our trade internal settlement prices on the basis of the average cost of export commodities last year with a certain amount of profits added to every 2.5 yuan of the average cost. But there are thousands of kinds of commodities being exported and the disparity between their domestic purchase prices and their marketing prices abroad is very great. In general, the expenses incurred in acquiring foreign exchange earnings is low in the case of primary raw materials such as subsidiary agricultural products and mineral products. For example, the breeding of cultured pearls costs only 0.8 or 0.9 yuan to acquire a foreign exchange earning of $1.00 and similarly the expenses incurred in acquiring foreign exchange earnings from coal is only several jiao for every dollar. In the case of industrial products, the foreign exchange acquisition cost is much higher. For example, in the case of light industrial products last year, the average expenses incurred in acquiring foreign exchange was 3.91 yuan for every dollar and as a whole the resulting deficit incurred by the state was over 2.8 billion yuan. It was found that of the light industrial products, at least 17 of them incurred expenses of more than 5 yuan for every dollar. The causes of such deficits may be ascribed in part to various factors in both the production and circulation factors such as poor management and operation, production and marketing being out of joint, the products being unmarketable, poor quality of the products, the variety and specifications of products being antiquated, poor packaging, and so on. Even for the same kind of commodity it was found that the labor volume expended in production and circulation in the country was frequently higher than the average labor volume required in the world. At the same time, these products required great quantities of raw materials and energy. They had high production costs, were unable to fetch good prices, and generally lacked the competitive edge. Due to the system of "meshing together" or "eating out of the same pot," in foreign trade management and control no responsibility system was in force while the inefficient marketing methods brought about a heavy stockpiling of goods in warehouses, a slow turnover of funds and much extravagance and waste. All these deficiencies need to be rectified in our work. At the same time, many commodities for processing have likewise brought about losses in foreign trade, due to the imposition of taxes at each stage of processing, the resulting markup at each and every process stage or, generally speaking, the industrial profits being fixed at too high a level. For example, the importation of polyester-cotton blend fiber for processing into textiles for reexport normally should be a profitable trade and could earn foreign exchange earnings as well as renminbi. But because of the imposition of profit charges and the taxes levied at each stage of processing, it has been turned into a commodity which incurs heavy losses. Last year, imported polyester-cotton blend fiber cost $1,500 per ton. Adding 40 percent customs duty and adding the percentile trade surcharge, the cost figure was raised to 3,500 yuan. Upon delivery to the Ministry of Textile Industry, the price charged was 8,500 yuan per ton and when the ministry turned it over to the textile plants the price was 11,000 yuan per ton. In this way, even before any processing work was done on the raw material, these several intermediary links had already added on taxes and profit charges amounting to 8,660 yuan. Following commencement of production, at each of the processing stages, spinning, weaving and dyeing, a profit allowance of around 20 percent was added on. In addition, there was a tax levy of 29 percent and if the resultant product was made into apparel for export, an additional tax levy of 5 percent was imposed. This succession of tax levies and profit charges caused the deficit incurred by the trade department on this commodity alone to reach as high as 70 to 80 percent. Since last year, relevant government departments have studied this problem and planned to solve it by reducing the tax levies and the profit charges. At the end of last year, the State Council issued an order on the reduction or exemption of tax levies on commodities for export. Unfortunately, whenever the reduction of financial receipts was concerned the question invariably arose as to who was to be the party to bear the financial loss, whether the central government or the provincial governments. And this problem has defied solution. In my opinion, in order to develop foreign trade, we must start from the standpoint of macroscopic economics and, taking into consideration the whole interests of the state, study which commodities should best be exported and which imported in order better to accelerate the development of the national economy. Concerning the exportation of products beneficial to the national economy we must adopt a series of policies and measures of encouragement. As for imports, we must take into account the supply and demand relations at present and in the future and, following the principle of safeguarding the development of the national industries, study which commodities should be banned from import, which commodities whose importation should be restricted, which commodities the importation of which should be gradually reduced, and which commodities the raw materials of which can be imported for the purposes of processing, manufacturing or assembling of the finished products in our country. In the case of such equipment or key parts of machines (such as the important and essential parts of machinery equipment, automatically controlled equipment, and so on), which we cannot manufacture or which we can manufacture but the quality of such products is poor and they entail high production costs, and if it is found more profitable to import such advanced products from abroad rather than undertaking trial or limited production of the products ourselves, then we should by all means encourage their importation. Only in enlivening export trade under the guiding principle of benefiting economic development and playing up the good points and improving on the weak points can we speed up the readjustment of our economy and the construction of the four modernizations.

In the implementation of these measures, comrades of the various departments, localities, enterprises and financial or taxation departments should take a broad vision. They should take into due regard the interests of the country as a whole and not be shortsighted or only care for the interests of their own departments or enterprises. They should not take temporary advantages in matters of either finance or taxation or be unyielding or insist on playing their own game and generally behave in such a way as to impede the solution of the contradictions or hinder the normal development of foreign trade, which in effect would be impeding the development of production. As for those products which normally incur losses or deficits, a concrete analysis must be made of the real factors concerned and if it is found that their exportation is beneficial to the state, then in addition to lowering the production cost in both the production and circulation sectors, the financial departments should reduce the tax levied on them, the industrial departments concerned should be satisfied to work on the principle of "a small profit but a large output," while the foreign trade department in turn should bear a portion of the deficits. Only in this way can the policy of encouraging exports be implemented. More recently, Shanghai solved the problem of the exportation of half a million sets of rubber ties mainly through the three parties concerned making the necessary concessions. In the last analysis this means that the state benefits while the industrial, trading, financial and taxation departments are all fulfilling their tasks.

In order to make further contributions to the tasks of developing our country's foreign trade, readjusting the economy and constructing the four modernizations, we have yet to perform a series of big and important tasks, these including reforming the foreign trade control system, improving the composition of the import and export commodities and organizing ourselves into a united front to deal with all external affairs. Among these tasks, there is a key and important link which is that we must positively reform and improve, that is, the management and operation of the industrial and foreign trade enterprises in order to make our export products marketable, of good quality and incurring a low production cost since only then can they compete in the international markets. In this regard, a great deal of investigation and research work has yet to be done. It is hoped that those comrades engaged in both the theoretical and practical work on the problem of production costs will deepen their studies and play a leading and promotional role.

CSO: 4006/421

FOREIGN TRADE

BRIEFS

GUANGDONG MUNICIPALITY ECONOMIC CONSTRUCTION--The area of the Zhuhai Municipal Special Economic Zone is 6.81 square kilometers and is being used to develop tourism, residential housing and electronics, light and textile industries. Before the establishment of the municipality, the municipality's annual industrial output value was only some 38 million yuan. Over the past 2 years, the municipality has manufactured and processed some 130 products and built a large number of new enterprises which do processing work with materials supplied by foreign firms and new assembling enterprises. The municipality's total industrial output value in 1980 was 81 percent more than in 1978. The output value of the enterprises which do processing work with materials supplied by foreign firms accounted for 42 percent of the total industrial output value. The municipality's foreign exchange earnings in 1980 were some $37 million, double the 1978 figure. The per capita income of rural commune members in 1980 was 234 yuan, some 50 percent more than before the establishment of the municipality. The municipality has invested some 70 million yuan in capital construction, eight times more than in 1978. [HK230200 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 15 Jul 81]

SHENZHEN SPECIAL ECONOMIC ZONE--In the first 3 months of 1981, the Shenzhen Special Zone imported more than HK$538.37 million of foreign investment, up 55.4 percent compared with the corresponding period last year. Since the beginning of 1981, Shenzhen has made good progress in importing foreign investment. From January to March, 86 contracts for investment of various types were signed with merchants, 71 of which have already been put into production. Imported items include industrial, agricultural, pastoral, tourist, housing, transport, hygiene and cultural trades. They are imported in the form of industrial processing using imported materials, joint ventures, cooperative production, and running businesses with one's own funds. [HK030929 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 21 Jun 81]

JAPAN OLYMPUS COMPANY EXHIBIT--Beijing, 8 Jul (XINHUA)--An exhibition on precision and optical instruments sponsored by Olympus Optical Company, Japan opened at the Beijing exhibition centre here today. It will last for 10 days in Beijing. On display are medical fiberscopes, microscopes, cameras, micro cassette tape recorders, copying machines, precision measuring, analytic and audio equipment and other optical instruments for medical use. The Olympus Optical Company had previously joined other Japanese firms in sponsoring exhibitions in China and established business relations with Chinese trading firms. Mr Shigeo Kitamura, president of the Olympus Optical Company, and Wang Wenlin, vice chairman of the China Council for the Promotion of International Trade, spoke at the ceremony. [OW091131 Beijing XINHUA in English 1301 GMT 8 Jul 81]

CSO: 4006/421

BRIEFS

HUNAN HIGHWAY CONSTRUCTION--The party and government in Hunan Province have promoted construction of highways since the founding of the People's Republic of China. The total length of highways in the province is now more than 54,000 kilometers, almost 13 times that of the preliberation period. The highways now handle some 150 million dun of freight transportation annually against 70,000 dun in the initial period after liberation. [OW130555 Changsha Hunan Provincial Service in Mandarin 2300 GMT 5 Jul 81]

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GENERAL

BRIEFS

GUANGDONG TOURISM--As the policy has been relaxed, the number of tourists entering and leaving China through Luohu has increased in the past few years. According to statistics, in 1978, 3,110,123 tourists entered or left China through Luohu; the 1979 figure was 5,902,490 border-crossing, an increase of 83.7 percent compared with 1978. In 1980, the figure reached 6,919,425, an increase of 17.2 percent compared with 1979. [HK060632 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 22 Jun 81]

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China Report

ECONOMIC AFFAIRS

No. 161

Energy: Status and Development

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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CHINA REPORT
ECONOMIC AFFAIRS
No. 161

ENERGY: STATUS AND DEVELOPMENT

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High-Yield Oil, Gas Well

ENERGY WASTE SITUATION, CONSERVATION MEASURES EXAMINED

Lowering Energy Consumption

Beijing RENMIN RIBAO in Chinese 21 May 81 p 5

[Article by Lei Xilu [7191 6932 4389]: "Lowering Energy Consumption as a Strategy of Economic Readjustment"]

[Text] Energy resources constitute the important material foundation for the development of social production and improvement of people's lives. The development of China's energy resources has advanced rapidly since establishment of the nation. In 1979 the total energy production (including coal, oil, natural gas and hydroelectric power) was equivalent to 640 million tons of standard coal, which was 11.4 times that in 1953, amounting to an average annual growth rate of 10.1 percent. However, the energy supply has registered a significant shortage in recent years and has been insufficient to meet the needs of national economic development, so that the industrial production capability could not be fully developed and this resulted in a heavy economic loss. Therefore, insufficient energy has rapidly become a key question related to development of the national economy. What are the major causes of energy shortage? How do we solve the problems of energy shortage? This article will discuss these problems.

Large Energy Consumption Is One of the Major Causes of Energy Shortage in China

Energy consumption has increased very rapidly in China since the establishment of the nation. In 1979 the total energy consumption was equivalent to 586 million tons of standard coal (referring to commodity energy only, excluding noncommodity energy such as waste matter and wood used in rural villages), which was 9.8 times of that in 1953. It was the third largest energy consumption in the world, exceeded only by the United States (2.502 billion tons) and the Soviet Union (1.445 billion tons).

China's energy consumption was greater than that during the period of the first 5-year plan and much greater than in foreign countries. For example, in 1979 the consumption of standard coal per 100 million yuan of national income was 174,000 tons, a 98.5-percent increase over the average of 91,800 tons during the period of the first 5-year plan and a 27.9-percent increase over the 136,000-ton consumption in 1965. Comparing the energy consumption in China with that in foreign countries: in 1978 Japan's energy consumption was 77.2 percent of China's and its national income was 4.6 times that of China; the total U,S. energy consumption was 4.4 times China's and its national income was 10.9 times; the total Soviet energy consumption was 2.5 times and its national income was 3.2 times; and the total energy consumption of West Germany, England, and France was 64.9, 51.1 and 42 percent of China's, respectively, and their national incomes were 3.2, 1.6 and 2.4 times that of China, respectively. Calculated on the basis of energy consumption (in terms of standard coal) per $100 million, China's energy consumption was the highest of all.

Let us further compare China's and Japan's energy consumption and the production of a number of major products. In 1978, Japan's total energy consumption was 439 million tons of standard coal, amounting to only 77.2 percent of China's, while Japan's steel production (102.11 million tons) was 3.2 times that of China, automobile production (9.27 million vehicles), 6.5 times; electric power generation (495.2 billion units), 1.9 times; and tractor production (310,000 vehicles), 1.9 times. The energy consumption and the production of a number of major products in the United States, the Soviet Union, West Germany, England, and France compared with China's were approximately the same in scale.

The Major Causes of High Energy Consumption in China Today

1. Low Energy Utilization Rate. Energy consumption consists of two major parts: one part effectively utilized and one part wasted. The effective utilization rate of energy in China is only 28-30 percent, and the rest, 70 percent or so, consists of waste heat and loss. The effective utilization rate of energy in Japan is more than 50 percent, and in the European Community nations, 42 percent or so. If China's energy utilization rate could be increased from the present 28 percent to the level of Japan today, approximately 200 million tons of standard coal could be saved a year.

The reasons why China's energy utilization rate is so low include the following:

First of all, the standard of energy management is low, with consequent serious energy waste. Due to neglect and a low standard of management, the loss of gas, water, and oil due to leakage is a common phenomenon in the vast majority of plants, and loss of electric power and thermal power is also significant.

The unit energy consumption of 38 kinds of major products during the first 6 months of 1980 as determined by a national survey was found to be below 60 percent of the best historical level. The difference in energy consumption among different enterprises of the same occupation is also quite large. For example, among China's 50 medium-size chemical fertilizer plants, the average coal consumption per ton of synthetic ammonia was 2.77 tons for the period January-May 1979. Among them, the Quzhou Chemical Fertilizer Plant in Zhejiang Province consumed only 2.214 tons. If all other plants could reach the standard of the Quzhou Chemical Fertilizer Plant, 1.8 million tons of coal could be saved a year.

There are as many as 4,000 heat-treatment factories and construction sections among 6,000 enterprises belonging to the First Ministry of Machine Building system, with a total electric furnace capacity of 1.34 million kW. Some plants use these facilities less than once every 2-3 days, wasting a large amount of electricity. If these plants could be reorganized to take advantage of cooperative ppecialization, the number of heat-treatment factories (or construction sections) could be reduced more than 50 percent and a large amount of energy could be saved.

Second, energy resources have not been systematically utilized. Generally speaking, the most efficient way is joint thermoelectric application--generating electricity first, supplying heat later. The waste heat and the coal gas produced as a byproduct of industrial production have not been sufficiently utilized. According to a preliminary estimate, the nationwide usable industrial waste heat amounts to 50 million tons of standard coal, and only about 10 percent of it is being utilized today. The coal gas generated from the blast furnaces and coke furnaces in China's key steel enterprises amounts to approximately 8.7 billion cubic meters a year and the oil field gas generated by the oil industry reaches 5 billion cubic meters a year. These gases are not utilized, and this is equivalent to a loss of 2 million tons of standard coal or 2.8 million tons of raw coal a year.

Third, outdated technology and equipment constitutes another very important reason why China's energy utilization rate is low. According to a preliminary study of more than 26,000 different kinds of electromechanical products manufactured by plants belonging to the First Ministry of Machine Building, 55 percent are 1940-50 models, and 3,200 kinds of popular products are manufactured in large quantities which are known to consume a large quantity of energy and are low in efficiency. The domestic internal combustion engines consume 10-20 percent more fuel than the foreign made, thus wasting more than 3 million tons of oil a year. The efficiencies of various kinds of machinery and pumps are on average approximately 10 percent lower than the foreign made, thus wasting more than 10 billion units of electricity a year. The thermal efficiency of the existing 180,000-190,000 industrial furnaces is only approximately 50 percent, consuming approximately 200 million tons of coal a year. Compared with the thermal efficiency of 70-80 percent achieved by the industrially advanced nations, China is wasting 30-50 million tons of coal a year.

Fourth, irrational distribution and utilization of energy creates large waste. For example, railroad locomotives should use lump coal or molded coal, but raw coal is being used today. As a result, the loss rate is 7 percent more than if lump coal or molded coal were used. Chemical fertilizer plants should use medium lump anthracite, but what is supplied to the plants today consists for the most part of unsieved, small lump coal, with an increase in consumption of 25-30 percent, amounting to a waste of more than 5 million tons of coal a year.

2. Irrational Economic Structure

The structure of the national economy has a great effect on energy consumption. Within the national economy, industrial circles consume the most energy, especially the metallurgical and chemical fertilizer industries. The light industry and transportation sections consume less energy, and the agriculture, commerce, services, and travel consume the least energy. One of the important reasons why China's energy consumption today is greater than during the period of the first 5-year plan and the period of readjustment from 1963 to 1965 is the fact that heavy industries which consumed great amounts of energy were developed too fast. For example, between 1953 and 1979, the average annual growth rate was 10.1 percent for energy, 12.7 percent for the metallurgical industry, and 17.7 percent for the chemical industry, including 26.6 percent for the chemical fertilizer and pesticide industries. The specific weight of heavy industry among all industry increased steadily. A larger part of China's energy resources is consumed by heavy industry today because of its disproportionately large specific weight. For example, in 1979, 28 percent of the national income was contributed by heavy industry, which was responsible for approximately 60 percent of the total national energy consumption. On the other hand, 18 percent of the national income was contributed by light industry, which was responsible for only 10 percent of the total national energy consumption. Thus, the limited amount of oil was not properly utilized to achieve the maximum economic effect.

Since the readjustment of the proportional relationships was started in 1979, its effect on energy conservation has already been seen. Comparing 1980 with 1979, the specific weight of light industrial production in the total industrial production increased from 43.1 to 46.9 percent. And 22 million tons of standard coal were saved as a result of this measure and the reorganization of the products structure within the industry. Based on a rough estimate, 6 million tons or so of standard coal could be conserved for every 1 percent rise in the specific weight of light industry in the entire industry. Therefore, a systematic and gradual increase in the specific weight of light industry is an important effective measure to decrease the energy consumption level.

3. "Five Small" Enterprises Consume Too Much Energy With Much Waste

In 1979, medium and small enterprises occupied 99 percent of China's total industrial enterprises and produced 56 percent of the total industrial output. At present, most of these small enterprises consume too much energy and account for a great deal of waste. In the field of metallurgical industry, the energy consumption per ton of pig iron by medium- and small-scale enterprises was more than 100 jin more than the key iron and steel plants, thus wasting more than 1 million tons of standard coal a year.

In the field of chemical industry, the synthetic ammonia industry consumes 50 percent of the energy. Large plants imported from abroad using oil and gas as raw materials consume on average 1.43 tons of standard coal per ton of synthetic ammonia, while the small ammonia fertilizer plants using mainly coal and coke as raw materials consume 3.71 tons of standard coal per ton of synthetic ammonia. The small enterprises thus waste more than 10 million tons of standard coal a year compared with the usage of the large imported plants.

Energy Conservation Is an Important Means of Solving the Energy Shortage

The measures to solve the energy shortage problem consist of development and conservation. During the period of readjustment, conservation is more important.

During 1980, while the energy supply decreased 2.9 percent, industrial production increased 8.7 percent. This feat was accomplished mainly by energy conservation. During the period of the sixth 5-year plan the total supply of energy is expected to decrease further, so if we want to maintain a steady rate of national economic growth we must work harder on energy conservation. During the period of readjustment and for an even longer period afterward, we must make energy conservation one of the key measures for the development of the national economy. We must carry out technological renovation and structural reconstruction of our national economy centered around energy conservation and aggressively fight the battle of energy conservation.

Among various energy conservation activities, conservation of oil has even greater significance. Today, when there is a shortage of oil supply in the world and the oil price is rising rapidly, every country attaches great importance to oil conservation. In 1979, 84 percent of China's crude oil production was consumed domestically with great waste. How effectively we can utilize this amount of oil has a profound significance. If we can conserve 10 million tons of oil by any effective conservation measure and export that oil, we will be able to earn more than $2 billion in foreign exchange, which can be used to import facilities and technologies which are urgently needed by the national construction. This will have a significant effect on China's realization of the "four modernizations."

During the past 2 years, the energy conservation efforts exerted by everyone, from the party Central Committee to the local district, have already shown some definite results. But this is only the beginning. There is still a great latent potential for further conservation.

What measures of energy conservation should we emphasize? Based on the experiences gained by the domestic advanced energy conservation units and thos of foreign countries, we must emphasize activities in the following areas:

First of all, we must strengthen the ideological work. The energy situation must be explained and various forms of wasting energy must be presented to the workers and the people, and then the methods of solving these problems must be explained to them. Everybody must be made to understand the close relationship between energy conservation and China's "four modernizations" construction and also the effect of energy conservation on improving and raising the national standard of living, so that he will willingly practice energy conservation.

Second, energy management must be strengthened. The energy management structure must be established and strengthened from top to bottom. So that energy management, distribution, and utilization can be governed by short-range as well as long-range energy conservation plans, measures, guidelines, and policies must be drawn up and implemented systematically. Each year the government must publish the goals and tasks that are expected to be accomplished by each department, district, and enterprise. The government must implement a measure on supplying energy to enterprises according to a norm in exchange for a coupon, and likewise from the enterprise to its factories. After the basis of norm management is well established, we must gradually experiment with a fixed amount of energy undertaking. Excess use of energy will not be replenished, or it will be replenished at an added price. We must establish a system of post responsibility so as to eliminate completely the loss of thermal energy, waste of electric power, and loss of gas, water, and oil due to lack of a sense of work responsibility. Energy conservation must be made one of the items on which an enterprise is evaluated. It must be made part of the routine; it must be systematized and popularized.

Third, new technologies, new materials, and new experiences related to energy conservation must be pursued and developed aggressively in order to raise the standard of energy conservation. Any new technology, new material and new experience acquired by any enterprise must be expanded and applied to its production process and to the renovation of energy conservation measures. Relatively inexpensive and simple measures with mature technology from which quick results can be obtained must be popularized first of all. Those measures which are more complex and more expensive and require a longer period of reconstruction must be popularized gradually after experimenting with them.

Fourth, the outdated facilities and technologies must be renovated with energy conservation as the central theme, and old facilities which waste too much energy should be eliminated gradually. At the same time, research and trial construction of high-efficiency energy-saving equipment must be pushed forward aggressively.

Fifth, the economic structure must be reorganized one step further. During the process of reorganizing the economic structure, we must accelerate the development of those sections which consume less energy, including agriculture, light industry, commerce, services, travel, and construction industry, so that their specific weights in the national economy will be increased further. Thus, not only will energy be significantly conserved but also the market will be stabilized, people's lives will be improved, and financial income will be increased. While the economic structure is being reorganized, the products structure within enterprises must also be reorganized. Those small enterprises which waste energy, have large losses and produce low-quality, unattractive products must be systematically reorganized.

Sixth and last, economic policies related to energy conservation must be researched and developed, especially economic policies which will promote conservation of oil and reduce the use of oil for fuel.

In addition, the development of methane gas, forest for firewood and charcoal, small hydroelectric power generation, renovation and development of small coal mines in rural areas, together with utilization of solar energy and wind power, are all effective measures for solving the problems related to energy shortage.

9113
CSO: 4006/330

Resource Measurement, Testing Work

Fuzhou FUJIAN RIBAO in Chinese 11 May 81 p 2

[Article by Cao Jichuan [2580 1323 1557], deputy director of Fujian Province Survey Bureau: "Stressing Energy Resource Measurement and Testing Work"]

[Text] Conservation is an extremely important task in the period of national economic readjustment. To a large extent, the effectiveness of conservation has an effect on the speed of economic development in Fujian Province, and the conservation effort must succeed. In the effort to conserve energy, if the method of measurement is not stressed or if the measurement methods used are not accurate, then just general talk about stepping up management will not achieve the required conservation.

Measurement and testing are the basic techniques in energy resource management. Over the years, the testing and measurement work at Fujian's factory and mining enterprises has been rather weak. Among the 11 large enterprises in the province, only 4 have established a measurement department. In some plants, although there are measurement departments, they are not in charge of the general measurement work of the entire plant. In other cases, the measurement departments are short of manpower, have too many new members and obsolete equipment and apparatus. Today there are a number of plants, mines, harbors and stations in Fujian where the incoming and outgoing amounts of coal, oil and electricity and the energy consumption within the plants and mines generally lack accurate measurement. In some cases, the accounting with regard to electricity, oil, coal and gas is a complete mess. With such confusion in energy consumption, it is difficult to evaluate the conservation or waste of energy resources. Just a 1-percent error of 5 million kilowatt-hours is equal to 50,000 kilowatt-hours! If these conditions are not improved, conservation work undoubtedly will be adversely affected.

To solve the problem of measurement and testing for large energy consumers, the first step is to install the proper meters and equipment according to the needs of the profession and enterprise. In June 1980, the State Economic Commission held a work conference forum and decided to complete the installation of measurement equipment and meters and testing procedures for the nation's large- and medium-scale enterprises within a period of 2 years or so. It was also decided that in the future, energy resource supplies will be restricted at those enterprises.without complete measurement equipment, meters and testing procedures. Such enterprises will not be regarded as progressive, and in the event of an energy resource dispute, they will have to assume the economic responsibilities. This is an important measure for realizing energy conservation and is part of the capital construction at plants and mining enterprises. It should be carefully investigated and studied and practical arrangements should be made and steps carried out according to the urgency of the matter.

With increased measurement and testing practice in plants and mining enterprises, the fundamental technical work at various measurement departments should be stepped up correspondingly. In Fujian Province, the measurement work had a late start, and a weak foundation; the great majority of local and municipal measurement offices were established within the last 1 or 2 years. Due to the lack of funds, many items of standard equipment in measurement and testing cannot be purchased and the measurement and testing work for energy conservation is difficult to develop. If the various measurement institutes cannot gradually establish their energy resource measurement standards, complete their conservation measurement and testing procedures, and greatly improve the conservation-related measurement standards and the operating condition, accuracy and stability of various types of equipment and meters, then it will be impossible to calibrate and service the conservation-related measurement and testing equipment and meters in plants and mines to keep them constantly accurate and consistent. Energy resource measurement standards should be established; electrical energy and petroleum flow standards are closely related to conservation and should be established; thermal equilibrium testing should be carried out; and calibration and service problems of energy measurement devices closely related to people's livelihood should be resolved. The measurement departments should tighten their control over expenses and put the limited funds into this urgent area. In addition, strong support from other departments is needed to resolve the problems together.

Energy resources are vitally important to the four modernizations of China and to the development of the society and the economy. The nation is now taking a series of measures to keep the conservation effort going. We therefore suggest that various levels of government and relevant departments stress and step up the leadership for measurement and testing work, help solve actual problems and let this work play its proper role and make its contribution to energy conservation.

9698
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Role of Banks

Beijing ZHONGGUO JINRONG [CHINESE FINANCE] No 1, 1981 pp 27-29

[Article by Bing Shenghai [6728 4141 3189]: "Promote Conservation and Development of Energy Resources by Properly Using Credits and Loans"]

[Text] The energy resource problem is an important issue in today's economic life and it is also closely related to the national economic readjustment and the four modernizations. To a large degree the speed of carrying out the four-modernization program is dependent upon the solution of energy resource problems. In Liaoning Province, sharp conflicts exist in energy supply and demand, and the various levels of party and government authorities are devoting great attention to the development and conservation of energy resources. At present the emphasis is on conservation, and corresponding measures are being taken to strengthen the guidance. Banks should play their professional role actively and sufficiently to provide monetary support to the nation in carrying out the plans for energy resource conservation and development and should be promoters of conservation and development.

Raise Awareness About Energy Conservation

Energy resources are the prime moving force for material production. To carry out the four modernizations we need a corresponding supply of energy resources. China is rich in energy resources and has made considerable achievements in energy development and construction since the revolution. However, due to the interference and destruction by Lin Biao and the "gang of four" for more than 10 years, the development of energy resources is seriously out of tune with demand, the management of energy is chaotic, the effective utilization rate of thermal energy is low, and the loss and waste in coal, oil, and electricity are alarming. All this has led to the present shortages in energy, seriously hampered the smooth progress of economic construction and caused inconvenience to the people's livelihood. In order to alleviate and eventually solve the difficulties in energy resources, intensified energy management, rational and conservative use of energy, and improved utilization rate along with an active increase in the investment for energy development and a forceful grasp of energy production have become urgent issues.

Energy conservation will inevitably involve improvement in technology, renewal and replacement of equipment, and reform of irrational structure in industry and products. The effectiveness of conservation will determine the growth of industrial production, the success of economic readjustment and the progress of the four-modernization construction. Comrades of the banking profession should all have a sound understanding of the energy problems and reinforce their initiativeness in supporting the conservation effort. They should have a sense of urgency and work to establish strategies for promoting long-term conservation.

Conservation Has Great Potential and Is Multifaceted

China is relatively backward in industrial technology and equipment and is not good at scientific management. Also, the cost of energy is on the low side and energy-consuming units often pay no attention to conservation and coordinated usage of energy. Accountability is ignored, energy consumption is high, thermal energy utilization is low, and losses and waste are ubiquitous. Based on rough estimates for the four municipalities of Shenyang, Anshan, Fushun and Benxi in Liaoning Province alone, the amount of combustible gas, low thermal value fuel, and production residual heat released and wasted every year is equivalent to some 6 million tons of standard coal, almost equal to the total thermal value of coal production of the nation's coal capital, Fushun Mining Bureau, in 1980. Last year, Laohutai mine at Fushun released 12 million cubic meters of mine shaft gas, which is enough to provide gas for 10,000 households for a year. The thermal efficiency of Fushun Power Plant is only 31 percent; the remainder of the heat is all carried away by the circulating water and released. If 20 percent of the released heat were recovered and utilized, it would be enough to heat 60,000 households for a year (assuming 50 square meters per residence) and the saving would be equivalent to 80,000 tons of raw coal. If the cast iron-coke ratio of Anshan Iron and Steel Mill were to reach the level of that at the Capital Steel Mill, 170,000 tons of coke would be saved every year. If the coke consumption per ton of steel were to reach the Japanese level, 2.38 million tons of standard coal would be saved in a year. The coal consumption for a ton of synthetic ammonia in Liaoning is 37 percent higher than that at more progressive provinces in the nation, and the electricity consumption is 16 percent higher, which is equivalent to additional consumption of 200,000 tons of coal per year and additional electricity consumption of 77 million kilowatt-hours. In addition, waste caused by unsystematized equipment and "big horse pulling small wagon"; waste in electricity, coal and gas; leakage, drip and evaporation due to mismanagement; and waste in the transportation and production management stages are also very serious. It is clear that the potential for conservation is very great in Liaoning Province and the ways to conserve are many. All units that consume thermal energy in casting and forging and use furnaces and kilns, especially the metallurgical, chemical engineering, construction material, petroleum, coal mining and transportation departments, have residual heat, waste gas and chemical reaction heat for reuse. Therefore, intensified management of energy resources and rational conservation are effective means for solving the shortages in energy. The guiding concepts of increasing production speed through conservation should be firmly established.

Use Credits and Loans as Leverage in Promoting Energy Conservation

Banks are in the position and have the responsibility to exploit credit and loan leverage to actively promote and support the accelerated progress of energy conservation measures. In recent years, banks at various levels and a great number of credit and loan officers have increasingly recognized the far-reaching significance of conservation and have taken an encouraging step forward in promoting conservation and developing energy resources using credit and loan leverage and have achieved preliminary results. The People's Bank of Shenyang City innovatively accumulated capital and loaned out 1 million yuan to help Petroleum Plant No 1 in carrying out modifications of its east distilling and refinery facility. The modifications were completed in 1 month and improved the thermal efficiency and thermal recovery rate by 15 percent and 25 percent, respectively. This means savings of some 20,000 tons of oil and 90,000 kilowatt-hours of electricity per year. The People's Bank of Shenyang City also provided loans to enterprises in support of new energy-saving boilers, civilian electric meters urgently needed in conservation and production improvement, and provided conservation equipment for industrial technical reforms.

In some cases the utilization and potential development of residual heat and waste gas involve a number of departments or the entire community. Here the banks can also use their broad contacts, carry out the coordination, use economic influence, promote cooperation and do a good job of systematic utilization. Bank credits and loans can play a major role in executing the national energy plans. Banks should actively use initiative in support of conservation and energy development and grasp them well as high priority efforts at this time.

1. Support technical modifications centered around conservation.

The technical modification of existing enterprises centered around conservation is a long-term policy of China's modernization construction. The various economic planning departments have now come up with a number of conservation and energy development plans, generally pointing toward engineering projects combining thermal and electric energy. From the viewpoint of long-term effects, these engineering projects make systematic use of thermal efficiency and are the proper way to make scientific use of energy resources in cities and towns. Compared with the single method of generating electricity, they have the advantage of not only increasing fuel efficiency but also of contributing to elimination of pollution and cleaning up the environment. Judging by today's needs, it is not unreasonable for the nation to support the rational development of some large-scale energy development or general energy utilization projects. However, in view of the large investments necessary for this type of construction (generally tens of millions of yuan), the complexity, high level of technology and long construction time needed for the engineering projects, and the associated problems such as resources, design, environmental protection, rational use of thermal energy and geology, the current credit and loan financial forces of the banks and the experience and technical level of the cadres are all incompatible with the work requirements. Therefore, for the time being, banks should be used mainly for the support of technical improvements centered around conservation.

For the same production volume, improvement, modification and development of potential, engineering projects generally save 50 percent of capital investment as compared with new construction projects; they also require shorter construction time and accomplish more for the same effort. Based on the principle of selective support for promising endeavors, we should give priority to those improvement and potential-development projects that require small investment, have rapid return and high economic efficiency, do not pollute the environment, and reduce the consumption of fuel. New construction projects that involve the general utilization of energy and the combination of thermal and electric energy should be left to investment by the government and planning and management by local governments. The focus for the people's banks in making loans should be energy conservation, at least for the next few years.

2. Insist on continuous decrease in energy consumption per unit of product and promote management improvement in enterprises.

This is an important avenue for boosting production, promoting readjustment and accelerating the four-modernization construction and is something every production enterprise should do. However, since energy resources constitute only a small fraction of the product cost, they often receive little attention. The banks should emphasize this point in making loans and exert their influence. This is a long-term strategy.

It has been estimated that the consumption of standard coal in China to produce 1 ton of steel, 1 kilowatt-hour of electricity and 1 ton of synthetic ammonia are respectively 1.6 tons, 453 grams and 2.7 tons. In Japan, the corresponding figures are 0.77 tons, 334 grams and 1.2 tons. In China the effective utilization rate of thermal energy is only about 30 percent, only half that of industrially developed nations. Obviously, reducing the energy consumption per unit of product is far more effective than increasing energy production in solving the inconsistency and conflict in energy supply and demand in China. One method is to use financial leverage--i.e., tight or loose credit, amount and duration of loan, and high or low interest--in promoting and supporting accelerated technical improvement and equipment updating in the existing enterprises, including the production of new high-efficiency energy-conserving equipment and material. Medium- and short-term loans should be made systematically to help the enterprises in making planned improvements and to phase out high energy-consuming equipment. This should be done on the basis of going from easy, urgent and minor reforms to more difficult, less urgent and major reforms; from single machines to serial machines; and within the available financial and material capability. We should help the enterprises to strengthen their energy resource management, rationalize their coordination, balance their production, avoid idle operation, plug leakage and reduce loss and waste. The task of conserving energy is getting more and more difficult and elaborate. Personnel in charge of credits and loans should go right to the enterprises and shops to investigate and understand the situation thoroughly so that they can effectively help the enterprises improve energy resource management.

3. Insist on unified planning and overall balance in conjunction with promoting readjustment.

Energy conservation and development are among the central issues of the economic readjustment. All regions and departments should plan well to achieve a general balance in equipment, capital, resources, production and construction force under the guidance of the national plan. Banks should get involved in the regional economic readjustment, open up their credit and loan activity, and provide selective support on the basis of economy, rationality, necessity and practicality. Large and medium-scale projects should be given overall planning and should be evaluated by special design and technical departments, then approved by planning departments. In making minor reforms and modifications, consideration should also be given to overall balance, long-term effect, potential in resource and recovery, and the development prospects of related enterprises to prevent waste of capital and material. The tendency to blindly rush into a program should be overcome.

4. Insist on credit and loan principles and economic effectiveness.

Economic effects should be stressed in making loans, and the pulses and minuses of capital investment and economic return in making conservation loans should be weighed carefully to insure better return and timely payback of the principal and interest. There are times when the investment for a certain reform, improvement or potential-development program is substantial but the monetary return to the enterprise is not evident. For example, the technical modification of the chlorine gas delivery pipeline at the Shenyang Chemical Plant required an investment of 2.6 million yuan; after the modification, the annual saving of electricity would be 3.38 million kilowatt-hours for a value of only 194,000 yuan, and it would take 15 years to recover the investment. Using loan money at the current interest rate for medium- and short-term loans, 130,000 yuan of interest would have to be paid every year, while the enterprise could only recover a few hundred thousand yuan of the investment in a year. For this reason, some enterprises are not interested in getting loans to fund energy conservation programs. Some people say that energy conservation projects require a lot of effort and investment but the saving and return are small, and so they are uneconomical.

In view of the situation just described, the emphasis in bank loans should be for projects with greater return. Programs utilizing combustible gas and residual heat for public service should be carried out through government investment. The loan amount should be determined through a general assessment of the reform and improvement fund and the equipment overhaul fund; the shortage amount should then made up by a loan within the ability to pay back. In principle, the source for paying back the loan should be using the entire saving and profit of increased production to pay back the loan in its entirety after production begins. After the loan is paid back, profits should go into contract payment. If some enterprises would rather use the excess overhaul fund and modification fund in expanding their reproduction operation and use a certain percentage of the profit to pay back the loan, this should also be acceptable to the bank.

Since energy loans are a new practice in the beginning stage, continuously consolidated experience will be needed to gradually perfect the practice. Bank personnel in charge of loans should carefully and extensively study the engineering projects and exploit the financial leverage innovatively within the realm of the current credit and loan system. To provide adequate power for the development of four-modernization construction and for economic readjustment, we should act according to the principles of economics, rationally determine the direction of investment, and actively support the conservation and development of energy resources.

9698
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Beijing Conservation Efforts

Beijing BEIJING RIBAO in Chinese 21 May 81 p 2

[Article by Hong Chuanzhen [3163 0278 2182]: "Municipal Government Holds Commendation Ceremony and Recognizes Conservation Achievers"]

[Text] The Beijing Municipal People's Government has held a citywide conservation commendation ceremony and recognized the outstanding achievements and contribution to conservation work in 1980 made by 42 progressive enterprises for conserving energy, 6 progressive units for conserving water, 10 progressive groups for conserving water, 474 progressive boiler rooms, 57 progressive motor teams, 236 progressive boiler operators and 119 progressive automobile drivers.

Among those addressing the meeting were Deputy Mayor Zhang Peng [1728 1756], representatives of conservation progressive enterprises, the municipal transportation company yard No 7, and the chemical plant, and representatives of progressive drivers and boiler operators.

In 1980, Beijing overfulfilled the conservation quota for coal, electricity, oil, and other fuels. As compared to 1979, the gross value of industrial production in the city increased by 9.7 percent, and the coal and electricity consumption per 10,000 yuan value of production decreased by 5.4 percent and 4.8 percent respectively. Increase in production and income through conservation was realized in 1980.

In his address to the meeting, Zhang Peng pointed out that the potential for conservation in Beijing is still great. Our industrial structure is basically oriented toward heavy industry and is energy intensive. The products, equipment, skill and technology of the enterprises are backward and the management work is incompatible. According to test results and statistics, the utilization rate of thermal energy is about 29 percent, and waste of energy resources is still prevalent. Leaders at various levels should further improve the understanding of the importance of energy work and step up the leadership. In supplying the energy resources, in addition to insuring an adequate supply for the political activities in the capital and the people's livelihood, a policy of selective support must be maintained in supplying resources for industrial production. Priority should be given to the needs of the light and textile industries, especially to products with good quality and market ability and economic in energy consumption. Energy needs for the production of well-known brand products and the 80 items for which increased production was recently affirmed at the municipal industry and transportation work conference should be insured. For energy-wasteful production, the supply of resources should be restricted or a deadline should be set for improvement. The three energy conservation directives of the State Council must be thoroughly carried out. The nation and the city have already decided to cut down on oil-burning units and facilities and to switch to burning coal. Electricity should be allocated in fixed amounts according to the permit; anyone who exceeds the allowed quota will be restricted in usage and the amount exceeding the allowance will be deducted and returned, but the amount saved belongs to the user. Consumers of electrical energy during the "valley" period will receive special treatment; those who use electricity at the "peak" period and exceed the allowed amount and those enterprises whose electrical consumption in 1982 fails to meet the national standard will receive a price increase. The consumption of automobile fuel and processed oils must be controlled and decreased. The recovery of lubrication oil should be insisted upon, and regarding the supply of coal, a price increase whould be imposed on those users who exceed the allowed consumption.

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Shanghai Metallurgical Bureau Conservation

Shanghai JIEFANG RIBAO in Chinese 23 Mar 81 p 1

[Article: "Encouraging Results Achieved by City's Metallurgical Bureau; By Strengthening Management, Lowering Unit Consumption, Remodeling Facilities, and Renovating Technologies, Energy Equivalent to More Than 265,000 Tons of Standard Coal Saved Last Year; Nearly 83 Percent of All Steel Rolling Heating Furnaces Achieved Oil Consumption of the Level of "First-Class Furnace" as Designated by the Ministry"]

[Text] The vast majority of the staffs and workers of the Shanghai Metallurgical Bureau have strived for increased production and development while conserving energy. Last year the entire bureau was able to conserve various types of energy resources equivalent to 265,000 tons of standard coal, including more than 58,800 tons of fuel oil. During the months of January and February this year, compared with the same period last year, the entire bureau further conserved energy resources equivalent to more than 20,000 tons of standard coal, including more than 3,600 tons of fuel oil, and contributed significantly to easing the contradiction in the city's energy supply and demand and assuring the growth of the light and textile industries.

The metallurgical industry is a major energy-consuming enterprise, consuming more than four times the energy per unit of production consumed by the light and textile industries. Since the products of the metallurgical industry are basically things which are indispensable to the national economy, it is impractical to cut down on production in order to save energy so as to help develop the light and textile industries. Under such circumstances personnel in this industry have tried all means and methods to conserve energy. Since last year, they have implemented overall norm management on all energy resources, including oil, coal, coke, electricity, water, wind and steam, methane, oxygen, and compressed air. They have implemented management of the entire process of energy conservation of all departments, including all aspects such as planning, supply, facilities, and operation. From the plant headquarters to the factories and shops, energy management organizations have been established and everybody has been involved in the energy conservation management. Various measuring instruments have been installed and overall accounting of various forms of energy resource has been implemented. Energy conservation is practiced in all fields, including transportation, production and consumption. Significant results have been achieved through the strengthening of these management measures. Moreover, since the overall process of energy conservation management was implemented under the premise of guaranteeing the quality and quantity of products, the No 3 Steel Plant has operated its blast furnace only as much as necessary and has shut down the furnace as much as possible in order to conserve energy. The No 3 Rolling Mill used to operate three furnaces all the time. Since last year, this mill has strengthened planning and coordination and has steadfastly operated only two furnaces at a time. As a result, production there increased 13.5 percent over the previous year together with a 17.1-percent reduction in the oil consumption per ton of steel produced.

Remodeling facilities and renovating technologies have also had a significant impact on energy conservation. Altogether there are 29 oil-burning steel rolling heating furnaces belonging to this bureau. These furnaces used to consume 65 percent of the oil consumed by the entire bureau. Starting in 1979 a series of consolidated energy conservation technical measures was implemented, including modification and improvement of the furnace type, reduction of heat loss through the furnace wall, renovation of water pipes beneath the furnace floor, and increasing the volume and temperature of the hot air. As a result, per ton of steel, oil consumption decreased from an annual average of 61.69 kg to 52.94 kg last year, amounting to a drop of 14.2 percent. By this single item alone, more than 40,600 tons of oil were conserved last year. Today, the oil consumption standard of 24 out of the 29 oil-burning furnaces has already reached or surpassed the standard of "first-class furnace" as designated by the Ministry of Metallurgy, and no furnaces are classified as either "third-class furnace" or "outside class furnace" any more.

In addition, the bureau has further implemented norm undertaking and the principle of selecting the best to make arrangements on matters related to use of oil by the various enterprises in order to promote each plant carrying out its own energy conservation work. Each plant has tried all means and methods in order to bring down the unit consumption and to guarantee the economic effect and has achieved quite significant results in the conservation of energy.

9113
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Wenjiang Nitrogen Fertilizer Plant Accomplishments

Chengdu SICHUAN RIBAO in Chinese 17 Mar 81 p 2

[Article by Zhang Shangqing [1728 1424 3237]: "Wenjiang Nitrogen Fertilizer Plant Overcomes Insufficient Natural Gas Supplies"]

[Text] Faced with sharp cutbacks in natural gas supplies in 1981, the Wenjiang Nitrogen Fertilizer Plant did not fight for energy resources with the administration but instead strived to increase production and profit by developing internal potential and conservation. The January-February synthetic ammonia and ammonium carbonate production target was completed 10 days ahead of schedule, and the average gas and electricity consumption per ton of ammonia and the total energy consumption per ton of ammonia were both lower than last year's level, putting the plant among the top rank of similar plants in Sichuan Province. The Wenjiang Nitrogen Fertilizer Plant is a red flag unit on the national small chemical fertilizer front and is a progressive enterprise in Sichuan Province and the local area. Last year this plant produced some 20,000 tons of synthetic ammonia, reduced its energy consumption and product cost, and overfulfilled the contract payment quota. In 1981 the volume of natural gas allocated by the administration has been cut back sharply and the supply is far below the level demanded by production needs. In the face of this situation, some comrades were deeply concerned and wanted to ask the administration for a larger allocation. However, after analyzing the situation, the plant leadership decided that they should not fight for energy resources which are in short supply but instead they should develop internal potential. They decided that they should not just have their own enterprise in mind but should also think about other plants. They explained this clearly to the staff and workers at a meeting of the staff and worker representatives and encouraged them to increase production, support the agriculture and contribute to the national cause even though the natural gas supplies were cut back sharply.

On the basis of this common understanding, the plant made production adjustments centered on improvement in the effective utilization rate of the energy resources and shut down one system and let a single system run at full power to carry out production. It also made efforts in the area of conservation and loss reduction, strengthened the management of energy resources and equipment, and improved the effective utilization of resources and the economic effect per unit of energy.

It distributed the energy resources to the main shift like rationing food, and demanded a certain volume of qualified products in return for the consumption of a certain amount of resource in order to achieve the maximum economic results. In the meantime, it worked out technical measures for conservation, recovered the gas released from the synthetic tower and increased the daily production of synthetic ammonia by 2.5 tons. The small amount of ammonia contained in the water of the carbonization recovery wash tower, which used to be discharged into a ditch, is now returned to the recovery tower and reused. In order to increase the economic efficiency of the energy resources, the plant also compared the economic return of producing ammonium carbonate and aqueous ammonia and adopted a plan to produce more ammonium carbonate and less aqueous ammonia. By using this scheme, it increased the ammonium carbonate production per cubic meter of natural gas from the level of 2.93 tons last year to 3.3 tons. The economic return per million kilocalories of thermal energy showed a net gain of 7.44 yuan, representing a 20.72-percent growth, and the consumption of gas and electricity have also been reduced greatly. For the first 50 days of 1981, the saving in gas and electricity amounted to 59,000 yuan in comparison with the requirement of the national plan.

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Hubei Hydropower Workers Conservation

Wuhan HUBEI RIBAO in Chinese 10 May 81 p 1

[Article by Lan Guozhang [5695 2654 7022]: "Province's Hydropower Workers Go All Out To Conserve Energy"]

[Text] Employees and workers of Hubei's electric power department--the biggest consumer of coal--have adopted a scheme of periodic analysis of the economic activity and selected the most efficient and economic measures in the drive to conserve coal. In the first 4 months of 1981, Hubei province overfulfilled the electricity generation quota by 240 million kilowatt-hours, while at the same time the coal consumption registered a savings of 6,700 tons and the power department's own electrical consumption was reduced by 34 million kilowatt-hours.

Hubei is short on coal resources, but its hydroelectric machine capacity is rather large. Hubei should generate as much hydroelectric power as possible, while the thermoelectric power generation should be properly controlled so that thermoelectric power is principally used in balancing and adjusting the supply of large electrical power networks. This is an important policy first adopted by Hubei. In 1980 and 1981, Hubei had abundant rainfall. The hydropower stations used the water sensibly and generated an extra 1 billion kilowatt-hours of electricity. Just this one item saved Hubei 500,000 tons of standard coal.

When thermoelectric power generation is used mainly for adjusting the imbalance between peak and valley power usage, the generator will start and stop frequently and the coal consumption will certainly increase. Since the hydroelectric power is transmitted over long distances, the line loss increases accordingly. In order to conserve electricity used by the power industry itself and to cut down the line losses, the power plants set up a new award system for energy conservation. The operating crew at Songmuping power plant constantly carried out economic analyses, looked for causes and made timely adjustments to the operation. They consistently kept the facility in optimum condition and improved the thermal efficiency by 1 percent. Shashi thermoelectric power plant converted its water softening system into chemical salt-removing system and saved 5 tons of crude oil per day. Qingshan power plant also installed a comprehensive display system for continuous monitoring and control of the consumption and this had a significant effect on reducing the coal consumption. Before September 1980, the generation of 1 kilowatt-hour of electricity required 447 grams of coal, while now it is 443 grams. Just this one item alone saved 2,900 tons of standard coal for the province in 6 months.

9698
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SHANXI PLANT ADAPTS TO CUSTOMERS' ENERGY NEEDS

Taiyuan SHANXI RIBAO in Chinese 4 Apr 81 p 2

[Article by Li Hai [2621 3189]: "Building an Energy Resource Base During the Readjustment; Shanxi Machinery Plant Manufacture More Winches and Coal-Loading Machines to Meet the Needs of its Customers"]

[Text] The Shanxi Machinery Plant has aggressively grasped ideological education during the readjustment and has guided its staffs and workers to pay close attention to the product market, to strive to improve product quality, to honor the contract, to establish a good reputation, and to guarantee services and thus has contributed anew to construction of the coal energy resource base.

At present, the Shanxi Machinery Plant serves its customers with the motto "fast, excellent, cheap and new," and is aggressively attracting customers and expanding its product market. By fast, it is meant to shorten the production cycle as much as possible and to deliver goods on time by honoring the contract. By excellent, it is meant to manufacture a high-quality product, to create a name-brand product which the customers can trust, and thus establish a sales base. By cheap, it is meant to reduce the production cost while increasing production in order to achieve a rational product price. By new, it is meant to understand the needs of market, to adapt itself to the circumstances, and to manufacture new products in a timely way so as to meet the needs of the customers. A few years ago, this plant stuck to a few "continuous system" products and did not want to change. As a result, imbalance between production and sales was created, with a stockpile of unsold goods. Starting this year, in addition to the traditionally "hot line products," the plant has designed and trial manufactured a kind of high-efficiency, low-cost coal-loading machine after careful research and thorough understanding of the urgent needs of the small mine operators. As soon as the model machine was built, orders rushed in from everywhere, including mines in the southeast and middle sections of Shanxi Province. One of the units from Gujiao area even placed an order with prepayment. This plant understands very well the customers' circumstances. Sales and technical personnel are dispatched regularly right to the sales bases, the mines, and to the production front beneath the well in order to understand what is needed on the production front and what facilities are favorable to the mining industry, so that timely readjustment may be made on its production line. For example, plant personnel learned that a 30-kW electric motor was too big for the 800 windlass in an area where there was a shortage of electricity, they immediately started to manufacture 22-kW electric motors, and their engineers started to design smaller windlasses of 5-ton capacity. By doing so, they not only held onto an old sales base but also developed some new customers, and their path is growing ever wider. During the course of thoroughly implementing the readjustment plans, this plant also paid sufficient attention to educating its staff and workers in the concept of "quality first." They also organized customer service groups and called discussion meetings using informal come-as-you-are format and asked the customers' opinions, which were then passed on to the associate plants where technical tactics for launching an assault on the problem were formulated. In accordance with the needs of the customers, this plant has recently manufactured a new line of 11.4-kW winches. The customers are generally satisfied with the quality, performance, and the high production efficiency--a production of 7 tons of coal a minute. Each item of this product is snatched up by the customers before it is warehoused. So far, contracts to seel more than 200 units of this winch have been signed.

In order to maintain steady growth in sales of its products, this plant has reassigned a dozen or so strongly business-minded and intensely motivated comrades to the sales staff in order to strengthen its ranks and so they can be dispatched to various places to promote sales of its products. So far, they have sold more than 120 units of the 800 windlasses, 25-kW winches, and coal-loading machines. Furthermore, based on teh concept of total responsibility to the customers, they undertake the maintenance of their own products, are responsible for supplying the repair parts and make house-calls to service their products. They also organize operator training courses to help familiarize their customers with their products and to become more proficient in operational skills, and have thus won the acclaim of many customers.

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COAL UTILIZATION DISCUSSED; SHANXI PRODUCTION VIEWED

Problem of Effective Utilization

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 5, May 1981 pp 2-7

[Article by Wang Yinren [3076 1377 0086]: "Exploration of the Problems Concerning Rational and Effective Utilization of Coal Resources"]

[Text] The energy problem is an important strategic world problem. Rational development and effective utilization of various energy resources are the indispensable material foundations to realize modernization of the national economy. Coal, petroleum, and natural gas are common mineral energy resources; they are not only the main fuels and power for building up modern production, but they are also important industrial materials. At the beginning of the 1970's there was a crisis in petroleum, and since then many nations have placed their hopes on coal. Therefore, greatly developing and rationally utilizing coal resources have become an important part of the energy policies of many nations.

Our nation's reserve and production of coal resources rank third in the world. But compared to the world's industrially developed nations, our nation's efficiency of utilization of thermal energy is generally lower than the advanced levels of foreign nations because our nation's population is large and growing rapidly, industrial and agricultural development is rapid, while the business management of coal production is not perfect enough, and all this affects rational utilization. Now, these shortcomings have already visibly affected the national economic development and improvement of the needs of the people's livelihood. Therefore, various forceful measures must be taken to improve the structure and quality of products, and to strengthen the scientific management system for a rational and effective utilization of coal products in order to hasten the improvement of the techniques and efficiency of processing and utilization of coal, to study and develop new techniques and new technology for comprehensive utilization of coal chemistry to develop the economic value of coal to the greatest extent.

The development and construction of energy resources must be farsighted, because the construction cycle for developing energy resources is generally about 10 years. The energy resources needed 10 years from now must be studied, planned and arranged starting now. Scientific research in the rational development and utilization of energy resources must take the lead in building up production according to the patterns of scientific development. For such efforts to become applicable requires advanced technology, and developing the productive forces to promote the economy requires a relatively long period.

I. Production and Utilization of Domestic Energy Resources and Coal

Although our nation's coal resources are rich and all varieties are present, mining regions need to be more profoundly surveyed and explored, geological information must be supplemented in order to understand the hydrological condition and the changes in the quality of coal and to solve complex problems in shipping by sea and by land, transportation and power transmission. Therefore, it is still difficult to develop and utilize this part of the resources.

During the 5 years from 1975 to 1979, our nation's total energy consumption was 2.614 billion tons of standard fuel, and the average annual consumption was 523 million tons, a gradual increase from 453 millions tons in 1975 to 586 million tons in 1979 (see Table)

Domestic Energy Consumption, 1975-1979.

问题探讨

煤炭资源合理与有效利用问题的探讨

汪 寅 人

能源问题是一个世界性的重大战略问题。合理开发和有效利用各种能源，是实现国民经济现代化必不可少的物质基础。煤炭、石油、天然气等常规矿物能源，不仅是近代生产建设中的主要燃料和动力，而且也是重要工业原料。七十年代初期，石油发生危机以来，不少国家把希望寄托到煤炭上。因此，大力开发和合理利用煤炭资源，已成为许多国家能源政策的重要组成部分。

我国煤炭资源的储量与产量，目前都居世界第三位。但与世界工业发达国家相比，因我国人口多而增长快，工农业发展迅速，而煤炭的生产经营管理不够完善，影响合理使用，热能利用效率普遍低于国外先进水平，现已到了显著影响国民经济发展和改善人民生活需求的程度。因此，必须采取各种有力措施，改进产品的结构和质量，加强合理和有效利用煤炭产品的科学管理制度，尽快提高煤炭的加工利用技术和效率，研究和发展煤炭化学综合利用新工艺和新技术，达到最大限度地发挥煤炭的经济效益。

对于能源的开发建设，必须从长远着眼。因开发能源的建设周期，一般是10年左右。10年以后需要的能源，从现在起就应着手研究、规划和安排。而合理开发和利用能源的科研工作，必须按科学发展规律走在生产建设之前，而变成能应用的先进技术和发展经济的生产力，就需要更长的周期。

一、国内能源与煤炭的生产和使用情况

我国煤炭资源虽然丰富，品种也比较齐全，但在各地区的分布并不平衡。某些矿区还需加深勘探程度，补充地质资料，搞清水文和煤质变化情况，以及解决水陆交通、运输、送电等复杂问题。所以，目前开发和利用这部分资源仍较困难。

1975～1979年五年中，我国能源总消费量为26.14亿吨标准燃料，平均年消费量为5.23亿吨。从1975年的4.53亿吨逐年增长至1979年5.86亿吨（见表）。

1975～1979年国内能源消费构成表

1 年度	2 能源总消费量（亿吨标准燃料）	③ 能源消费构成（%）			
		④ 煤炭	⑤ 石油	⑥ 天然气	⑦ 水电
1975	4.53	72.2	20.7	2.5	4.6
1976	4.76	70.3	22.6	2.8	4.3
1977	5.21	70.6	22.2	3.1	4.1
1978	5.78	69.9	23.5	3.2	3.4
1979	5.86	71.3	21.8	3.3	3.6

我国能源总消费量已达到世界第三位。但按我国9.7亿人口计，每人平均能源年消费量仅为600公斤标准燃料（其中平均每人年消费标准煤约420～430公斤），与美、苏等工业发达国家按人口平均计算的能源年消费量，相差十分悬殊。

建国30年来，我国煤炭产量增长了近20倍，而工农业总产值增长了14倍。到1979年煤炭产量增长速度已放慢。30年来，其它主要工业，如钢、铁、化肥、电力等工业生产增长速度与幅度均高于煤炭工业。钢产量增长约218倍，生铁产量增长约147倍，电力增长约65.6倍（包括部分烧油电站），化肥增长约1690倍（包括用石油与天然气作原料的部分

[Key on following page]

Key:

1. Year
2. Total energy consumption (100 million tons standard fuel)
3. Composition of energy consumption (%)
4. Coal
5. Petroleum
6. Natural gas
7. Hydroelectric power

The total energy consumption in our nation already ranks third in the world. But taking into account our nation's population of 970 million people, the per capita average energy consumption per year is only 600 jin of standard fuel (average per capita annual consumption of standard coal is 420-430 jin), and compared to the per capita average annual energy consumption of industrially developed nations such as the United States and the Soviet Union, the difference is very great.

Over the past 30 years since the founding of the nation, our nation's coal production has increased nearly 20 times, while the total production value of industry and agriculture has increased 14 times. In 1979, the rate of increase in the production of coal began to slow down. For 30 years, both the rate and scale of growth of other major industries, such as steel, iron, chemical fertilizers, electric power, were larger than that of the coal industry. Steel production grew about 218 times, pig iron production increased about 147 times, electric power increased about 65.6 times (including some fuel burning power stations), and chemical fertilizers increased about 1,690 times (including the part of the nitrogenous fertilizer industry that uses petroleum and natural gas as raw materials).

Our nation's efficiency of utilization of coal is relatively low, and the potential for conserving coal is very great. For example, the ratio of consumption of coke for smelting iron during 1975-1977 was 620-640 kilograms of coke for smelting each ton of iron (equivalent to the level at the beginning of the 1960's abroad), and in 1978-1979, the ratio of consumption of coke per ton of iron dropped to 550-560 kilograms, a conservation of 60-80 kilograms of coke per ton of iron (equivalent to 80-100 kilograms of washed coal). But compared to the level of the 1970's of industrially developed nations (the ratio dropped to below 500 kilograms), there is still a lot of potential which can be exploited, and the ratio of consumption of coke per ton of iron can be lowered further, by 50-60 kilograms. The ratio of consumption of coke for smelting iron in medium and small blast furnaces operated by localities in general is even higher, averaging 700-800 kilograms. Again, for example, the difference between the average consumption of coal at our nation's coal fueled power plants and the advanced levels abroad is still very large (about equivalent to the level of the 1960's). It dropped from 450 grams of standard coal per kilowatt in 1975 to 422 grams in 1979. Foreign advanced levels have already reached 300-350 grams of standard coal per kilowatt. Again, for example, the unit consumption of raw coal for the manufacture of synthetic ammonia using coke or anthracite in recent years has dropped from over 1,500 kilograms to 1,360 kilograms, higher than foreign nations by over 300 kilograms. Viewing the indicators of coal consumption by the three major industries described above, we can see that if rational and effective measures are taken, a large amount of coal can be conserved.

II. Development and Utilization of Energy Resources Abroad

The total consumption of energy abroad, according to incomplete statistics, increased from 2.45 billion tons of standard fuel in 1950 to 8.55 billion tons in 1978 (it is estimated that by 1980 this already reached 10 billion tons), an average annual increase of over 200 million tons of standard fuel. The consumption of coal dropped from 61 percent to 27.5 percent, and the consumption of crude oil and natural gas increased from 37.5 percent to 69.5 percent. Within the last 30 years, the amount of energy consumption increased on a large scale. In Japan, it increased about 9.6 times, in the Soviet Union, about 5 times, in West Germany nearly 3 times, in the United States about 2.2 times (in 1978 the consumption of standard fuel already reached 2.5 billion tons). According to 1979 statistics, the national per capita average annual consumption of energy in the United States was 11.32 tons of standard fuel. In the Soviet Union, West Germany, Britain, France, it was 4 to 6 tons of standard fuel, and in Japan it was 3.78 tons. The average per capita production of coal in the United States, the Soviet Union, Britain, West Germany is 3.5 to 2.0 tons in the Soviet Union, 1.9 tons in the United States, and 1.4 tons in Great Britain. The average per capita production of natural gas is as high as 2,430 cubic meters in the United States, 1,540 cubic meters in the Soviet Union. The per capita generation of electric power is over 10,000 kilowatt-hours in the United States, nearly 6,000 kilowatt-hours in West Germany, and 5,450 kilowatt-hours in Britain. The per capita average production of steel is 965 kilograms in Japan, 750 kilograms in West Germany, and 560 kilograms in the United States and the Soviet Union. The per capita national product in 1979 was $10,320 in West Germany, $9,550 in the United States, $8,830 in France, $8,680 in Japan, $5,580 in Britain, and $4,750 in the Soviet Union. The amount of coal consumption in the United States, the Soviet Union, West Germany constitutes 86.8 percent, 97.8 percent and 94.8 percent of the nation's yield, respectively (West Germany counts only hard coal and does not include brown coal). In the United States, Great Britain and France, 78 percent, 69 percent and 55 percent of the domestic coal is used for power generation, and in West Germany and the Soviet Union, 47.7 percent and 40.0 percent is used for power generation. In Japan, it is only 11.3 percent. The percentage of coal used by the coking industry is 76.7 percent in Japan, 41.4 percent in West Germany, 31.9 percent in France, 30 percent in the Soviet Union, 11 percent in the United States and over 13 percent in Great Britain. The percentage of civilian coal is the highest in the Soviet Union, constituting 16 percent of consumption; in Great Britain, 10 percent; in France, 6.6 percent; and in the United States and West Germany, only 1-2 percent.

III. The Major Problems Existing in the Development and Utilization of Coal Resources in Our Nation

Internationally, the "energy elastic coefficient" (i.e., the ratio between the annual rate of increase in energy consumption and the annual rate of increase in the total production value of industry and agriculture) is frequency used to study the relationship between energy consumption and the growth of the national economy of each nation. Under ordinary conditions, this coefficient should be about 1.0, i.e., the rate of growth of energy consumption and economic construction should be basically the same. According to statistical information on some major industrially developed nations, during the beginning period of industrialization, the fuel industry developed relatively quickly to stimulate the rapid development of other industries. Limited by the level of science and technology of the time, the rate of increase in energy consumption has always been faster than the rate of increase in the total value of national production. The ratio between the two has frequently been greater than 1.0. From the beginning of the 1950's to the latter part of the mid-1970's, because of the rapid increase in the level of science and technology and the changes in the composition of energy and the national economic structure, the growth rate of energy consumption generally dropped. In industrially developed nations, the "energy elastic coefficient" has already dropped to 0.7-0.8, while that of developing nations is usually larger than 1.0 (it is 1.22-1.27 in our nation). When implementing our nation's energy policy mainly based on coal, studying the "elastic coefficient" of energy consumption must be considered on the basis of coal as the main factor. To assure the continued growth of our nation's national economy and to enable the "elastic coefficient" of energy consumption to drop from 1.22-1.27 to ≤ 1.0 are important questions that are worth overall study. What effective measures can be taken to solve this important problem? The first is to intensify the development and increased production of energy (mainly coal). The second is to change the structure of the national economy, adjust the ratio of ihe industries that consume a lot of energy and those that consume less energy (the ratio of heavy industry and light industry). The third is to greatly conserve energy, implement various effective technological reform measures, and increase the efficiency of utilization of thermal energy so that coal can be rationally and effectively utilized. Solving the shortage of supply and demand for energy must place conservation of energy (especially conservation of coal) in a position of priority within the near future. Considering the long range development, we must rationally develop and effectively utilize our nation's energy resources according to the "principles of equal emphasis on increasing production and conservation." It should also be pointed out that at present it is possible to conserve relatively large amounts of energy. But as the efficiency of utilization of energy increases, the rate of conservation will drop. Therefore, gradually developing the study and developing various kinds of new energy according to plan are also very important.

There is a lot of potential in the conservation of energy in our nation. This means that a lot of waste still exists in the use of energy. According to surveys and analysis of concerned aspects, about 35 percent of the waste is mainly due to the lack of a sound scientific management system within the enterprises. The remaining 65 percent of the waste is due to outdated and backward production techniques and technological facilities, irrational economic structure and inadequate planning. The main problems related to coal in energy consumption are the following:

1. Irrational structure of coal products, few varieties, and poor quality, affecting the efficiency of use

Among the world's major coal producing nations, our nation still produces, operates and manages raw coal. Because the coal producing departments "only care about production and do not care about use" and fail to conduct in-depth surveys and studies of the true needs of the users, therefore, the varieties of coal produced are few, the quality is poor, and "they care only about completing the production task and not about the quality." Although in the bureaus and mines with a relatively large coal system there are a definite number and scale of separation plants and dressing and washing plants, and there are regulations concerning the ash content and the size and granularity for certain types of coal, these processed product types are few, frequently they are not fixed varieties, and they can hardly satisfy the demands for quality and variety of products by the various different industries.

2. Irrational production and utilization of types of coal

Of the raw coal produced in our nation, coal for coking constitutes over half of the production of coal of the entire nation. But the proportion of washing in recent years has constituted only 28 percent of the coking coal. The remaining 70 percent and more is used as ordinary fuel. This is a poor use of superior quality resources and a great waste. For example, the fat coal of Fangezhuang Mine of Kailuan and the coking coal of Shitai Mine in Huaibei are superior quality coking coal, but regrettably they can only be used for electric power generation and ordinary fuel because no washing plant has been built. If such irrational production and utilization are not corrected in time, a seriously unfavorable situation will result that will affect the necessary supply of superior quality coking coal for some large-scale joint steel and iron producing enterprises. Another phenomenon of wasting coking coal is that a relatively large quantity of metallurgical coke "is being used unsuitably and high-quality products are used for menial purposes."

One of the prerequisites of rational utilization of coal is "the consistency of supply and demand, the marketed products must be suited to the needs of the market." Otherwise, "the supply will not satisfy demand and products will not be suited for marketing." The coal will not be effectively utilized and this will cause wastefulness and loss. If raw coal is supplied to power plants with boilers burning pulverized coal, because of the relatively large quantity of lumps of coal and waste rock, sometimes this will cause the coal grinder of the power plant to fail to supply sufficient pulverized coal, thus affecting the efficiency of the boiler and reducing the capability of power generation. The coal fired boilers of ordinary power plants are all designed according to the characteristics of the quality of the coal, and the appropriate type of coal of corresponding quality must be supplied to assure a relatively high combustion efficiency of the boiler and output by the power station so that the coal is rationally and effectively utilized. For example, nitrogenous fertilizer plants generally require the use of lump anthracite as the raw material for manufacturing synthetic gas. But the percentage of lumps in the coal produced by our nation's major anthracite mines is relatively low, constituting only 15 percent of the total yield of anthracite throughout the nation. The percentage of lumpy anthracite produced by the Shanxi Jingcheng Bureau of Mines reaches over 55 percent, and there is still a potential to be exploited for increasing the production of lumpy anthracite (including the building of more separation plants, and the separate production of lump coal and pulverized coal). At present, anthracite is not fully screened and classified and rationally distributed, and many small chemical fertilizer plants make pulverized anthracite into lumps, increasing the cost of producing gas and wasting coal. This is a conflict of the irrational use of coal. In designing enterprises that consume a lot of coal, frequently, too little consideration has been given to the study of the adaptability and the economy of the needed coal source (including the varieties of coal, demands for characteristics and quality). Thus, production cannot be carried out normally, causing serious wastefulness, loss and environmental pollution. The main reason is that the designers do not have an overall understanding and grasp of the technical and technological demands of rational utilization of coal and the basic nature of the coal producing regions of our nation.

3. Low efficiency of utilization of coal, high consumption, poor economic results of technology

Reportedly, the average rate of efficiency in the utilization of energy domestically is about 28 percent. The average efficiency in the utilization of the thermal energy of coal is about 20 percent. According to analysis, the consumption of energy of major enterprises using coal varies greatly. In 1979, the nation's most advanced small nitrogenous fertilizer plant consumed 1,845 kilograms of standard coal per ton of ammonia, while the average consumption of coal at the nation's small chemical fertilizer plants was as high as 3,730 kilograms of standard coal. The thermal efficiency of our nation's thermal power station averages 27-28 percent, while the advanced level of foreign nations reaches 35-38 percent. The highest thermal efficiency can reach 40-41 percent. If various effective techniques and management measures are taken, it is possible to lower the consumption of coal by the different systems of industries.

In our nation, there are also many regions that produce massive amounts of "indigenous coke" (estimated total production reaches 10 million tons). Compared to organic coal, the coke forming percentage is low, 15-20 percent, valuable chemical byproducts cannot be retrieved, and serious environmental pollution is caused. This is a big waste of coking coal resources. The annual consumption of civilian coal in our nation has already reached 150 million tons, and the efficiency of utilization of thermal energy is only 15-18 percent. The efficiency of ordinary coal fired industrial boilers is also relatively low, averaging about 55 percent. The result of direct burning of coal is a massive waste of thermal energy and pollution of the environment. If the techniques and technology of burning coal can be reformed, if the efficiency of utilization of thermal energy can be increased, a large amount of coal can be conserved. If the thermal efficiency of every 100 million tons of civilian coal can be increased by 3-5 percent on the present foundation of efficiency in the utilization of thermal energy, this would be equal to a conservation of 20-36 million tons of coal.

4. Coal for daily use is deficient, affecting improvement of livelihood and production; coal for production is inappropriate, affecting the increase in production value and efficiency

The ratio of the use of energy for living and for production in our nation is 1:4.5, while it is 1:2.3 in Japan, and 1:1.2 in the United States. In 1978, the percentage of fuel for civilian use was 17.8 percent, mainly coal used for living (not counting the supply of coal for local kilns and coal for self-consumption by plants). The average annual per capita consumption of coal was 211.5 kilograms.

The average annual per capita consumption of coal used for living by city residents was 730 kilograms. The average annual per capita consumption of coal used for living by farm village residents was only somewhat over 110 kilograms. The farm villages burn 500-600 million tons of stalks and grasses each year (equivalent to 250-300 million tons of standard coal). The availability of coal gas in our nation's cities is very low; there are only a little more than 12 million people throughout the nation who use gas, constituting only 1.3 percent of the nation's population (in Japan, it is over 76 percent), and about 7 percent of the urban population. Of the nation's more than 190 medium and larger cities, only one-third of the cities has partial availability of gas. Most of the city residents still use coal as direct fuel, seriously polluting the urban environment. According to foreign reports, the lowest average consumption of energy needed for living by the modern urban dweller is about 1.6 tons of standard coal per person per year--far from that of our nation.

In 1978, the energy consumption of our nation's industries was equivalent to about 400 million tons of standard coal. The major users were metallurgy and the chemical industry. The total energy consumption of the metallurgical industry was equivalent to 85 million tons of standard fuel, constituting 16 percent of the total consumption of the nation's energy (it consumed 11.7 percent of the nation's coal, 14.9 percent of the heavy oil, 24.1 percent of the power, 9.5 percent of the natural gas). The total energy consumption of the chemical industry was about 68 million tons of standard fuel, constituting 12 percent of the total national consumption of energy. Half was used for the production of chemical fertilizers, and synthetic ammonia alone consumed 29,350,000 tons of standard coal and 1,850,000 tons of heavy oil (not including natural gas and power). These two industries consumed 30 million tons of energy more than the nation's energy for civilian use and agriculture combined.

Since 1953, our nation's consumption of energy has increased about 10.5 times, while the total production value of industry and agriculture (according to stable prices of 1970) increased only about 6 times; thus energy consumption has increased more than economic growth. Therefore, the energy consumed for each 100 million yuan of production value has gradually increased from 50,000 tons to over 100,000 tons, and the production value created by each ton of energy has dropped from 1,850 yuan to 960 yuan, a drop of nearly one-half.

IV. Several Opinions Concerning the Rational and Effective Utilization of Our Nation's Coal Resources

1. Improve the structure of commercial coal, increase varieties, improve quality, satisfy the needs of departments using coal

At present, the structure of commercial coal of our nation is not sufficiently rational; although washed coal is classified into many grades according to the different ash contents, actually, there are only two types of coal for smelting and other uses. The washed coal for coking consumed domestically varies greatly in quality because of the difference in the variety of raw coal. A standardized norm (mainly by the content of ash) established for washed coal used for coking in the production of metallurgical coke to supply different types of coking furnaces and blast furnaces for coking and smelting iron often cannot satisfy actual needs. The supply of coal used for smelting in large coking furnaces and blast furnaces should be superior washed coal for coking as much as possible (the ash content should be < 8-9 percent, the sulfur content should be < 0.5-0.7 percent. The ash content of washed coal for ordinary smelting should be increased appropriately to 9-12 percent, and the sulfur content should be ≤ 1.0 percent. The washed coal for other uses can be divided into several varieties according to higher ash content (including some weakly caking bituminous coal for power generation). Lump coal can also be divided into various varieties according to different grades of granularity and the different demands for variety and quality of coal by users. It can also be divided into various varieties of different quality according to the thermal value or the ash and sulfur content so that the products will satisfy the technical demands and standards for industrial coal, thus preventing inappropriate quality in the use of coal and a waste of energy.

2. Rationally adjust the prices of commercial coal, negotiate prices according to quality

At present, the price of coal in our nation is too low, only one-fourth to one-sixth the international market price of coal. The comparison of prices among different varieties of coal is not sufficiently rational. The difference in price of strongly caking bituminous coal and weakly caking bituminous coal is very small. If the comparative price of noncaking bituminous coal is 100, the weakly (medium) caking gas coal is 104, and the strongly caking fat coal is 110. The difference between 15th grade fat coal and gas coal of the same ash and sulfur content is only 0.6 yuan/ton. Comparative prices of the quality (calculated mainly according to the ash content at present) of coal is also not very rational. For example, for washed coal, regardless of the degree of difficulty of selection of washing the raw coal, for each increase or decrease of 0.5 percent in the ash content of washed coal, the price is adjusted by 1.5 percent. Generally, the selectivity of raw coal produced by most of the coal mines of our nation is relatively poor (medium difficult to difficult to select). After the ash content of washed coal has been washed to 10 percent, further lowering of the ash content in washed coal will reduce the retrieval of washed coal noticeably (each drop of 1 percent in the ash content means a reduction of 5 percent in retrieval rate; after the ash content drops to 7 percent, each further drop of 1 percent in ash content may produce a drop of 10 percent in the retrieval rate). The retrieval rate of dressing fat coal and coking coal in our nation drops more noticeably as the ash content drops. In practice, it is unfavorable to a correct evaluation of the variety and quality of coal and to fully developing the economic gain of rational utilization of coal resources if we do not base our judgment on the basic properties and the difficulty of selecting the various types of coal, if we do not take into consideration the classification of the granularity, the ash and sulfur content and the rationality and the economy of the rate of retrieval in dressing, and if we use a mechanical and uniform comparative price formula to establish the quality standards and the pricing policy for commercial coal. Therefore, to fully develop the active function of coal as the main energy, we must negotiate the price according to quality, and rationally adjust the prices of various types of commercial coal. Under set conditions, the mines and the plants can negotiate prices, sign contracts, supply coal at fixed points, and assure quality to enable both parties to actively develop production and conserve energy.

3. Suit measures to local circumstances, study and develop solid fuel of low thermal value, effectively utilize such fuel at the locality or nearby

The quality of raw coal produced in our nation is relatively poor. Each year, about 50-60 million tons of waste rocks are produced. A substantial amount of oil shale, carbonaceous shale and peat is produced. Such solid fuel of low thermal value should be effectively and comprehensively utilized locally and by nearby localities. Thus, the sources of thermal energy and power needed by the locality can be supplemented and they can also be used to fire bricks, tiles and lime, and even ash residue can be used to produce cement and light aggregate building materials. In mining regions, another effective way to develop energy and conserve coal is to appropriately process these solid fuels of low thermal value and to utilize boilers to burn them (or dry distillation) to produce steam and generate electric power (or retrieve dry distilled products). But long-distance transport must be avoided (for example, shipping 1 million tons of coal of low thermal value with an ash content of over 50 percent from the north to the south compared to shipping 1 million tons of raw coal with an ash content of about 20 percent is equivalent to additional consumption of over 5,000 tons of standard coal. Hunan and Zhejiang produce plenty of carbonaceous shale of low thermal value (stone coal). In mountain regions where transportation is inconvenient and where there is a serious lack of fuel, exploiting and comprehensively utilizing these fuels of low thermal value locally or nearby are measures worth the attention of the localities, which should implement corresponding rational measures in the development of local small industries, providing the thermal energy needed for processing industrial, agricultural and sideline products and satisfying part of the civilian fuel and power needs of the locality to gradually develop and perfect efforts to open up resources and conserve energy. It is also worth noting that some mountain regions have a rich reserve of combustible minerals such as oil shale and peat. The rational development and effective utilization of these energy resources of low thermal value require efforts to conduct surveys and research and to arrange scientific research of the resources as soon as possible.

4. In regions of relative deficiency of coal resources, the need for development and utilization of new energy is urgent

The provinces and cities of Liaoning in the northeast and Jiangsu, Zhejiang, Shanghai, Guangdong, Guangxi and Hubei in the eastern part of our nation are all regions that are relatively poor in mineral energy resources. At the same time, they are regions with relatively high industrial and agricultural production values. Because the conflict in energy supply and demand is more outstanding, the increase in the industrial and agricultural production value has been affected. For example, in 1978 and 1979, Shanghai lost 500-700 million yuan in production value per year because of a shortage of electric power and gas. According to statistics, at present, the nation has an annual shortage of about 40 billion kilowatt-hours of electricity, a loss of 70-80 billion yuan in production value (the total loss of the northeast and Shanghai is about 30 percent) and a loss of 17 billion yuan in profits. The main reason for the serious shortage in electricity is the shortage of coal. In the near future, to depend on coal to produce secondary energy sources and solve the conflict in electric power supply and demand is not an easy task that can be quickly realized. In order to solve the conflict in the supply and demand for secondary energy sources in the northeast, besides hastening the construction of coal pits to increase coal production and conserve energy, we must also consider the development and utilization of new energy sources, mainly nuclear energy. If we build a nuclear power station of 1 million kW to replace a coal fired power station, although the investment in capital construction will be onefold more, after the plant begins operation, only 30 tons of nuclear fuel are required each year; this means a conservation of the capability and cost of transporting large quantities of coal, and the expenses incurred in the investment in capital construction can be made up year after year. If surplus heat from nuclear power stations can be further utilized and if the new technology of gasification of coal is developed, the efficiency of gasification of coal and the economic gain of nuclear power stations can be improved. It has become very urgent to actively study and develop the new energy centered around nuclear energy on the foundation of coal as the main energy source in the above mentioned regions.

5. Actively develop research in systems engineering to develop and utilize energy, technical economics and new technology in coal processing

At present, there are many irrational phenomena in the utilization of various kinds of energy in our nation. The main reasons are more or less a blindness and a lack of scientific foresight in the production and rational utilization of energy. Therefore, as quickly as possible we must develop the study of systems engineering in the development and utilization of energy, including forecasting and surveying mineral resources, the techniques of building pits, the technology of construction, the method of production, and the rational distribution of energy, distribution and transportation, composition of consumption, proportion of selection, quality standards, conversion technology and environmental protection measures, etc., as well as the study of new technical paths and economic gains of developing and utilizing other new energy sources (including nuclear energy, solar energy). For coal resources, new technology for processing and utilization of coal should be studied and developed as soon as possible, including conversion of coal into clean liquid fuel (gasification and liquefaction of coal) and elimination and reduction of the sources of pollution from coal (including harmful gases, elements and organic matter).

6. Actively develop the propaganda and popularization of science concerning the rational development and effective utilization of coal resources

At present, in the development and utilization of coal, there is insufficient understanding of the different varieties, basic properties and technological characteristics of production of coal. The differences and the scientific classification of the types of coal and the quality are not thoroughly understood. There have not been conscientious surveys and studies to learn how to reach the most rational and most effective use of the various types of coal produced by each province and even each mining region and how to produce the greatest economic results. This is also a cause of irrational production and utilization. To correct this, we must strengthen propaganda and popularization of the scientific and technical knowledge of rational and effective utilization of coal so that the production departments, management and users of coal can fully understand the original basic properties of the various types of coal, the technological characteristics and the rational demands for quality in the technology of using coal to adapt to practical needs. Rational quality standards of the various types of coal for industrial use should be established. In this way, well coordinated supply and demand and rational distribution can be realized.

7. Hasten training of scientific, technical and managerial personnel, strengthen research and management of rational utilization of coal

For good rational utilization of coal, a lot of work must be done in the scientific management of production and utilization and technical reform to improve the efficiency of utilization of thermal energy. In addition, the development of new technology, such as producing gas from coal, producing oil from coal, mixed burning of coal and oil, joint cyclic power generation to prevent pollution produced by coal, environmental protection and the protection of people's health, and maintaining ecological balance all require a large amount of scientific, technical and managerial talent, and at present, the manpower engaged in these aspects is very deficient. We must begin now to grasp well the work of training personnel in a big way and develop intellectual resources. It is hoped that each department can actively take up the responsibility and quickly train a large number of people in specialized fields to contribute toward the rational utilization of coal and the rapid realization of the four modernizations.

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Views on Rational Utilization

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 5, May 1981, pp 8-10

[Article by Chen Chengxia [7115 4453 1115] and Wang Duan [3769 4551]: "Views on Several Major Problems in the Rational Utilization of Coal"]

[Text] In the development of the national economy, energy is an important material foundation. Viewing our nation's energy composition, the proportion of coal will remain at about 70 percent from now till the end of this century. Coal is our nation's major energy source. According to an analysis of the present coal production, a difference between energy supply and demand will emerge around 1985. The need for coal will increase year by year, while the production of coal will not be able to achieve a large-scale increase within a short time because in construction of coal mines the scale is small, and a long, stable period is required. Therefore, demand will outpace supply. During the coming period, improving the efficiency of utilization of energy is the most important factor of the present energy policy. Rational utilization of coal to improve the efficiency of utilization is necessary so that each ton will function more effectively and thus the goal of conservation can be achieved. Increasing the efficiency of utilization of coal as viewed at present involves the following relatively practical aspects:

I. Study Rational Dressing, Selection and Processing of Coal, Increase Varieties, Improve Quality, and Supply Coal That Meets the Demands of Users

Since the founding of the nation, our nation's coal dressing industry has developed greatly. At present, most coal washing plants dress coking coal. The amount of raw coal for washing constitutes only 19 percent of the total yield of raw coal. The proportion of dressed coal is very low, and this has a serious effect on the rational utilization of coal.

Dressing, selecting and processing coal are important links in the rational utilization of coal. After dressing, waste rocks constituting about 15 percent of the amount of raw coal can be locally eliminated. Most of the troilite is no longer brought to the user, which greatly reduces the burden on the railroads and reduces the cost of shipping, and more importantly, less troilite prevents corrosion of the equipment and reduces pollution of the atmosphere. After selection, coal of different specifications and varieties can be chosen to satisfy the needs of various users and production techniques and to improve the efficiency of utilization. Besides the need to greatly enhance the dressing of coal for power generation, the development of the selection industry must be emphasized at present in order to increase commercial coal of various qualities and granularity specifications and to avoid the distribution of raw coal. Because the locomotive uses raw coal, a large amount of pulverized coal is carried away by smoke. It is understood that the amount of coal carried away constitutes 30 to 40 percent of the pulverized coal. Each year there is a loss of several million tons of coal. Therefore, using lump coal and small lumps of coal for combustion produces good results. The pulverized coal boilers of power plants require finely pulverized coal. If raw coal is supplied to the power plants, the consumption of electricity to grind the coal has to be increased, so the cost increases and a large amount of lump coal is wasted. Conversely, the needs of users for lump coal will not be satisfied. If the more than 100 million tons of coal used by the power plants and the more than 26 million tons of coal used by locomotives at present were all selected and processed to screen out lumps of coal larger than 13 millimeters or even small lumps of coal of 6-13 millimeters for use by locomotives and other coal burning equipment, then the loss of fuel coal could be greatly reduced and the effective utilization rate of coal by locomotives and other engines could be greatly improved. Therefore, dressing by washing and selection of coal are necessary as an industrial goal. But the extent of the processing of coal must be based on surveys and studies of the situation of our nation's coal resources, the quality of coal, the selectivity of coal, the technical requirements, the combustion equipment of the user, and technical and economic results, and it must be implemented in one region and one mining area at a time. The relationship between the effective utilization of coal resources and the dressing and washing of coal and the rate of retrieval of washed coal must be studied. To rationally utilize resources, the quality of coal must be evaluated on an overall basis in order to determine the most rational number of grades of coal. According to the results of utilization by the users and the supply capabilities, we must first satisfy the major users and distribute to users on the basis of major users first and then secondary users. To improve the results of utilization of coal, this work must be actively developed, and it is an aspect of work that has been effective.

II. Study and Improve the Various Combustion Techniques, Improve the Efficiency of Combustion

Improving the efficiency of utilization of coal is closely related to the equipment utilizing coal and the combustion technique. Improving the quality of coal can of course improve the efficiency of utilization, but it has its limitations. Improving the combustion technique is an important measure to improve the efficiency of utilization of coal on a large scale. Our nation produces 600 million tons of coal a year; nearly 100 million tons of coal are used as raw material and fuel for coking and synthesizing ammonia. Most is used as fuel. Burning by layer not only has a low thermal efficiency, but it also produces great waste. At present, the burning efficiency of pulverized boilers at power plants is relatively high. For example, the Tangshan Power Plant has been burning and dressing medium-grade coal for a long time, and the thermal efficiency reaches 80-90 percent. Coal used by the ordinary layer combustion furnace has a high ash content, granularity is small, resistance is high, and air does not easily come into full contact with the combustible organic matter. The coefficient of surplus air is large, the thermal efficiency is low, and in particular, certain vertical boilers and small civilian stoves burn bituminous coal with a high volatile fraction. The coal burns at the bottom and undergoes dry distillation and thermal decomposition at the top, emitting large amounts of volatile substances and coal tar. These products that have not fully burned are exhausted from the smokestack. The fuel has not been fully utilized and this causes serious environmental pollution. Therefore, studies to improve combustion techniques, especially studies to improve the presently available medium-size and small boilers and civilian stoves are very significant for conserving coal and improving efficiency. Take coal for civilian use as an example: studying top-lit honeycomb coal and the structure of the stove or gradually expanding the supply of anthracite of low-volatile fraction and low sulfur and semicoke so that thermally decomposed products burn fully can improve thermal efficiency, and compared to the thermal efficiency of 15-20 percent (calculated on the basis of a gasification of 60-70 percent, a combustion efficiency of 55-60 percent of coal gas), and is more beneficial to environmental protection. But the investment in capital construction needed to develop urban gas is large, and in our nation's present technical and economic conditions, it is very difficult to rapidly develop urban gas within a short time. Up to now gas in our nation is available to only 15 percent of the urban population. The use of coal as the main source to produce gas fuel will not increase in the short term.

According to our nation's actual situation, suiting measures to local circumstances is a more practical energy conservation measure at this time. The first consideration should be how we can concentrate a definite force to study the various combustion techniques and improve the efficiency of combustion. Although definite progress is being made in this regard, the force is relatively weak, there is insufficient emphasis, and it is far from satisfying the demands of the present development in production. While studying and considering major long-range technical problems that have the possibility of being solved within a short time. We must start out from our nation's actual situation so that new techniques for rational utilization of coal can be found continuously.

III. Develop Enterprises of Comprehensive Utilization Centered Around Coking, Produce Coke for Various Uses, Retrieve Coal Gas for Synthesis and for Civilian Use

Our nation is rich in coking coal resources and the proportion for exploitation is large; the yield of coking coal, gas coal, fat coke, and black jack constitutes about 48 percent of the nation's yield of coal. But the amount of coal washed constitutes only one-fourth of the raw coal for coking. Large amounts of coking coal cannot be rationally utilized. It is characteristic of our nation's coking coal that the proportion of gas coal is larger and the rate of rejection is high. On the basis of this characteristic, in order to rationally utilize these coking coal resources, it is necessary to further develop many methods of comprehensive utilization centered around coking; to produce coke for various uses, including metallurgical coke, chemical industry coke, and coke for civilian use; and to retrieve various chemical products and large amounts of coal gas for use by the chemical industry in synthesis, for civilian use, and for use as industrial fuel.

Our nation's coking industry developed rather quickly during the 1950's and 1960's. At present, the production capacity of mechanized coking furnaces already reaches over 30 million tons, but they mainly produce superior quality metallurgical coke. Because of the singularity of the variety, a large amount of superior quality metallurgical coke had to be used by the non-smelting industries, lowering the results of utilization. The amount of metallurgical coke produced each year is not small, but the metallurgical departments still experience a shortage in the supply of coke. At present, some departments still have to expend a lot of effort to study the use of weakly caking coal and noncaking coal to produce formed coke that does not have a high quality. This has caused a big waste of energy and power. At present, the degree of comprehensive utilization of coke products and coking furnace coal gas is poor. During the beginning period of the 1960's, plans to establish some joint bases of metallurgy-coking-chemical engineering were drawn up many times, but up to now none has been built. Our nation still produces large amounts of indigenous coke: over 10 million tons are produced each year. This type of indigenous coke has a coke forming percentage of only about 60 percent, and the ash content of the coke is generally higher than 20 percent. Nearly 50 percent of the organic combustible substances in raw coal are burned away: this is a big waste of energy and it seriously pollutes the environment.

To more effectively utilize coal resources rationally and conserve energy, our nation has already prepared a definite scientific and technical and industrial foundation. Indigenous coke furnaces should be gradually phased out, and small coking furnaces should also gradually undergo technical improvement. On the basis of the distribution of coal resources in our nation and technical conditions, developing urban gas is a possible direction; from the standpoint of the application of gasification furnaces in industry, only the Lurgi process of furnace gasification technique is sufficiently mature at present, but the Lurgi furnace requires lumpy brown coal and noncaking or weakly caking coal as raw coal, with a granularity of 6 to 50 millimeters. Resources of this type are very unevenly distributed in our nation; they are located mainly in Neimengol, and in the northwestern, northeastern and southwestern border regions, while reserves of this type of coal near the large cities are small. Only cheap brown coal should be used to produce urban coal gas of medium thermal value because it is economically more rational. This point needs to be considered. Because of the actural situation in our nation, besides developing the Lurgi furnace gasification technique in places where conditions are favorable, gas coal with a stronger caking property should be used more as raw material, by suiting measures to local circumstances; technically mature coking furnaces or vertical continuous coalification furnaces should be developed, producing coke and coal gas at the same time. Practice shows that the least expensive way to produce coal gas is in coking furnaces, so developing coking is an effective way to comprehensively utilize coal at present.

IV. Improve the Presently Available Gasification Techniques, Study New Techniques of Coal Gasification

In industrial production, the main use of coal is to serve as fuel for boilers and kiln furnaces. But for some industrial kiln furnaces, such as the open hearth furnace for steel making and the glass pool kiln and some other heating furnaces, only gaseous fuels can be used. Some industrial kilns can use coal directly as fuel, but the thermal efficiency is low, control is difficult, and the various technical demands are not easily satisfied, so product quality is affected and the environment is polluted. Industries within modern city limits abroad almost entirely use gaseous fuels.

The techniques of gasification of solid fuels which are technologically mature have already entered the commercial stage. Based on the different methods of contact between the gasifying agent (air, oxygen, steam) and coal, they can generally be divided into three major categories: the stationary bed, the fluidized bed and the air flow bed. Each gasification method requires a distinct quality of coal. The stationary bed coal gas generating furnace used both abroad and domestically requires a high quality of solid raw coal. For example, the granularity, moisture content, ash content, volatile content, sulfur content, slag forming, ash melting point, caking property, thermal stability, mechanical strength, and chemical activity all directly affect the normal operation, intensity of gasification, and technical and economic results of the gasification furnace. The stationary bed coal gas generating furnace has already developed into an important part of our nation's industrial energy. According to incomplete statistics, there are nearly 100 coal gas generating stations in our metallurgical machinery, building materials, chemical industry, and light industry departments. Some 500 units of fuel coal gas generating furnaces have been installed. It is estimated that they consume 4 million tons of coal each year and they have served greatly in industrial production. In the past, the shortage in the supply of lump coal and coke affected the development of this type of gasification furnace, and so some gasification furnaces were converted to burning oil. Now, because of the shortage of petroleum resources, the use of coal gas has begun to develop again. Therefore it is necessary to study the K-T furnace and the slag smelting furnace and such new pulverized coal gas production techniques in a big way and to expand coal resources for gasification and improve the efficiency of gasification. In view of the actual technical conditions of our nation at present and because the K-T furnace pulverized coal gas production requires a lot of oxygen, the investment and cost are high, so the gasification technique still requires further improvement. Therefore, the function of the various types of stationary coal gas generating furnaces presently available still needs further development. The problem is how to study and expand the resources of large lumpy coal and coke for gasification, how to carry out technical reform of the presently available gasification equipment, how to improve the level of automation, and how to handle the three wastes so that the presently available stationary bed coal gas production technique can be revived to realize further development.

In summary, we realize that rational utilization of coal, improving the efficiency of utilization of coal, and energy conservation are broad questions and there is a lot of work to be done, but in order to invest less, to produce quick results, and to be practical, we must start out from the characteristics of our nation's coal resources, from the presently available technical conditions and material foundations; long-range research work must be carried out, practical problems must be solved, and efforts that can change the present situation should be given sufficient emphasis.

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Role of Shanxi Production

Beijing DILI ZHISHI [Geographical Knowledge] in Chinese No 3, 1981 pp 2-3

[Article by Cao Wenlong [2580 2429 7893]: "The Home of Coal--Shanxi Province"]

[Text] From the "Geological Distribution Map of Shanxi Province," one can see that Shanxi is indeed a world of coal, or a sea of coal. Rich coal resources can be found from east to west, from north to south. No wonder Shanxi has long been known as the "home of coal."

Shanxi's immense coal reserves are distributed from the source of the Sanggan River on the plateau beyond the Great Wall to the vast expanse of fertile land along the banks of the Fen River, and from the towering Taihang Mountains to the verdant Luliang Mountains. Its proven coal deposits are up to 200 billion tons, and the predicted coal deposits are over 800 billion tons. Shanxi is the richest coal province today. It not only ranks first in coal reserves, but its coal deposits are also scattered over a vast territory. Within the entire province's 156,000 square kilometers of land, there are 58,000 square kilometers of coal reserves, accounting for 37.2 percent of the province's total area; and 94 of the 105 cities and counties in the province have coal resources.

Shanxi coal has quite a few excellent features: first, there is a wide variety of coal, e.g., coking coal, power coal, and anthracite, which account for about half of these categories of coal deposits throughout the whole country. There is also a whole range of coking coal, i.e., primary coking coal, lean coal, fat coal, gas coal and other high-grade varieties. Besides, lignite is used in many ways and is one of the chief raw materials of the chemical industry. Second, the coal is of high quality. The majority of the Shanxi coal is of low ash content, low sulfur content, and high calorific capacity, and it is thus suitable for both industrial and civilian uses. Lanha coal, which is produce in Jin County, known both at home and abroad for its clean, high combustible and high calorific qualities. In the past it was used to light the fireplaces of imperial palaces in some West European countries. Third, the geological structure is rather simple. In general, the coal seams are fairly shallow and gently inclined with only a few heaving sand layers and faults, which makes it possible to construct mines at high speed and exploit the resources at low cost. The time generally required for constructing a medium-size pit in a geologically complicated region is sufficient to build a large mine shaft in Shanxi.

Classified according to the characteristics of the geological structures, there are eight major coalfields in Shanxi, i.e., the Xinshui, Xishan, Huoxi, Hedong, Datong, Ningwu, Wutai and Hunyuan coalfields. The Xinshui coalfield is located in the southeastern and central parts of Shanxi, and a large portion of Linfen District as well. The Taihang Mountains run along the eastern and southern sides of the coalfield, while the Huo and Hutai mountains lie to the west and north respectively. It is called Xinshui Depression based on geological structure. Both the Xishan and Huoxi coalfields are situated in synclinal structures. The coalfield west of the Luliang Mountains is located along the border of the Shanxi-Gansu-Ningxia (or Ordos) Basin, and because of its location west of the Yellow River, it is known as the Hedong [River East] coalfield. The Datong coalfield and the Ningwu coalfield are located in the geological structures of the Datong and Ningwu sedimentary basins, extending in an east-northeast direction. The slopes of the strata along the edges of the basins are fairly steep, but the strata in the central portions are gently inclined. The Wutai and Huoyuan coalfields are also situated in intermontane synclines. These geological structures help to preserve the coal seams.

Each of the eight major coalfields in Shanxi has its own unique feature. The Xinshui coalfield covers an area of nearly 30,000 square kilometers; it is the largest of Shanxi's eight major coalfields and one of the major coalfields in the world. The Hedong coalfield ranks second in size, covering approximately 17,000 square kilometers, but in terms of exploitation and utilization, it is still no match for the other coalfields. Next in line are the Huoxi, Datong, Ningwu, and Xishan coalfields. Although the Wutai and Hunyuan coalfields are smaller in size, they are regarded as a pair of precious 'black stones' by the residents in the mountain area as well as by the developers of local industries.

Long History of Exploitation

The history of coal exploitation in Shanxi goes back a very long way. It is said that "Nuwoshi" melted stone to repair the sky, and left the remains of the stone of Fu Mountain in the eastern part of Pingding County in Shanxi. According to "The Coal Geology of Shanxi," the Shanxi people began to dig out coal by hand 2,000 years ago, in the Han Dynasty. In a book entitled "Pilgrimage to Tang In Quest of the Law," it is written: "Exit from the western gate of Taiyuan Prefecture...travel west for 3 or 4 li to a mountain called Jinshan (note: now known as Xishan); there is a stone coal all over the mountain, and people come here from near and far to gather it as fuel for cooking. It is extremely flammable, and remain as tone coked into coal. So it is said that the fire [stones] from heaven can be burned." By the Song Dynasty, coal mining thrived and flourished.

In "The Outline for Construction of the Country." Mr Sun Zhongshan [Sun Yat-sen] proposed the following guidelines for industrial planning: "Shanxi's inexhaustable resources of coal and iron should be exploited extensively." However, it was not until the whole country was liberated that Shanxi's coal exploitation really got underway and became one of the major projects of the country. In 1949, the raw coal output of the whole province was only 2.6 million tons. During the period of the first 5-year plan, the newly enhanced productive capacity of Shanxi's coal industry accounted for 15.7 percent of the coal production of the entire country. It became 10.5 percent during the period of the second 5-year plan, 9.4 percent during the 3-year adjustment period, 9 percent during the third 5-year plan, and 11.3 percent from 1971 to 1977. It took more than 30 years of construction to set up a large-scale coal mining network. Today, the province already has 13 state controlled coal mines, such as Datong, Yangquan, Xishan, etc, and 182 local coal mines run by the provinces, district (municipality) or county (prefecture), as well as more than 2,000 small coal pits run by the commune or brigade. Last year, the raw coal output of the entire province topped 100 million tons, which was approximately one-sixth of the whole country's raw coal output, ranking first among all the provinces, cities and autonomous regions throughout the country. Moreover, Shanxi accounts for more than 50 percent of the coal output provided to the state by the various provinces, cities and autonomous regions, and Shanxi coal also accounts for more than half of the nation's coal for export. Shanxi also provides the country with more than 70 percent of the profits gained from the coal industry throughout the whole country. Shanxi not only produces enough coal to meet the needs of its own industrial and agricultural production as well as its inhabitants, it also supplies coal to more than 20 other provinces, cities and autonomous regions throughout the country. At present, coal is the top energy source of our country, and Shanxi is one of the strong supporting pillars of the nation's energy sources structure.

A Preliminary Energy Base

The impetus of the coal industry has helped to bring about the rapid development of Shanxi's electric power, coal chemical industry, metallurgy, machine building and light industry. To enable Shanxi's coal industry to contribute much more to the nation's four modernizations program, it was proposed at the Fifth People's Congress of Shanxi Province last December to build Shanxi into a strong energy base serving the entire country. To achieve this end as quickly as possible, with the support of the state, operations have already begun to construct a huge coking coal base in the Gujiao mining district with a projected capacity of 16.5 million tons, in the Guishigou mining district in Yangquan with a capacity of 4 million tons, and at the Yanzishan coal mine in Datong with a projected capacity of 4 million tons. The Ping(lu)-Shuo (Xian) open pit coal mine will be developed as a joint venture project with the United States. Also, in such large-size minesite power stations as the Shentou power plant, Datong power plant No 2 and Niangziguan power plant, some generating units have already become operational. Shanxi will also begin to build a large chemical fertilizer plant with imported equipment. These magnificient engineering projects will add strength to the Shanxi energy base.

The rapid development of Shanxi's coal industry will open up bright prospects for the Shanxi energy base. With the growth of the coal industry, Shanxi is vigorously developing mine-site power stations which will transmit strong electric current to Northern, Central and Eastern China. Shanxi will also energetically develop a coal chemical industry which will utilize the coal resources to make synthetic fibers, synthetic plastics and synthetic rubber, and change the structure of the industrial raw materials in Shanxi. Moreover, Shanxi is also capable of developing nonferrous metal industries which are heavy energy consumers, and it can make maximum use of its rich resources of aluminum, copper and iron, thus reversing the backward state of Shanxi's nonferrous metal industry.

With the changes in energy sources structure and the development of science and technology, the utilization of coal will become much more extensive. By then, Shanxi should be able to contribute a great variety of coal products to the nation's four modernizations. Shanxi will be a powerful energy base that will rank among the largest coal energy bases in the world, such as the Appalachians of the United States, the Dunbas of the Soviet Union, and the Rhur of West Germany.

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Shanxi Work Conference on Coal

Taiyuan SHANXI RIBAO in Chinese 10 Apr 81 pp 1, 2

[Article by SHANXI RIBAO correspondent: "Greater Coal Extraction for the Four Modernizations"]

> [Text] The Shanxi provincial work conference on coal urged all coal mine workers to enhance their glorious tradition of fighting spirit, to make courageous contributions to stabilizing the national coal production at 600 million tons per year, to reaching the 110-million-ton coal production goal called for by the government, and to speeding up the pace of readjustment and mine shaft construction.

It was determined at the Shanxi work conference on coal that all coal mine workers in Shanxi should be organized and mobilized to enhance the glorious tradition of their characteristic fighting spirit in order to insure that the national coal production level is stabilized at 600 million tons per year. The workers were urged to keep the national situation in mind, assume heavy responsibilities and contribute their effort to accomplish the 110.44-million-ton coal production mission assigned to Shanxi by the government. They were also called upon to speed up the pace of readjustment, increase the rate of new mine construction, strive to boost income and cut spending, and accumulate and conserve more capital for the nation.

The Shanxi work conference on coal production was held from 26 March through 3 April in Taiyuan. It was attended by 350 officials, engineers, technical personnel and professional cadres of various provincial and local state-operated coal mines. All the comrades attending the conference agreed that the conference was a success and that it was held at just the right time. The aim of the conference was to learn further how to carry out the spirit of the central work conference. By consolidating the experience, analyzing the situation, communicating with each other and deciding what measures to take, the conference put the tasks of speeding up the pace of readjustment and new mine construction proposed at the national work conference on coal production on a solid basis. It was also a conference that raised the spirit, strengthened the confidence and promoted the objective of making Shanxi a strong coal energy base as soon as possible.

During the conference, comrades in charge of the Shanxi CCP Committee and the provincial people's government attended and addressed the conference.

The conference advanced the belief that whether the mission is to accomplish the current coal production goal as assigned or exceed the requirement or to accelerate the construction of the coal energy base, one must have a vision of the overall picture and view the local situation accordingly. There should be a clear understanding of the role and function of Shanxi's coal in the national energy production. Last year Shanxi's coal production amounted to one-fifth of the national total, and more than 73 million tons of coal were transferred out of Shanxi, that is, more than half of the inter-provincial coal transfer in the entire nation. At present, some 200,000 tons of coal are transferred out of Shanxi every day. This has an important role and function in supporting the energy demands of more than 20 provinces and municipalities. In order to stabilize the national coal production at the 600-million-ton level, the coal production assignment given to Shanxi for this year is larger than that planned last year. Moreover, the readjustment and new mine construction assignments are also heavier than predict anticipated, but all these assignments are required by the overall situation and their accomplishment is necessary. As for the conditions to accomplish the mission, the discussion and analysis at the conference led to the unanimous opinion that the favorable conditions and supportive factors are many and that they predominate. Unfavorable conditions and difficulties along the way do exist, but they can be changed with enough effort and the practical difficulties can be overcome. Especially important are the support, guidance and coordination provided to the production construction of the Shanxi coal industry by the central government and various departments in the province. Even though the national financial situation has encountered difficulties and the capital construction investment has been cut substantially, the capital construction investment allocated to the state-operated coal mines in Shanxi for this year is still some 22 million yuan more than that of last year. Equally strong national support is also given to production equipment, technical guidance and other areas. Various branches and departments within the province also provide their services in the manufacture and maintenance of mine equipment and in the improvement of transportation conditions and supply of commercial goods in order to actively support the production and readjustment of the coal mines and to help build a coal energy base.

The conference members also expressed the belief that after a long-term effort, Shanxi has formed a coal industry structure that combines large, medium and small operations. The state-operated large mining bureaus produce more than half of Shanxi's total coal production and they are the backbone of this industrial structure. The proper policy of combining the large, the medium and the small must be insisted upon if we are to insure the fulfillment of the national goal of upgrading the coal industry and accelerate the progress of building an energy base. We should not only advocate that the small mines respect the large mines, not compete for resources with the large mines and not cause problems to the large mines, but we should also advocate unified planning and regulation by the large mines so that the large mines help the small ones. Mines of various sizes should all have their readjustment period; all mine workers must grasp the main points from a pragmatic viewpoint. The local communes and teams should pay special attention to strengthening their safety procedures, improving their mining methods, raising their disaster-resistance ability and resource recovery rate, and protecting the workers' safety and the national resources. All coal mines in the province should insist on the "safety first" policy and establish a rigorous responsibility system for safe production. Safety regulations should be carried out conscientiously and safety measure engineering projects should be given high priority and completed first. Great efforts should be made to improve safe production in preparation for the national coal mine safety recognition conference to be held in Shanxi.

It was unequivocally pointed out at the conference that the basis for making a greater contribution and for accomplishing this year's coal production and construction assignments on schedule and ahead of schedule lies in the firm stance on the four fundamental principles and the directions and policies of the Third Plenary Session of the Party Central Committee. It also lies in strengthening the political thinking, the leadership and the working staff. We should maintain the system whereby bureau and mine directors are responsible to the leadership of the party committee and fully exploit the efforts of party organizations of various levels and party members serving as the central and leading examples in production and construction. Engineering and technical personnel should develop their function to the fullest extent and make great efforts to strengthen scientific research and full staff training. Competition in style and contribution should be advocated; being on the front line in the mine shaft, finishing all the assignments and not missing any work should be recognized. We should be proud to learn culture, science, technology and management. We should be proud to follow orders, obey rules, to be civilized and to have good manners. The comrades participating in the conference looked back on history and talked freely about their accomplishments. They are vivid evidence of the fact that Shanxi coal mine workers are a team who love the party, socialism, and their posts. They are also a team with a lot of practical experience and are able to endure great hardship, a reliable team that are not afraid of difficulties, that are courageous, and that have a vision of the overall picture. These are reliable insurance for constantly creating new results and accomplishing new victories in our progress ahead.

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Energy Base in Shanxi

Taiyuan SHANXI RIBAO in Chinese 10 Apr 81 pp 1, 2

[Editorial: "Making Shanxi a Strong Energy Base"]

[Text] In the relationship between the local situation and the overall situation, the overall situation dominates and the local situation is a part of the entirety and should serve the overall situation. Any department or region and any task in the revolution are parts of the whole. To truly understand the role of the local situation and to make it function properly, one must view the role and function of the local situation as part of the overall situation and understand the relationship among various local situations. Lenin quoted Hegel in his "Philosophical Notes": "The various parts of a body are what they are only when interconnected. A hand without the body is only a hand in name." This vividly illustrates the inseparable nature of the parts and the whole. The parts can function fully only in serving the whole.

The advantages of Shanxi Province are that we have a rich reserve of coal and we contribute a large production of high quality coal of all varieties. In order to further exploit these advantages, we must consciously view the local situation from the standpoint of the national situation. The nation has assigned Shanxi the mission of producing 110.44 million tons of coal in 1981, 6.19 percent more than under the 1980 production plan. In the meantime, we are required to accelerate the pace of readjustment in the coal mines and the rate of constructing new mines. We must carry out the honorable and difficult tasks of completing a large number of engineering projects on safety measures, on improving the linkage ability, and on new mine construction. We also need to accumulate and conserve capital for the nation wherever possible. All these tasks are aimed at stabilizing the national coal production at the 600-million-ton level and to insure a daily transfer of 200,000 tons of coal out of the province to support the energy needs of the nation. These tasks are necessary for the further readjustment of the economy and further political stability--in other words, for the needs of the overall situation. Essentially, to exploit the local advantages from the viewpoint of national needs is to act objectively and to wield the superiority of the socialism system.

In making use of the local advantages for the national cause, in accelerating the pace of readjustment and mine construction, and in completing and exceeding the coal production assignment for 1981, the most important thing is to conscientiously and thoroughly carry out the spirit of the Central Work Conference and, under the guidance of the policies of the Third Plenary Session of the Party Central Committee, to mobilize and organize the vast ranks of coal mine workers and to develop the honorable tradition of a special fighting spirit. The spirit of being unafraid of hard and tedious work, of being proud to be a coal mine worker contributing to the four modernizations should be highly publicized. We should also publicize the spirit of obeying discipline, following orders, not missing any work and completing all the assignments. Be proud to learn culture, science, technology and management. And be proud to be civilized and good mannered. Based on the special circumstances of the coal mines, combine the tasks of solving thinking problems with those of solving practical problems and combine the general education with the idea of each individual doing his job well. Recognition should be given to achievers and their accomplishments should be publicized to establish a model for others to learn from. Socialist labor competition should be broadened and deepened in order to guide the vast ranks of coal mine workers to become models of maintaining the four fundamental principles, of building the spiritual civilization of socialism and of creating new records in production.

In the process of making Shanxi a strong energy base as soon as possible, the industrial structure and the entire economic structure of Shanxi need to be changed step by step. Further development of the coal industry must rely on the development of agriculture, light textile industry and science and technology. Within the heavy industry, there are already changes toward serving the construction of an energy base. The communication and transportation departments are also strengthening the existing railroads and highways and constructing new roads to accommodate the transfer of coal from the province. The commerce and service departments have also done extensive work to improve their service and supply to the mining community and have accumulated useful experience. All in all, a large-scale provincewide socialist collaboration involving all the relevant branches and departments is taking form in making Shanxi an energy base for the cause of the national situation. This large joint effort in socialism, capable of creating new production power, certainly will continue to grow and develop in the course of further promoting economic readjustment and political stability. This effort will consistently provide the coal industry and the coal producing workers with firm support and coordination by various branches.

Stalin once said that coalminers sacrifice their own sunshine and give light and heat to the people. The 400,000 coal mine workers are a heroic team that love the party, socialism, and their posts, they are a team that are unafraid of hard and tedious work. It is this team that have mined a cumulative total of more than 1.3 billion tons of coal and accumulated 6 billion yuan of construction capital for the nation. They have plenty of practical experience whether they are mining with advanced machines in large and medium-size modern coal mines or producing coal by traditional methods in small coal mines. The tasks before us now are to consolidate the exchange of experience and to further strengthen the team by grasping well the training of all personnel and continually raising the political understanding, technical level, and the sense of organization and discipline of the coal mine workers. This is the most important work in building an energy base and taking advantage of a local situation for the cause of the national situation. We hope that all the coal mine leaders are determined to make great efforts to carry out the very important foundation work of building up the best possible team of workers.

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EFFORTS TO STEP UP SUPPLY OF COAL GAS TO CITIES REPORTED

Coal Gas Company Initiative

Beijing BEIJING RIBAO in Chinese 8 Apr 81 p 1

[Article by Liu Tingzhao [0491 7200 2507]: "Coal Gas Company Takes Initiative and Provides Fast Installation for Dozens of Units"]

[Text] After a discussion on how to "serve the people and be responsible to the people," the municipal Coal Gas Company has taken the initiative and is striving to eliminate procrastination in coal gas installation and speed up the installation engineering in the residential areas of Jinsong and Tuanjie Lake, where 12 locations have now been officially supplied with gas.

The installation of a coal gas supply for civilian, educational, commercial and service units in the Jinsong and Tuanjie Lake residential areas involves a large amount of work and a number of departments; overall organization and planning are required. In the beginning, it was suggested that the largest unit--the Tuanjie Lake General Merchandise Store--should take the lead. This store submitted, however, that it is a peer unit to other stores and could not assume a leading role. The stores suggested that their superior, the Chaoyang Ward financial management, should take the lead. The financial management was concerned that units under its jurisdiction might become reliant upon the ward and cause the ward financial losses. Then everybody expressed the hope that the Coal Gas Company would take the lead. The thinking at the Coal Gas Company was that in installing a gas supply, the usual procedure has been that the customer made the request and the company carried out the installation. It was not the company's responsibility to come out and help solve problems among the customers in installing a gas supply. Besides, some of the units were short of materials and funds; if the company were to take the lead, it would have to look for the capital and materials, and it would obviously be taking on an additional burden. So the Coal Gas Company did not want to take the lead either. Since the burden was passed from one unit to another and nobody wanted to assume the responsibility, coal gas installation for these units was progressing very slowly, with delays as long as 6 months. Some schools, stores and service posts delayed opening for business, which affected the move-in schedule and the daily life of the residents.

In the "serve the people and be responsible to the people" discussions, leaders of the Coal Gas Company changed their old passive attitude of "waiting for others to call us, we don't call them", took the initiative and coordinated well with other units. Late in February, the Coal Gas Company held two "coordination meetings for local coal gas engineering" and invited the comrades in charge at the Chaoyang Ward grain bureau, nonstaple foodstuffs company, education bureau and a dozen other units to discuss the coal gas connection for the 3 schools and 36 commerical and service units in the Tuanjie Lake and Jinsong residential areas. At the meetings, the gas company open-mindedly solicited the opinions of the units and, based on customer requests, grouped and ranked the coal gas installation for all locations according to the size and urgency of the projects. Comrades in charge and technical personnel were immediately dispatched to the network points to make on-site investigations and surveys and to work with the customer in completing a concrete construction plan. Because seven service units at Tuanjie Lake will share the same coal gas pipeline in the same building, conflicts would be likely to occur if the pipelines were installed improperly. The Coal Gas Company held discussions with the customers at the installation site and took the proper technical and safety measures to determine the layout of the coal gas pipelines and the furnaces. By doing so, the seven units had a common understanding of the project and that insured the normal progress of the installation.

The Coal Gas Company played a leading role not only in organizing the work but also in actively helping the customers to overcome some of their actual difficulties. According to the regulations, the requesting customer must have the funds and construction material ready before the Coal Gas Company can accept the installation job. But the post office of the Jinsong residential area does not have any construction material and the sixth elementary school of the area does not have any funds. The Coal Gas Company came up with pipes, construction materials and parts intended for their own repair and maintenance use and also made a 2,500-yuan advance for the sixth elementary school so that the gas installation at these two places could be carried out.

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New Taiyuan Coal Gasification Company

Taiyuan SHANXI RIBAO in Chinese 2 Jun 81 p 1

[Article by Zhou Enying [0719 1869 5391]: "Taiyuan Coal Gasification Company Officially Founded"]

[Text] The Taiyuan Coal Gasification Company, to be operated jointly by the Ministry of Coal Industry and the Shanxi Province government, has recently been approved by the State Council and officially founded. Establishment of this company will greatly speed up the coal gasification construction in Taiyuan city, and the wishes of the people of Taiyuan for a coal gas supply as quickly as possible and for rapid elimination of environmental pollution will soon be realized.

The principal missions of the Taiyuan Coal Gasification Company are to supply coal gas to Taiyuan city and to carry out integrated utilization of coal. The coal gasification construction engineering includes mining and washing of coal, gasification and pipeline network. Capital needed in the construction is invested by both parties in the joint operation--the Ministry of Coal Industry is responsible for the mining and washing of coal and the Shanxi Province government is responsible for the gasification and the pipeline network. In order for Taiyuan to realize coal gasification in stages and installments and to obtain the optimum economic effects, unified planning, design, construction and operation will be adopted. For this reason, a civilian coal gas supply from chemical plant and mine recovery will aslo be under the unified management of the Taiyuan Coal Gasification Company.

The Ministry of Coal Industry and the Shanxi Province government decided that multiple gas sources are required to provide a coal gas supply in Taiyuan city. The first step is to exploit the advantage of abundant coking coal around the city, gradually build up a coking plant that produces 1.8 million tons of coke per year, generate coal gas in the coking process, and export the coke and retain the coal gas for use in Taiyuan city. The goals of the coal gasification are to supply coal gas to the majority of the 1.2 million urban population, convert coal burning to gas burning in plants that are in the position to do so, and fundamentally solve the air pollution problem of Taiyuan. The engineering construction for coal gasification should be carried out in two steps based on the spirit of orderly progression and within the capabilities. The first step is to build a gas-producing coking oven of a capacity of 400,000 tons per year as quickly as possible so that household gas can be supplied to one-third of the Taiyuan residents. The second step is to build another gas-producing coking plant with a capacity of 1.4 million tons per year in order to provide coal gas for the household use of 1 million Taiyuan residents and some of the plants. The principal gas production equipment and refractory material for the 400,000-ton coking oven are already on hand and the preliminary design has also been completed. Contracts for water, electricity, transportation, land and material have all been signed and preparatory work prior to construction will basically be underway in 1981. Efforts are being made to have the official ground-breaking in 1982.

Moreover, the recovery, purification, external gas storage tank and supply pipeline network engineering projects of other gas sources under the unified management of the Taiyuan Coal Gasification Company, such as the coking oven residual gas and the methyl alcohol blowout gas at the Taiyuan Chemical Fertilizer Plant, started in December 1980. First-stage construction engineering is expected to be completed before the National Day in 1981; the 15,000 households located between the chemical fertilizer plant and Xiayuan will be the first users of the coal gas coming from the chemical fertilizer plant. When the second-stage engineering is completed in 1982, an estimated 40,000 families will be supplied with coal gas. The first stage of the paraffin-splitting liquefaction gas engineering at the Taiyuan Detergent Plant is completed except for the technically more difficult assembly of the compressor facility. It is expected to be completed and come on line before the National Day.

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REVIEW, OUTLOOK FOR HYDROPOWER DEVELOPMENT DISCUSSED

Eastern Power Grid

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 1, 12 Jan 81 pp 4-7

[Article by Yang Degong [2799 1795 0501] of the Survey and Design Academy Under the Ministry of Electric Power Industry: "Review of and Outlook for Hydropower Development in Eastern China"]

[Text] I.

The water energy resources in the six provinces and one municipality of Eastern China form only a very small part of the national potential. However, they were developed rather early. Construction of the hydropower stations at Huangtankou in Zhejiang and Gutianxi in Fujian began one after another shortly after liberation. Because of the lack of experience in the construction of large and medium-size hydropower stations, problems soon cropped up and we took the wrong path. With the establishment of the General Bureau of Hydropower Generation under the Ministry of Fuel Industry, leadership over hydropower construction was strengthened and during the first 5-year plan, large and medium-size hydropower stations were built at Shangyoujiang, Gutian, Huangtankou and Xinanjiang, giving us valuable experience. In addition to supplying electricity for industrial and agricultural production in various regions, these construction projects also played an important role in building up a hydropower construction contingent. Even now, the one-level two-stage construction at Xinanjiang, Shangyoujiang and Gutian enjoy high prestige because of their short construction periods, fine work quality and small investments.

By 1979, hydropower stations completed and under construction in Eastern China (excluding those below 500 kW) were capable of exploiting 22.5 percent of the water energy potential, and there are large and medium-size hydropower stations of around 9 million kW and small stations of more than 5 million kW to be exploited later. If the potential in Eastern China can be fully exploited, there will be an average annual power generation of 51 billion kilowatt-hours. At the consumption rate of 400 grams of standard coal per kilowatt-hour, this is equivalent to a large coalfield with an annual output of 20.4 million tons of standard coal for a long time.

Hydropower construction in Eastern China has not been smooth sailing. During the Great Leap Forward in 1958, the "three simultaneous" [simultaneous design, construction and operation] was vigorously enforced because of the evil influence of the "wind of exaggeration" and high targets. The construction sites were determined hastily and the construction of many large and medium-size projects was started at the same time, even though the scope of work undertaken was beyond the limits of our national financial and material resources. This was followed by 3 years of difficulty and the construction had to be halted, resulting in great waste and loss. The lessons learned from such rash action, disregard of capital construction procedures and failure to concentrate efforts on specific jobs should be learned well.

When construction was resumed later and the closed or suspended large stations had to be dealt with, no serious analysis or research was carried out on the long-range strategic layout for hydropower development. Furthermore, no clearcut policy decision was worked out on such questions as whether the construction of Oujiang Hydropower Station in Qingtian County, Zhejiang, or the Jianxi Station of Fujian should be continued at a reduced scale, even though heavy investments had been expended on them and people had already been mentally prepared for the removal of homes from the reservoir areas. Thus everything remained in suspense pending a protracted review of the plans for the river basins. Finally, the projects in Qingtian and Jianxi were criticized as typical examples of grasping for things grandiose and foreign, and since then, nobody has ever proposed the resumption of the projects according to the original plans. The time has now changed, the population of the reservoir areas has swollen; and production and construction in both urban and rural areas are undergoing large-scale development. However, it is no longer possible to build these large hydropower stations according to the original plans. At present, there is a compulsory revision of the plan for the development of the Oujiang River basin so that the single-level dam in Qingtian can be developed as a multilevel dam. In terms of energy, this means there has been an annual loss of more than 700 million kilowatt-hours of electricity and a 4 million kW capacity. The case of the Jianxi Hydropower Station is even worse. This is a key project in the strategic plan for Fujian's hydropower exploitation and plays an important compensatory and regulative role. Since the reservoirs cannot be built according to the original plans, the setting up of two power stations at Shuikou on the lower reaches of the Jianxi River will mean an annual reduction of 3 billion kilowatt-hours of electricity and some 600,000 kW of guaranteed power. The losses from the Qingtian and Jianxi stations have greatly affected the energy resources of the Fujian and Eastern China power grids.

From 1960 to 1965, hydropower construction in Eastern China was mainly for the purpose of filling in the blanks in addition to preparations for the resumption of a small number of projects. No new power generation center was built. During the Great Cultural Revolution, both design and construction were seriously disrupted. The cascade power station at Gutianxi was not completed until 1974, after 24 years of construction. Had it not been for the dispersal of forces, materials and funds in 1958, it is estimated that all four cascades could have been completed in 1964, and the construction period would have been shortened by 10 years.

A review of hydropower construction in Eastern China raises many thought-provoking questions. The following three points first come to mind:

1. Selection of the site is a fundamental task. Projects were carried out at Shangyoujiang, Gutian and Xinanjiang during the first 5-year plan after a comparison of alternate plans for the development of the river basins and the selection of the best. All these sites were easy to develop. Therefore, we had a clear idea of the task to be performed, the people to enjoy the benefits of power supply, and the great economic advantages. After completion, these stations became the backbone power sources of these localities and proved to be good investments. In the second half of 1958, projects were started hastily without selection of sites according to the river basin plans or a comparison of alternate regional plans. Therefore, they left behind many problems. The problems would be even greater and the adverse effects more serious if large-scale engineering projects had been started hastily. A glance at these conditions will show that a planned selection of sites, including a comparison of many alternate river basin plans and regional plans, is a strategic action in hydropower construction which should be highly regarded.

2. Survey, design and construction must be carried out well and the timely supply of construction funds and materials must be assured. These are mandatory for the construction of hydropower stations with greater, faster, better and more economical results. In the course of construction for the one-level two-stage projects at Shangyoujiang and Gutian, and the project at Xinanjiang, both design and construction were conscientiously carried out with a high regard for work quality. As soon as these projects were determined upon, both investment and material supplies were assured. Thus the general work progress was ahead of schedule. For instance, preparations for the Xinanjiang project began in the second half of 1956; the main project began in April 1957; and by April 1960, the first set of equipment was able to generate power. The whole project took only 3 and 1/2 years. Again, the Shangyoujiang project was started in 1955 and power was generated by 1957. The whole project took less than 3 years. Construction of the one-level two-stage project at Gutian began in July 1957, and power was generated by October 1959. The whole project took slightly more than 2 years. From these instances we can see that as long as there is proper and meticulous preplanning and the assurance of funds and materials, the construction period of hydropower stations can be shortened. The "beard-growing" projects which occurred later were mostly attributable to crude survey and designs--which account for the difficulty in working out a construction plan--poor work quality and the unreliable supply of funds and materials. The interference and sabotage by Lin Biao and the "gang of four" further prolonged the construction period.

3. It is very important that strong support for hydropower development can be counted on from various quarters, because the building of large hydropower stations involves a wide range of problems. When several projects were carried out during the first 5-year plan, the localities adopted an attitude of mutual concern and active support in such matters as assignment of cadres, supply of materials, allocation of manpower, relocation of people in the reservoir areas, and coordination of transportation and forestry. As a result, the construction proceeded smoothly. Now, very high demands are being made on the hydropower construction departments in matters of relocation of people, transportation, forestry and posts and telecommunications. These demands have added to the burdens of investment and workload for hydropower projects and reflect a change from the former attitude of

mutual concern for the development of hydropower. To facilitate hydropower construction hereafter, it is necessary to formulate rational policies as a satisfactory solution to these problems.

II.

Eastern China's water resources are mainly concentrated in Fujian, Zhejiang, Jiangxi and Anhui. Many water resources in Anhui and northern Zhejiang have been developed, and the main efforts should be directed toward the exploitation of those in southern Zhejiang, Fujian and Jiangxi. The Ministry of Electric Power Industry has defined that region as one of our national hydropower bases which are of great significance in promoting hydropower construction in Eastern China.

There are two very distinctive cnnstruction tasks for the development of the Fujian-Zhejiang-Jiangxi hydropower base: First, we should increase the capacity of the existing Eastern China power grid for peak adjustment, frequency modulation and standby purposes, and reduce the consumption of crude oil and coal in order to create conditions for a better power supply from these power grids, a more economical operating water level, and an expansion of the power grids to integrate with those in Fujian. Second, we should accelerate the economic development of the regions concerned through the supply of local electricity. We have to rely mainly on the efforts of various provinces in setting up small and medium-size hydropower stations to bring about such development.

To increase the capacity of the existing Eastern China power grid for peak adjustment and frequency modulation, we should hereafter actively carry out the construction of large and medium-size hydropower stations in the river basins of Oujiang and Feiyunjiang in southern Zhejiang, and the Minjiang River basin in Fujian. According to data from existing plans, there are five cascades in the Oujiang River basin totaling 1.06 million kW, with an average annual power generation of 220,000 kW, which can be gradually developed. It is anticipated that by 1990, we will require a peak adjustment capacity of approximately 4.5 million kW. After deducting the peak adjustment capacity of the thermopower stations now in existence, we still need an increase of 2.5 million kW of peak adjustment capacity, and reliance on the development of hydropower in southern Zhejiang alone is not enough. Therefore, we must take early action to develop the hydropower of northern Fujian. The Shuikou power plant on the trunk of the Minjiang River is an ideal one for further development. This station will be the largest hydropower station in Eastern China. It enjoys good geological conditions for construction, and seasonal adjustments can be carried out on the reservoirs. At a 95-percent guaranteed utilization rate, it will have a capacity of 260,000 kW, and after the completion of reservoirs along the tributaries, the capacity can be further raised to above 300,000 kW, with a final installed capacity of 1.4 million kW. The average annual power generation will remain at 4.95 billion units for many years. When the Shuikou Power Station is linked up with the hydropower stations of Xinanjiang and Fuchunjiang and compensatory adjustments are made, full play can be given to the regulative role of the Xinanjiang Reservoir, and even in dry seasons the capacity of the Xinanjiang Hydropower Station can be raised to more than 50,000 kW. This will create favorable conditions for increasing the installed capacity and the frequency modulation and peak adjustment capacities. The Shuikou Power Station will also be a junction station when the Eastern China power grid moves southward to join up with that of Fujian, and through the power transmission lines from the Shuikou station to the Eastern China power grid, the vast hydropower resources of Fujian can be better utilized. Besides Shuikou, there are still 10 billion units of power energy in the Minjiang River basin to be exploited and utilized. Among them are the power stations at Shaxikou and Jiemian, and their construction within the next decade can be considered.

Fujian is quite poor in coal and petroleum, but rich in water resources. We should take advantage of this strongpoint by developing hydropower, working out long-range plans for hydropower construction and by carefully planning the capital construction procedures for various types (runoff, regulation) of power stations so that the problem of load used can be solved by basically relying on hydropower stations. The Mianhuatan Hydropower Station in southwestern Fujian should be developed early as the backbone power source of the south in Fujian's unified provincial power grid. There are also many cascade power stations along the Muyangxi River and the Huotongxi River in eastern Fujian and along the Jinxi River, the Shaxi River, the Dazhangxi River and the Jianxi River in northern Fujian which can be gradually developed and utilized.

Jiangxi Province is fairly rich in water resources, and hydropower development should be encouraged there. First, we should build the Wanan Hydropower Station, and then we should plan for the construction of a number of medium-size power stations, such as the Guting Hydropower Station on the upper reaches of the Shangyoujiang River. The Xiashan Hydropower Station in the Ganjiang River basin is a key project in the development of this river basin with great advantages in power generation and flood prevention. However, a lot of land will be inundated and many people will have to be relocated. Therefore, plans should be worked out early.

Based on the requirements of the Eastern China power grid and the power requirements of Fujian, Zhejiang and Jiangxi, plans for the construction of hydropower bases in these three provinces for the next 10 years are now being worked out for the Eastern China Power Administration Bureau and the power bureaus of these provinces. The Eastern China Survey and Design Academy intends to build 13-15 power stations in 10 years with a total capacity of 4.2-4.6 million kW and an annual power generation of 14-15 billion kilowatt-hours. Five of these stations will be set up in southern Zhejiang and four will be in Fujian, where it has been proposed that the Jiemian Hydropower Station designed by the provincial design academy will soon be included in the capital construction plan. There will be three stations in Jiangxi, where the Wanan station is now being designed by the Changjiang staff office. In addition, two other stations, the Huangtankou and Hunanzhen stations, can still be expanded in order to increase the peak adjustment and standby capacities of the Eastern China power grid.

Apart from its hydropower resources from rivers, Eastern China is also rich in tidal energy. In Zhejiang, Fujian and Jiangsu Provinces alone, there is a potential for 230 billion units along the coast. Zhejiang has already set up the Jiangxia Tidal Energy Experiment Power Station with an installed capacity of 3,000 kW, and the first generating unit with a capacity of 500 kW has been in formal operation since last May.

Despite the problems of heavy investments in construction, large amounts of materials required for the generating units, corrosion from sea water and silt, and complexity of construction, tidal power stations have the advantage of regenerative energy and require very little inundated land and relocation of people. They also provide facilities for sea water breeding, extraction of precious metals (including uranium) and many economic advantages for comprehensive utilization. Tidal energy can also be fully utilized in the joint operation of large hydropower and thermopower stations in large power grids. Therefore, in developing future tidal energy resources in Zhejiang and Fujiang, it is proposed that the Jiangxia Tidal Power Station be used as a base for scientific experiment, and that we should also proceed with the planned selection of sites, the experiment of generating unit designs, the prevention of corrosion by sea water and microorganisms, research in the laws of silting, study of the methods of design for building structures in deep water bays, and so forth. It is also proposed that scientific research on tidal energy be included in the program of energy scientific experiments and that the state should annually allocate funds for this purpose. If necessary, special organizations should be set up and charged with responsibility for organizing and coordinating this work with other related scientific experiments.

The coal and water resources in Eastern China, in our opinion, are quite inadequate for future power consumption. By the year 2000, it is likely that nuclear power stations will be vigorously developed, while thermopower factories will make use of high-efficiency equipment with high single-unit capacity to meet the future growing demands. Based on the available load of the Eastern China power grid and the distribution of energy resources, we can see that the load will be concentrated in Shanghai, southern Jiangsu, northern Zhejiang, Nanjing, Wuhu and the narrow strip of land along the banks of the Changjiang River; while coal resources are in Huainan, Huaipei, northern Jiangsu and southern Shandong; and water resources are in Zhejiang and northern Fujian. These resources are all too far away for power transmission to the area of load concentration. To take better advantage of the nuclear power stations and high-capacity generating units, we should, as we have observed from international experience, build water-pumping and energy storage stations in southern Jiangsu, southern Anhui, northern Zhejiang and other areas that are close to the area of load concentration, in order to solve the problems of peak adjustment and absorption of residue electric energy late at night. According to planning, surveying and research in recent years, there are a number of water-pumping and energy storage power stations which can be developed, such as Xiangshuijian and Xixingchong in southern Anhui. It is proposed that planning and research be started at locations suitable for water-pumping and energy-storage stations, and then two or three feasibility reports be drawn up for further preliminary design in an attempt to build a water-pumping and energy-storage power station of about 300,000 kW during the seventh 5-year plan. This will reduce the difficulties resulting from overloading, improve the working conditions of hundreds of thousands of workers, and pave the way for building large energy-storage power stations in the future.

III.

In hydropower construction, Eastern China still faces several problems which must be resolved.

1. The question of strengthening and formulating long-range plans: Based on the special characteristics of Eastern China, such as its scattered hydropower resources and the large number of small and medium-size stations, we must follow the state's long-range plans and energy policies in order to avoid the indiscriminate addition of projects. Through comprehensive study of the characteristics of power load and the methods of developing river basins as well as the plans of regional economic development, we should work out long-range plans for hydropower construction and determine the sites for development and their order of priority as the basis for surveying, designing and annual planning. There should be no gaps left between surveying and designing, or between designing and construction, so that our limited forces and funds can be used to the best advantage and the waste of time and resources avoided. Hydropower construction plans already determined should be relayed by the central authorities or the provinces to various counties and communes in the appropriate manner. Capital construction projects should be prohibited below the backwater line of reservoirs so as to avoid losses from extended inundation.

2. The question of reforming the present capital construction procedures and the readjustment of planning stages: According to the present regulations on capital construction procedures and methods of administration, preparations for construction can be carried out only when the preliminary design has been approved. Preliminary design involves a very great deal of work, and it takes 2-4 years to prepare one that is only barely acceptable for a large or medium-size hydropower station. However, if the advanced planning and site selection work before the preliminary design are insufficient and superficial, if there has not been in-depth study on the question of suitability of sites, and if no investigation has been conducted at either the central or the provincial levels on the choice of sites after a comprehensive comparison, then nobody can have any idea as to how to use the investments for maximum economic results. Sometimes, there may be a lot of redtape in connection with certain projects that is not urgently needed at all, causing waste of precious time and energy. Again, there is the usual practice of setting timelimits for the submission of preliminary design documents in order that the project can be included in the annual capital construction plan at an early stage "in accordance with" capital construction procedures. However, if important technical problems in the design have not been thoroughly studied, revisions are inevitable even after approval. In such an event, important technical changes have to be made after construction has already been started. To speed up and improve hydropower construction, it is proposed that the capital construction procedures be reformed and that readjustments be made to the work during the designing stage. Our initial idea is that more intensive planning should be carried out at the stage of site or dam selection so that part of the work specified in the preliminary design could be done at this stage. Then, on the basis of this planning, a job description could be compiled for the project. An approved job description would serve as the basis for construction preparations, financial allocations and the "construction design." Another part of the work specified in

the preliminary design together with the first part of the work specified in the technical design should be included in the construction design, and the approved "construction design report" would be the basis for compiling the construction blueprint, which then could not be changed any further. The main portion of the engineering construction could not be started without this "construction design report."

3. The question of apportionment of investments in projects for comprehensive utilization: In building hydropower stations, rational consideration should be given to comprehensive utilization for navigation, timber production, water supply, irrigation and flood prevention. This was basically the rule for building hydropower stations before. In the future, if the investments required for all these items (including long-range development) were to be borne exclusively by the hydropower construction units, then the burden of capital construction investments for the electric power industry would inevitably be increased and the construction would be slowed down or reduced in scope. Therefore, we suggest that: 1) the former joint notice from the four ministries and the documents issued jointly by the former Ministry of Hydropower Industry and the Ministry of Forestry be reconsidered, and rational and practical measures should be worked out; 2) investments should be apportioned; if they must be exclusively borne by the Ministry of Electric Power Industry, then the State Planning Commission should be asked to transfer to the Ministry of Electric Power Industry the funds originally earmarked for the departments concerned. The detailed methods could be studied and determined according to specific conditions.

4. The question of funds for relocation of people and removal of homes in reservoir inundated areas is very complex in hydropower construction in Eastern China. At present, heavy demands are being made on the issue of people's relocation, and the funds required for this purpose have nearly doubled. This is unfavorable to giving priority to the development of hydropower. In order to accelerate the exploitation and utilization of water resources and to rationally solve the problem of people's relocation in the inundated areas, it is suggested that the state should work out "reservoir laws" to be enforced after approval. All units and personnel concerned should realistically discuss and solve this problem in a joint effort to build hydropower stations in the interest of energy conservation for future generations and to contribute to the four modernizations.

In conclusion, we should say that there is a great future for hydropower development in Eastern China. It is hoped that this construction will be supported strongly by various quarters so that the water resources of Eastern China will be developed and utilized as a contribution to the four modernizations.

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Hejiang River in Guangxi

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 1, 12 Jan 81 pp 47-48

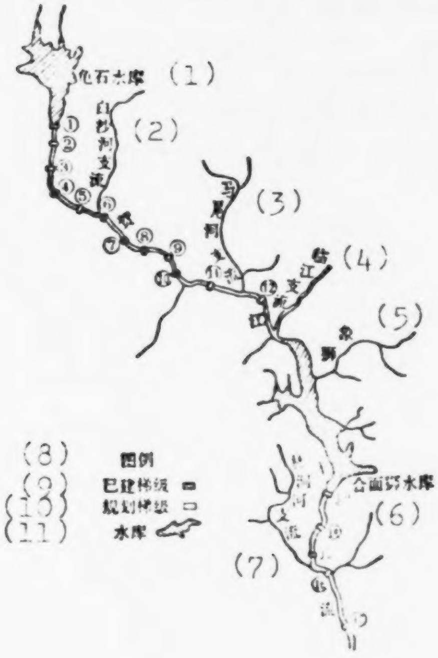
[Atricle by Huang Zhihua [7806 3112 5478] of the Hydropower Survey and Design Section of Wuzhou region, Guangxi: "An Example of Harnessing Small and Medium-Size Rivers in Cascades--Tentative Idea of Harnessing Hydropower Potential of Hejiang River"]

[Text] The Hejiang River is one of four large rivers in the Wuzhou region of Guangxi. It is 186 km long inside the region, with a natural drop of 146 meters, and controls a valley area of 7,030 square kilometers. The average flow for many years has been 240 cubic meters per second. Its greater tributaries are the Linjiang, the Maweihe and the Paishahe. It also has 44 small tributaries, and is very rich in water resources. According to preliminary statistics, the total water energy potential in the entire valley is 242,000 kW. At present, the installed capacity of the small hydropower stations already built totals nearly 100,000 kW. For many years, the average annual rainfall in tee valley has been 1,670 mm. There are 5 hydrology stations and 17 rainfall stations and weather stations which have been carrying out on-the-spot observations for more than 22 years, supplying valuable hydrologic data for the development of the Hejiang's cascades.

The main course of the Hejiang is a combination of two river courses--the Fujiang and the Hejiang. The Guishi Power Station on the first cascade of the Fujiang River was built at the end of the 1950's and the beginning of the 1960's, and was completed and commissioned in 1963. The total capacity of the reservoir is 178 million cubic meters, with an installed capacity of 12,000 kW. To further utilize the power station's tailwater for power generation and irrigation, all the counties and communes in the lower reaches have taken advantage of the gentle slope of the riverbed, the flat land surface on both banks, the concentration of urban and rural populations and the centralized farmland, and, in accordance with the principle of less inundation and no removal of homes, built cascades at Chengxiang, Jiangjia, Yangtou, Huangshi, Fanglin, Xiadao and Longjiang. Besides giving the Hejiang the features of "one-level regulation and multiple-level utilization," these people have accumulated a great deal of experience in water resource exploitation. Construction of the main power station of the Hejiang cascades--the Hemianshi Power Station with a total reservoir capacity of 235 million cubic meters, an installed capacity of 68,000 kW, and a designed irrigation area of 103,500 square mu--began in the early 1970's. After its completion, there will be a unified power grid embracing Fuchuan, Zhongshan, Hexian, Cangwu and Wuzhou. This will not only greatly improve the power situation in Wuzhou region, but will also reduce the heavy burden of transporting coal from the north to the south. According to preliminary statistics, the two thermopower plants in Xiwan and Wuzhou alone can annually help the state save more than 200,000 tons of coal and more than 3 million yuan in transportation expenses. The entire investment can be recovered 3 years after the power station goes into operation.

For a rational layout and the planned and designed exploitation of the water resources of the Hejiang, we have made certain changes to some aspects of the cascades considered to be a little irrational when we planned and designed for the small and medium-size rivers in 1978. In the disjoined portions of the cascades from Guishi down to the Hemianshi Reservoir, we built the Longjing, Lengshuichang, Dajiangzhai and Gongdong cascades according to the standard course of a canal. As to water transportation, we planned to extend the navigation route to Zhongshan.

We also carried out planning on the tributaries of the Hejiang. Since the upper reaches are mountainous, the middle reaches are broad and there are gorges in the lower reaches, and because of relatively less inundation which would require the removal of homes, on the lower reaches it would be easy to build high dams and large and medium-size reservoirs, and to improve the power stations for irrigation, power generation, flood prevention and regulation. These measures are of great, practical significance in making full use of the existing equipment in the Hemianshi Power Station. Therefore, on the tributaries, we have planned and designed the building of reservoirs in Xiangshi, Matao, Nantang and Liuyang with a total capacity of 481 million cubic meters. After the completion of the construction, it is estimated that the power stations on the lower reaches can be regulated each year to increase the amount of electricity by 331 million kilowatt hours, which is equivalent to the capacity of a newly built Hemianshi Power Station. On the 37 km course from the lower reaches of the Hemianshi to Fulong, we have planned for three cascades at Xindu, Shijue and Fulong with a total installed capacity of 26,000 kW. After the completion of these cascades, and because of Guishi on the upper reaches, Hemianshi and the newly built reservoirs with a capacity of more than 1 billion cubic meters for flood prevention and regulation will become a power station with the highest utilization rate in Wuzhou region, and the navigation along the trunk of the Hejiang will be free from any obstacle.


龟石水库 (1)
白沙河支流 (2)
马尾河支流 (3)
临江支流 (4)
象狮 (5)
合面狮水库 (6)
(7)
① ② ③ ④ ⑤ ⑥ ⑦ ⑧ ⑨ ⑩ ⑪ ⑫ ⑬
(8) 图例
(9) 已建梯级
(10) 规划梯级
(11) 水库

Layout of cascades on main course of the Hejiang

Key:

1.	Guishi Reservoir	7.	Lindonghe Tributary
2.	Baishahe Tributary	8.	Legend
3.	Maweihe Tributary	9.	Completed Cascade
4.	Linjiang Tributary	10.	Planned Cascade
5.	Xiangshi	11.	Reservoir
6.	Hemianshi Reservoir		

The layout of cascades on the main course of the Hejiang can be seen from the above diagram. The features of the cascades are as follows:

序号	梯级名称	C 控制流域面积（公里²）	D 多年平均流量（米³/秒）	设计水头（米）	F 装机容量（千瓦）	保证出力（千瓦）	平 H 均年发电量（万度）	I 备注
①	龟石	1230	30.4	33	12000	5470	6500	已建 J
②	龙井	1300	32.1	5.5	1000	678	720	规划 K
③	冷水厂	1370	33.8	4.0	960	530	605	规划 K
④	城厢	1435	35.4	5.0	1600	674	825	已建 J
⑤	大江寨	1453	35.9	4.3	960	577	662	规划 K
⑥	蒋家	1482	36.6	4.0	640	370	297	已建 J
⑦	羊头	1620	40.8	5.0	1063	785	835	已建 J
⑧	黄石	2000	49.4	4.7	1000	458	474	已建 J
⑨	芳林	2288	56.6	3.5	500	340	365	已建 J
⑩	八步	2566	63.5	1.5				已建水轮泵站 L
⑪	夏岛	2700	66.7	3.5	500	338	391	已建 J
⑫	拱洞	3180	78.5	4.7	4000	1470	2120	规划 K
⑬	合面狮	6260	214	35	68000	17000	36000	已建 J
⑭	信都	6340	216	6.3	10000	4900	5448	规划 K
⑮	龙江	6500	222	1.5				已建水轮泵站 L
⑯	石角	6920	236	4.5	8000	4350	4240	规划 K
⑰	扶隆	7030	240	5.0	8000	4780	4960	规划 K

Key:

A.	Number
B.	Cascade names
C.	Controlled valley area (in square kilometers)
D.	Average annual flow for many years (cubic meter/second)
E.	Designed peak of flow (meter)
F.	Installed capacity (kW)
G.	Guaranteed generation (kW)
H.	Average annual power generation (10,000 kilowatt hours)
I.	Remarks
J.	Construction completed
K.	Planned
L.	Completed water turbine station
(1)	Guishi
(2)	Longjing
(3)	Lengshuichang
(4)	Chengxiang
(5)	Dajiangzhai
(6)	Jiangjia
(7)	Yangtao
(8)	Huangshi
(9)	Fanglin
(10)	Babu
(11)	Xiadao
(12)	Gongdong
(13)	Hemianshi
(14)	Xindu
(15)	Longjiang
(16)	Shijue
(17)	Fulong

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Management of Small Stations

Guangzhou NANFANG RIBAO in Chinese 15 Jun 81 p 1

[Article by Weng Zuoxiang [5040 0155 4382], Luo Jianshan [5012 1696 1472] and Bai Shanhua [4101 0810 5478]: "Management of Small Hydropower Stations Strengthened for Improved Economic Efficiency"]

[Text] A national symposium on improving the economic efficiency of small hydropower stations was held in Yangshan County, Guangdon Province, from 1 to 9 June. Engineers and technical personnel engaged in small hydropower research from 25 provinces, municipalities and autonomous regions, experts and scholars of universities and research institutes, and administrative comrades of relevant departments, a total of 140 people, attended the conference.

During the conference, representatives heard reports on experience in strengthened scientific management and improved economy of small hydropower stations in Yangshan County and other places in China. Penetrating studies were conducted on a number of special topics on improving the economic efficiency of small hydropower stations; 44 technical papers were presented and exchanged. The consensus of the discussion was that small hydropower stations have made great progress in China since the revolution, and especially in the past few years. Up to the end of last year, 88,000 small hydropower stations had been built in China, with a total machine capacity of 6.93 million kilowatts and an annual generation of 12.7 billion kilowatt-hours. Among the 2,000 counties (banners), 1,478 have now small hydropower stations. This is a substantial force in China's energy construction and is an important supplement to the major electrical networks.

It was also pointed out that China has numerous small and medium rivers which provide a bright future for small hydropower stations. Not many of these water resources have been developed, and even among the ones with small hydropower stations, some have not yet fully developed their potential. Participants at the conference made a number of suggestions; they expressed the belief that in the period of national economic readjustment, the most important task is to shift the emphasis at small hydropower stations to readjustment and stepped-up management. The attitude of construction first and management second must be overcome, and scientific management, readjustment, systematization, and development of potential must be carried out seriously at existing small hydropower stations. Electrical loads should be actively developed and annual utilization hours improved so that the efficiency of existing facilities can be fully developed.

The symposium was jointly sponsored by the specialty committee on rural electricity of the China Electrical Engineering Association and the Bureau of Agriculture and Water Conservation of the Ministry of Water Conservancy and Electric Power.

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GROWTH OF ELECTRIC POWER INDUSTRY DISCUSSED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 19, May 1981
pp 8-9

[Article by Zhong Ping [0112 1627]: "Development of the Chinese Electric Power Industry in 1980"]

[Text] In 1980 the Chinese electric power industry completed all the national plans above norm. A total of 300 billion kilowatt-hours of electricity, which represents a 6.4-percent growth and is 10 billion kilowatt-hours more than originally planned, were produced, insuring that the electrical demand of an 8.4-percent growth in industry were met. Generators with 2.48 million kilowatts of capacity were installed, making the national total generator capacity 60.25 million kilowatts; 5,532 kilometers of transmission lines of 110 kilovolts or higher were completed, which exceeded the planned level by 36 percent; and major technical and economic indicators such as coal consumption and equipment operation also reached or exceeded the best level in history. The nation's agriculture, light textile industry and people in cities and towns were basically guaranteed an electricity supply and the quality of the electricity was also noticeably improved. But due to the excessive deficit of the past, the problem of a severe imbalance between the electric power and the national economy has not been completely resolved. The problems of unbalanced generation, transmission and transformation of electricity within the electric power industry have not been completely solved either. Although the shortage situation of some inland electric power networks has been temporarily improved, electric power is still in short supply for major networks of coastal industrial bases in northeast China, the Beijing-Tianjin-Tangshan area, and eastern China, and for some provincial networks as well.

In 1981, the electric power industry is continuing to move forward on the basis of the 2 years of readjustment and is striving to do well in making internal adjustments, generate more electricity, provide better electric service and make a greater contribution to the national economic readjustment. The electric power industry mainly needs to do well in the following 10 areas:

1. Make good use of limited capital construction investment for optimum effect.

With capital construction investments greatly reduced in 1981, the electric power industry still remains a high priority in China, with an investment equal to

9.1 percent of the total national investment, an increase of 2 percent from 1980. Within the Ministry of Electric Power Industry, the investment direction continues to adjust the proportion of generation and delivery of electricity, to increase the investment in the transmission and transformation of electricity, and to strengthen the weak links in this area. In 1979 the investment in the transmission and transformation of electric power increased from 13.2 percent to 17.2 percent of the total investment of the entire electric power industry; it further increased to 22.3 percent in 1980, and this year it is continuing to increase to 28.1 percent. The investment in hydroelectric power is rising from 48 percent of the industry total investment in 1980 to 50 percent in 1981, and thus is creating favorable conditions for major developments in hydroelectric power. In order to get the maximum impact, the capital construction investments are mainly concentrated on priority engineering projects, including the Gezhou Dam project, projects to bring a dozen hydroelectric and thermoelectric power stations on line, major power transmission and transformation projects, and preconstruction preparations. Seven new construction projects are also being added in 1981.

2. Strive to complete the 305 billion kilowatt-hours electricity generation plan above normal and raise the quality, production safety and equipment operation to new levels.

According to the national economic development plan for 1981, electricity generation is set at 305 billion kilowatt-hours, out of which 50 billion kilowatt-hours are hydroelectric. This goal has room for improvement; if the fuel supply is more abundant than planned and the water situation is better than expected, the generation of additional electric power is possible. The quality of the electric power, safety in production, and equipment operating condition will also be raised to a new level in 1981. In the area of quality improvement, the current task is to simultaneously improve the frequency specification and solve the problem of electric voltage not up to specification. The proportion of class I generation facilities will be gradually increased from 41 percent to over 50 percent.

3. Concentrate on priority engineering programs under construction and final-stage projects.

First, grasp well the ongoing major hydroelectric construction projects at Gezhou Dam, Longyang Canyon, Dong River, and Dahua, and complete the coffer dam construction to insure safety during this year's flooding season. Second, bring 1.8 million kilowatts of machine systems into operation in 1981. Although there is a decrease in the installation of production equipment this year, the machine systems to be installed for production are all large-capacity machines with an average capacity of 120,000 kilowatts, which is twice the average capacity per machine in 1980. Third, accelerate the design, construction and operation of the 500,000-volt ultrahigh-voltage engineering projects, including the completion of 610 kilometers of 500,000-volt ultrahigh-voltage transmission line from Ping Ding Mountain in Henan Province to Wuhan in Hubei Province. The 500,000-volt high-voltage line from Yuanbao Mountain in Inner Mongolia Autonomous Region to Liaoyang municipality in Liaoning Province should be built quickly, and the 120-kilometer transmission line from Jinzhou to Liaoyang in Liaoning Province will also be completed in 1981. In the meantime, large hydroelectric power stations and large power plant delivery networks at Gezhou Dam, Wujiangdu, Shentou, Fu-la-er-ji and Huai Bei should be undertaken. Fourth, undertake well the 24 final-stage projects (9 hydroelectric and 15 thermoelectric). Among these construction projects, wherever the main machine has come on-line for generating electricity, but the public utility system, the hydraulic engineering construction and the transmission lines are unfinished, efforts should be made to push for completion in 1981.

4. Contrive to conserve energy.

Energy conservation is a key mission in the period of national economic readjustment. Conservation is particularly important in the electric power industry. In 1980 each kilowatt-hour of electricity consumed 448 grams of coal, 9 grams less than in 1979, and saved 2.92 million tons of crude coal. In 1980 China suffered from floods in the south and drought in the north; the combined water volume of large- and medium-scale hydroelectric facilities of the nation was only 2 billion cubic meters more than that of 1979. However, by insisting on the rational use of hydraulic resources, the amount of electric power generated was 10.4 billion kilowatt-hours more than planned, which was equivalent to a saving of some 6.2 million tons of crude coal.

We need to decrease the consumption of coal, electricity and oil to a new low in 1981. The goal of national average coal consumption for supplying 1 kilowatt-hour of electricity is set at 444 grams, 4 grams lower than last year, and the line loss is set at 8.9 percent. The conversion of oil-burning machines to coal-burning machines should be continued in order to reduce the oil consumption. Concurrent with the efforts for energy conservation in the electric power industry itself, efforts should also be made to coordinate among various regions to strengthen the management of electricity consumption in order to carry out the policies of national economic readjustment. In arranging the distribution of electric power, priority should be given to agriculture, light and textile industries, energy resource industry, construction material industry, communication and transportation, and industries that serve the export business and people's livelihood. Electricity supply should be limited at those enterprises that consume large quantities of energy and produce inappropriate products. Reform proposals for the price of electricity should also be investigated in order to promote electricity conservation and the rational use of electricity.

5. Preparatory work of capital construction should be greatly strengthened.

One of the vitally important tasks in readjusting the electric power industry is to turn around the phenomenon of disorder in the preparatory work and the engineering projects under construction. The 1981 plan calls for the completion of preliminary designs to provide 6.67 million kilowatts, the execution of 14 river projects, the completion of plant-site selection and plant-site planning for 10 million kilowatts each, and the long-term planning for major networks. The various design institutes should strive to move the schedule forward, and now is the time to make proposals for the post-readjustment seventh 5-year plan and the early-stage work necessary for future development. In order to do a good job in hydroelectric planning and construction, the construction work of the three hydroelectric design institutes in eastern, south central and northwest China are being accelerated.

6. Continue to reform the network management system and broaden the test point work for enterprise autonomy.

Electric power networks in China are being placed under the concentrated and uniform management of the electricity management bureaus in the six large regions. This is different from the provincial and regional management system of the past. In doing so, a proper balance can be maintained in the generation, supply and sales of electricity; the integral nature can be maintained in the network's generation and distribution; and the maximum economic efforts can be insured. In the past year or so, progress has been made in moving toward a centralized and unified management of electric power networks. In addition to the existing electricity management bureaus in northeast and eastern China, bureaus in northern, northwest and central China have subsequently been established and a southwest bureau is also being planned and organized. Test point work on the autonomy of the enterprise and the power network will be continued in 1981, and reform will be carried out through consolidation of the national economic readjustment experience.

7. Grasp well across-the-board quality control and further improve the engineering quality.

A system of rules, regulations and codes should be established this year. Quality management and control of each engineering procedure, from construction to production and delivery, and the inspection of design, raw material and equipment that affect the engineering quality should all be strengthened.

8. Find satisfactory solutions for the problem of insufficient business for construction and building units and enterprises.

Because of the reduced capital construction program, some construction units and building enterprises do not have enough business this year. How should we solve this problem? First, we should carry out training programs for workers in these units and organize a part of the technical personnel to carry out research and develop new products urgently needed in the electric power industry. In the meantime, we should coordinate contracting or partially contracting jobs such as overhaul of power plant generators and boilers, construction of agriculture electricity supply, local housing construction, external system machine installation, machining of structures, machine maintenance and technical support. On the basis of current economic aid engineering projects to foreign countries, we should actively organize product export, contract foreign construction projects, and collaborate with foreign manufacturers in producing machinery and electrical products.

9. Strengthen scientific and technological research and work toward breakthroughs in some vital scientific research areas.

In the meantime, we must promote scientific and technological achievements so that science and technology can transform the production force as quickly as possible. Key technologies in electric power production construction and in conservation and production increase should be combined. Technical innovation and technical and scientific exchange with foreign nations should be broadly promoted to further exploit the use of a technical information network, scientific and technical exchange and the publicizing of results in science and technology. Channels for exchanging scientific and technological information and data should be systematically broadened.

10. Strengthen the training of all staff members and workers in order to elevate the professional technical level.

During the current period of national economic readjustment, we should grasp the opportunities for worker and cadre training; this is an imperative strategy for the realization of the four modernizations. The method should be a combination of on-the-job training and rotational on-leave training. Special attention should be paid to the systematic organization of short-term rotational on-leave training. For the workers, emphasis should be on young workers 35 years or younger and key production workers at major posts. Efforts should be made to complete one round of rotational on-leave training in the 1981-85 period. For those leading cadres not familiar with the business operation, classes in production knowledge, business and technology should be provided for them. For those management cadres not familiar with the production procedure, basic courses in production should be given. In the meantime, technical knowledge reviews should be organized for upper and middle-level engineering and technical personnel so that they can acquire knowledge of new foreign technical theory and technologies not available in China.

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PROGRESS IN METHANE GAS RESEARCH DESCRIBED AS ENCOURAGING

National Methane Gas Conference

Beijing GUANGMING RIBAO in Chinese 18 Jun 81 p 2

[Article by reporter Song Guangming [1345 0342 2494]: "Methane Gas Research in China Shows Encouraging Progress"]

[Text] The reporter learned from the National Methane Gas Work Conference recently held in Beijing that methane research in China has progressed rapidly in recent years, some research achievements have taken effect, and the technical team of rural methane gas specialists has grown to 100,000.

In the past few years, methane gas development in China has made great progress. To date, 23 provinces, municipalities and autonomous regions have established and perfected methane gas management organizations and 700 million methane tanks have been constructed in China. Of the 700 million methane tanks, 143 million were new constructions after 1979 and the success rate has been better than 95 percent. Scientific research in methane gas has also increased markedly and some provinces, municipalities, counties, colleges and universities and scientific research units have set up methane gas research organizations and achieved some results. For example, scientific and technical personnel of the National Methane Research Tank-Building Coordination Group investigated various types of methane gas tanks in 20 provinces, municipalities and autonomous regions and has finished compiling a tentative edition of the "Selected Standard Models of Rural and Household Methane Gas Tanks." The newly selected hydraulic-type circular and spherical tanks are simple in structure, easy to manufacture, high in adaptability, low in cost, and provide satisfactory solutions for the interdependence between fertilizer and gas and between applicability and locality. Other achievements in research and development include the successful development of the anaerobic digestion contact technique, which has achieved a high standard; the generation of methane gas from sewage and sludge from leather plants and pharmaceutical plants; the first separation of pure methane, which filled a void in the field of methane research in China; and the successful development of electric generators running on gasoline-methane mixture and on pure methane gas. Application of these research achievements will further promote the development of methane production. The technique of methane production from plants' "three pollutants" using anaerobic fermentation is not only beneficial for environmental protection but also provides a cheap source of energy. At the Rongxian County winery in Sichuan Province, the liquid brewhouse was generating 120 tons of refuse every day and seriously polluting the environment. For this reason the winery was ordered to stop production for 8 months and suffered a loss of 1.3 million yuan in production value. In 1978, methane gas tanks were built to produce gas from the refuse using the anaerobic fermentation technique and a methane power station was built as well. In 1980 the winery generated 580,000 cubic meters of gas at a value of 35,000 yuan and generated 216,000 kilowatt-hours of electricity, which saved more than 7,000 yuan for the winery.

It was proposed at the conference that methane research be strengthened by stepping up the manpower, material and funding support. The erroneous belief held by some people that methane gas has reached the promotion stage and that there is no further need for scientific research and the prejudice against methane fertilizer should be corrected. The conference also discussed and approved relevant documents, including "Selected Standard Models of Rural and Household Methane Gas Tanks" and "Regulations Regarding the Rural Methane Gas Worker".

9698
CSO: 4006/381

Methane Gas From Sludge

Shanghai WEN HUI BAO in Chinese 23 Apr 81 p 1

[Text] Shanghai has succeeded in producing methane gas by fermenting sludge from leather plants. All the experts participating in an evaluation held 2 days ago believe that this achievement has provided a new avenue in the development of energy resources, the control of the three pollutants and the development of leather production. The leather goods plants in Shanghai generate great amounts of waste water and sludge in the production process and cause serious pollution to the city environment. The sludge from the leather plants is especially hazardous because of its large volume, high concentration and complex composition. Since it cannot be discharged at will or used as fertilizer, it is even harder to process than waste water. The management of leather plant sludge has become an important issue in the development of light industry and the protection of the environment. In 1978, the Municipal Scientific Committee, the Environmental Protection Bureau and the Handicraft Industries Bureau assigned the key research mission on this issue to the Shanghai Institute of Leather Industry. In collaboration with the Shanghai Hongguang Leather Goods Plant and the Shanghai Microbiology Institute, and with the assistance of the Municipal Scientific and Technological Association, the Shanghai Internal Combustion Engine Institute and Tong Ji University, the Shanghai Institute of Leather Industry carried out a number of studies, made small and medium-scale tests and completed the assignment last October.

Two days ago, experts and researchers participating in the evaluation viewed the generation of methane gas from sludge and the generation of electricity from methane gas at the Hongguang Leather Goods Plant. It was explained that the two leather plants in Shanghai, Hingguang and Hongwei, discharge almost 100 tons of sludge a day; with this scientific achievement, 4,000 cubic meters of methane gas with a heat value of 5,500 kilocalories can be produced daily. More than 1 million kilowatt-hours of electricity can be produced every year. The effect is even greater when the methane gas produced is used as a fuel: it will allow a savings of 1.8 million cubic meters of coal gas each year.

9698
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Methane From Human Waste

Shanghai JIEFANG RIBAO in Chinese 24 Apr 81 p 2

[Article by Wu Youwei [0124 1635 1218]: "Methane Gas Production--Turning the Cities' Human Waste Into an Energy Resource"]

[Text] The idea of turning cities' human waste into an energy resource through methane gas production proposed by Zhou Shi-e [0719 1102 6166], chairman of the board of directors of the Nanjing Boiler Association, received wide response at the recent Second Congress of the Jiangsu Provincial Association of Science and Technology. As pointed out by scientists attending the meeting, the idea is simple and practical, costs little money and has practical significance for the cities' energy resources.

Each year large amounts of funds and manpower are spent on the transportation and treatment of cities' human waste, and it has long been one of the difficult problems of the city administration. It is possible to transform the waste into something valuable, to turn the human waste into energy resources? Zhou Shi-e thinks so. Zhou has engaged in teaching and research in thermal energy engineering for a long time. Chinese biological energy scientists have done extensive research in this area and have achieved results in the selection of fermentation culture and in the preparation of a rapid fermentation agent. The problems of optimum structure of the methane gas pool, constant temperature control and output automation can also be resolved under present conditions in China. The case of turning human waste into methane gas in Qingdao city is an example of a success story. At the National Work Conference on Energy Resources held in October 1980, Zhou Shi-e presented his proposal to develop city methane gas. Now he has concrete plans for his idea--the installation of 60 7-meter diameter spherical methane gas tanks in Nanjing. The tanks will be divided into 6 groups placed in the 6 wards of the city and managed by technical personnel. The methane gas produced will be used as a secondary gas source in solving the living requirements of thousands of households.

Zhou pointed out that the development of methane gas in cities is highly significant in conserving energy. Many large and medium-size cities in China have already been equipped with a coal gas supply, but at present the sole source of gas is coke furnace coal gas. This not only consumes a great amount of coal but also places a large burden on transportation. The development of methane gas as an energy resource using cities' human waste is one form of energy feedback. This closed-cycle feedback is a very powerful conservation measure and it can also reduce the energy imports. Take Nanjing city, for example. The human waste of the

1.8 million residents and the transient population can be used to produce 540,000 cubic meters of methane gas every day, equivalent to the heat released from 540 tons of coal. This converts to 190,000 tons of industrial coal a year and can meet the requirements of 800,000-900,000 residents. If only one-fourth of the human waste in Nanjing is used in producing methane gas, 40,000-50,000 tons of coal can be saved and 200,000 people can be supplied with gas. In addition, the waste water from meat processing plants, leather goods plants, and bone glue plants and the draff discharged from distilleries can also be used in methane gas production.

The development of methane gas in cities is also beneficial to the environment. Coal furnaces used by city residents are the major sources of air pollution under the 10-meter altitude level. According to test results, residential coal furnaces are the most serious polluters in Shanghai. Using methane gas will greatly reduce the cities' air and water pollution. After high-temperature fermentation, the human waste can be used as fertilizer on vegetable farms, and this process will also reduce the parasite recycle and decrease infectious disease.

9698
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SPEEDY FORMULATION OF NUCLEAR ENERGY POLICY URGED

Tianjin KEXUEXUE [SCIENOLOGY] in Chinese No 1, 1981 pp 45-46

[Article by Ji Xiaohong [4694 1321 1347], Zhang Shunjiang [1728 7311 3068], and Xiong Benhe [3574 2609 0735]: "A Study on the Decision for the Development of Our Nuclear Energy"]

[Excerpt] The energy question is one of the major problems facing the world today. One of the salient manifestations of the economic crisis in the capitalist world is the energy crisis. This is by no means accidental, as energy is the major material foundation for social and economic development and for improving the livelihood of the people. A country's gross energy consumption and its per capita energy consumption are important indexes to the state of that country's economy and the level of the people's livelihodd. With regard to China, the realization of the four modernizations program will require a vast amount of energy. Whether we can achieve the large-scale development, full supply, and rational use of various kinds of energy will seriously affect the speed of China's industrial and agricultural development, the improvement of the people's livelihood, and the success or failure of the four modernizations program.

Inasmuch as energy needs are increasing very rapidly while petroleum and coal deposits are finite, mankind today should keep the coming generations in mind and not burn up as fuel all the earth's oil and coal--these valuable raw materials for the chemical industry which were produced millions of years ago through solar photosynthesis. Many countries of the world began looking for new, alternative energy sources several decades ago. After 30 years of such efforts, among the various new energy sources being developed throughout the world today, the only one that can be used industrially within the next 30 years, that can be developed on a large scale, and that is safe and clean is nuclear energy. It can be predicted that in the next 50 years, or perhaps even sooner, nuclear energy will gradually supplant petroleum and coal and become the main source of energy.

Although China's energy resources are not inconsiderable, they are not over abundant when considered on a per capita basis, in view of the large population. Furthermore, the energy resources are very unevenly distributed, and with respect to those areas such as Eastern China, Southern China, and the Northeast, where industry is developed, the population is highly concentrated, which are fairly far from the coal and oil-producing regions and are lacking in hydroelectric resources, the energy supply problem is already fairly serious, so constructing nuclear power stations in these areas as quickly as possible is a very pressing issue. Furthermore, we have already achieved the basic conditions for developing nuclear power. In the past 20 years or so, in the course of studying nuclear weaponry, we have verified a certain number of uranium deposits and we have built a fairly sizable nuclear technology research system and a nuclear fuel industrial system. Considerable progress has been made in the manufacture of nuclear engineering equipment and in the nuclear materials industry. A contingent of people with a considerable amount of practical experience in nuclear research and nuclear engineering design has reached maturity, which means that the development of nuclear power on a large scale in China and building up our nuclear industrial system as quickly as possible is not only a matter of utmost necessity, but it is also entirely attainable. The most important issue at hand is the speedy formulation of a nationwide energy plan and the establishment of the position nuclear energy is to have among China's energy resources. In addition, we must undertake serious study and arrive at some decisions regarding how China will develop nuclear energy and formulate pertinent guidelines and policies.

CSO: 4006/323

FAR INFRARED TECHNOLOGY USED IN HEATING, DRYING

Beijing BEIJING RIBAO in Chinese 7 Apr 81 p 3

[Article by Dong Ping [2639 1627]: "Far Infrared Technology Performs in Energy Conservation"]

[Text] In recent years a new member emerged in the field of infrared technology--far infrared technology. It is a powerful tool for heating and drying and is a useful technology for conserving energy. Compared to conventional heating methods, the far infrared technique leads to high product quality and low operating cost, takes up one-third less ground area, saves 30 percent of the electricity and reduces drying time one-third to one-half. It requires simple equipment that can be modified easily and provides rapid effect.

It is well known that infrared radiation is electromagnetic waves with wavelengths longer than those of visible light. Infrared can be used in heating and drying because water molecules and molecules of most organic solvents absorb infrared radiation. Since far infrared has a much wider wave band than near infrared, it has a much higher probability of being absorbed by matter and is much more penetrating than near infrared. Therefore, the heating ability of far infrared is even better than near infrared. A far infrared radiator converts ordinary heat (such as heat produced by a resistive wire or steam heat) into far infrared radiation and irradiates the object directly. When an object absorbs far infrared radiation, the molecular vibration becomes more vigorous and the object's temperature increases. When the water molecules and organic solvent molecules in the object acquire sufficient energy and evaporate, the object is dried rapidly.

At present the surface temperature of most far infrared radiators in China is generally less than 600°C. If the temperature is too high, the radiated infrared will be near infrared instead of far infrared; some of the near infrared will become visible light and that portion of energy is simply wasted. It can be said that heating and drying with far infrared is a new technology that uses a minimum amount of energy to achieve optimum result.

In 1979, 800,000 kilowatts of far infrared equipment were used in China, and the electrical energy saved in Shanghai alone was 130 million kilowatt-hours. Today infrared is widely used in China for baking paint, fixing color in printing and dyeing, processing rubber, manufacturing plastics, dehydrating leather, food processing, instrumentation and dozens of other applications. As the development of far infrared technology progresses, there are more and more different varieties of far infrared radiators. Far infrared heating and drying technology will play an even greater role under the demands of energy conservation.

9698
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COOPERATION WITH JAPAN, FRANCE IN OIL EXPLORATION REPORTED

Successful Results

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 20, 20 May 81 p 2

[Article: "Economic Prospects: Chinese-Foreign Cooperation in Developing Offshore Oil Has Bright Future"]

[Text] Victory messages relating to Sino-Japanese cooperation in the development of Bohai oil and Sino-French cooperation in the development of Nanhai oil were heard recently. Although the messages were short they were worth noting.

In May last year, Japanese and Chinese oil companies signed a contract to explore and develop oil in the southern and western sections of China's Bohai. Drilling of the first well was started on 13 December and finished on 7 March this year. This well is 3,334.5 meters deep, with oil- and gas-bearing strata more than 300 meters thick. According to an announcement concerning the results of the exploratory drilling issued jointly by the Marine Branch Company of the Chinese Oil Company and the Sino-Japanese Oil Development Company, the daily production of the well is estimated at 1,000 tons of crude oil, 600,000 cubic meters of natural gas, and 50 tons of coagulated oil. The crude oil is said to be of very high quality with low specific gravity and low sulfur content.

Also in May last year, the Nanhai Branch Company of the Chinese Oil Company and the Dahl Petroleum Company of France signed a contract for the exploration and development of Beibuwan oil in the Nanhai area. Drilling of the first well was started on 8 January this year and finished on 16 April. This well, which is 2,900 meters deep, was named "Wushi 16--No 1 Well" in early May. This well was a gusher. Tests carried out on part of the oil strata confirmed that the thickness of the oil strata as well as the pressure at the bottom of the well and other physical conditions are so favorable that nothing like this has been seen before.

Today, the eyes of the world are concentrated on energy resources. Therefore, discovery of these two gushers in China's Bohai and Nanhai cannot help but attract attention here as well as abroad, and many people have started making various estimates. A spokesman of the Sino-Japanese Oil Development Company said in Tokyo that the quality of the oil gushing from one of the experimental wells was similar in quality to the Arabian light oil produced by Saudi Arabia. The oil strata reaches a total of 105 meters. This financial juridical person of Japan, who cooperated with China in this engineering venture, further stated that the area under exploration could very possibly prove to be an oil field with a potential yield of 10 million tons of crude oil (or 69.3 million barrels) a year. Will these two areas where gushers have been found really develop into oil fields? How big will the oil fields be? How many more wells need to be drilled? At this point we can only guess. However, foreign specialists generally consider that they are both highly hopeful.

Chinese experts are also quite optimistic about the future of developing oil in Bohai and Nanhai. According to a report, Deputy Director Ye Longfei of the Oceanography of the South Sea Institute, Chinese Academy of Sciences, has stated: The Nanhai area is rich in resources. The oil reserves of the area are believed to be richer and more concentrated than those of Southeast Asian areas, including the Philippines, Borneo, Java, Indonesia, Thailand, and Vietnam.

China is a large country with rich natural resources. However, on account of weak technological strength and limited financial power, exploratory work is lagging behind, and a large quantity of oil is still buried underground which has not been discovered or exploited. In view of the situation concerning oil production and consumption in China in the past 2 years, an energy shortage problem will soon overtake China. Therefore, finding new oil fields has become one of the most urgent projects today. At present, in addition to increasing production of the existing oil fields, expanding the range of exploitation and drilling deeper into the oil-bearing strata, China is also aggressively pursuing exploration of oil on land as well as offshore by attracting foreign firms to carry out cooperative joint ventures. Within the guideline of independence and rebirth from one's own power, an open policy is to be implemented and economic cooperation with foreign countries is to be developed. This is the new Chinese policy which, of course, applies to the realm of oil exploration also. Successful drilling of the first wells in Bohai and Nanhai, respectively, through Sino-Japanese and Sino-French cooperation has painted a bright future for further offshore oil development.

9113
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High-Yield Oil, Gas Well

Guangzhou NANFANG RIBAO in Chinese 29 May 81 p 1

[Text] According to reports by NEW CHINA NEWS AGENCY reporter Huang Fengchu [7806 1144 0443], a high-yield oil and gas well drilled by a joint operation of China and a French petroleum company at North Bay in the South China Sea is the first prospecting well drilled in the North Bay area. From April 20 to May 26, oil tests were carried out for the six sections containing oil and gas. According to test results released jointly by the South Sea Branch of the China National Petroleum Corporation and the French Dahl Petroleum Company, two sections of the well are relatively rich in oil and gas. The second section has a daily crude oil yield of 320 tons and a daily natural gas yield of 59,000 cubic meters. The third section has a daily yield of 320 tons of crude and 70,000 cubic meters of natural gas. The crude is of high quality, with low specific gravity and low sulphur content. This finding provides additional proof that this sea area is rich in oil and natural gas.

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'JINGJI YANJIU' ON ECONOMIC READJUSTMENT

HK061120 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 81 pp 9-17

[Article by Gui Shiyong [2710 0013 6978] attached to the Policy Research Office of the State Planning Commission and Zhou Shulian [0719 0647 5571] attached to the Industrial and Economic Research Institute of the Chinese Academy of Social Sciences: "On the Aims, Stages and Measures of Economic Readjustment"]

[Text] At present, the guideline of further readjustment of the national economy is being carried out actively throughout the country. This is a strategic change in our economic task, which concerns all fields of economic life and will be accompanied by a lot of new circumstances and problems. In solving all these, it is absolutely necessary to study how to set up appropriately the aims of readjustment, make sure what stages should be undergone to achieve these aims and work out the measures which are needed in different stages based on reality; and thus enable all jobs of readjustment to be carried on in close coordination, step by step and smoothly, while avoiding blindness and spontaneity which are likely to emerge.

Concerning the Aims of Readjustment

The aims of the current economic readjustment, for the near future, are to overcome the present economic difficulties and eliminate latent crises; fundamentally speaking, this involves changing the serious disproportion of the national economy which has gradually occurred in the last 20 years or more and, starting from the real circumstances in our country, set up step by step an economic structure which is fairly harmoniously proportioned, more effective in terms of economic gains, and will operate in a healthy cycle. The concrete characteristics of this kind of economic structure are as follows.

First, the proportionate relations between various sectors of the national economy, within different sectors, and between various links of social reproduction must mainly be well coordinated, and the industrial organizational structure must be comparatively reasonable. The economic structure which we have just mentioned mainly denotes the industrial structure; in other words, the qualitative connection and quantitative proportion between different industrial sectors under certain socioeconomic and production technological conditions. Only after comparatively appropriate relations have been established between various sectors can the two great divisions of social production be harmoniously developed and social reproduction be carried on smoothly. On the other hand, the economic structure also includes the industrial organizational structure, that is to say, specialized collaboration among industrial enterprises. The latter concerns technological progress and the raising of labor productivity, and thus is closely related to the industrial structure. Under the present conditions in our country, no rationalization of the industrial organizational structure means no rationalization of the industrial structure.

Second, different factors of social production, including manpower, capital and material resources, are utilized in a relatively reasonable way; under the direction of the principle of a reasonable layout, economic predominance in various areas has begun to operate more effectively. For this reason, we must not only correctly handle the relations between various sectors, but also rationally deal with the division of work and coordination among different areas, and make use of various natural resources and the technological and economic forces of different areas according to their particular circumstances.

Third, the development of productive construction and the improvement of the people's livelihood are closely linked together, and help each other forward. A rational economic structure must not only maintain a healthy cycle which enables different sectors of the national economy to be coordinated and help each other forward, but also ensures a relationship of mutual coordination and mutual promotion between different links of social reproduction such as production, distribution, circulation, consumption, and so forth. In the final analysis, the healthy cycle presents itself in the form of a healthy cycle from production to consumption, and vice versa. Undoubtedly we have various criteria to judge whether an economic structure is rational, and how rational it is; nevertheless, the most important one is whether it can produce the best effect with the existing manpower and material resources, and thus ensure for the people as much stable improvement as possible in material and cultural life, on the basis of the continued growth of the national income.

It should be pointed out that the rationalization of the industrial structure can never occur without the readjustment of the relations of production and the reform of the economic management system. The development of social productivity, the formation of the qualitative and quantitative relations between different sectors of the national economy, all of them have to be realized under certain relations of production. Therefore, it is impractical to isolate productivity from the relations of production. Past practice has shown that under the socialist system, the economic management system is the solidification of the relations of production which has the most important impact on the development of productivity and the shaping of the characteristics of the industrial structure. The industrial structure has remained irrational in our country for a long time. This is due not only to the influence of the "leftist" guiding ideology which has brought about a lot of mistakes in working out the strategy of economic development, but also to the economic management system in which various serious problems and shortcomings can be found. In short, the conformity of the relations of production with productivity is an indispensable prerequisite for setting up a rational industrial structure. Certainly we cannot simply take the rationalization of the relations of production and that of the economic system as a sign of the rationalization of the industrial structure. However, in judging whether an industrial structure is rational, we can never overlook the state of the relations of production and the economic system, we may even regard the healthy cycle which enables productivity and the relations of production to help each other as an indirect sign of the rationalization of the industrial structure. If we want to adjust the proportions of the economy to set up a rational industrial structure, we must readjust the relations of production and reform the economic system correspondingly. That is the very reason why we reiterate that we have to rely on readjustment for one thing and on reform for the other in opening a new path to develop the economy of our country.

Some people realize that modernization is a mark of the rationalization of the economic structure. In our opinion, such a view is not appropriate. The rationalization of the economic structure is a relative concept which may be suited to the different development levels of productivity. Under the socialist system, the realization of modernization will help the rationalization of the economic structure. However, we cannot consequently draw the conclusion that the rationalization of the economic structure can never be reached until modernization is accomplished. In fact, even if the modernization level is not so high, rationalization of the economic structure is still possible. In our country, the level of productivity was even lower than it is today during the period of "the first 5-year plan," but the economic structure was then comparatively rational because correct auditing principles had been adopted, and the plan was conformed fairly well with reality, and was well carried out. On the contrary, the accomplishment of modernization does not necessarily mean the rationalization of the economic structure. Although the economy has already been modernized in many capitalist countries, their economic structures still remain irrational or are even developing lopsidedly. Under the present conditions in our country, we can neither confuse the rationalization of the economic structure with the modernization of the national economy, nor separate them completely. It should be realized that the rationalization of the economic structure will serve as a great incentive to push ahead with the modernization cause. On the other hand, in the course of rationalizing the economic structure, we should eagerly, in accordance with needs and ability, adopt every advanced technique which helps to improve economic effect. We should particularly speed up modernization in the existing enterprises, and thereby push ahead with the modernization of the social economy step by step.

Some other people reckon that a rational economic structure is equivalent to a light structure. Such a view needs further deliberation. The light structure, which is mentioned in general as compared with a heavy structure, means accelerating the development of agriculture and light industry so as to make them account for a certain proportion in the national economy, say around 60 percent. Such a view emphases developing agriculture and light industry, and changing the present lopsided structure in which heavy industry predominates. Indeed they are completely correct on this point. However, it is inappropriate in many cases to take the fixed proportion that agriculture and light industry make up of the national economy as a criterion for the rationalization of the economic structure. The reason is that, at different economic levels, the relative proportions which agriculture and light industry account for the national economy may stand for very different absolute levels. The proportion of agriculture is actually very small in some economically developed countries, but the production of agricultural products is comparatively high. Therefore, a small proportion of agriculture does not necessarily mean that it cannot conform with the development of industry and meet the people's needs. Whereas in many economically underdeveloped countries, though the proportion of agriculture is very large, the supply of agricultural products cannot meet the demand. This proves from another approach that a large proportion of agriculture does not necessarily mean a rational economic structure. In the last 2 years, in our country, the proportion which the output value of light industry accounted for in the total output value of industry has been raised very fast, the proportion of agriculture and light industry in the national economy is probably approaching 60 percent. However, our country's economic structure still has a lot of serious problems which need to be solved through a readjustment over quite a long period of time. All these facts show that the fundamental problem does not lie in how large a proportion agriculture and light industry constitute, but in whether their relations with the national economy are harmonious and whether such relations conform with the needs arising from the growth of the national economy and the improvement of the people's livelihood.

Some other people believe that a rational economic structure should be a type of "unfolded" [Shu Zhan 5289 1455] economic structure. Comrades who advocate this view call the existing economic structure an "extruded" [Ji Ya 2357 1090] type, based on the fact that various sectors of the national economy, with tense relations between them, are pushing each other out. These comrades are asking for the situation to be changed so as to turn the relations between various sectors of the national economy to an unfolded state. We feel that this view does not seem pertinent either. First, the concepts of "extruded" and "unfolded" are not precise enough, since people can define them in a variety of ways. Therefore, such concepts can hardly be precise indicators for judging the rationalization of the economic structure. Second, in conceptualizing the present economic structure of our country as "extruded," they have not managed to grasp the core of the problem. In other words, they did not point out the most fundamental weakness of our country's economic structure, that is, the serious divorcement of productive construction from the people's consumption. Moreover, the practices of pushing each other out to some extent among various sectors of the national economy do not exclude the effect of pushing each other ahead; while the structure of the "unfolded" type does not necessarily enable those sectors to push each other ahead either. Anyway, according to the real circumstances in our country, it is inevitable that tense relations will still remain for a long period of time between some major sectors of the national economy, and between some important links of social reproduction. Just as pointed out by Comrade Chen Yun, "we must take care of economic construction as well as the people's livelihood, there must be an equilibrium between them. It looks as if this kind of equilibrium will still remain basically rather unstable for quite a long period of time." "Our work is to keep this unstable equilibrium from overturning." These words, said in 1956, profoundly revealed a phenomenon of regularity in the economic development of our country. Now, 20 years or more have passed, but the observation of Comrade Chen Yun is still completely applicable. We can neither talk about rationalization irrespective of our national condition, nor totally disfavor the tense relations between economic sectors either. Our very task is to correctly handle these tense relations, keep the necessary balance between them, and give full play to their function in promoting each other.

On the Stages and Periods of Readjustment

In order to properly divide the whole readjustment into stages, and carry out the job step by step with each closely linked to another, we have to comprehensively analyze the problems existing in the present economic structure and the contradictions which we are confronted with.

What contradictions and difficulties do we have in our present economic life? In our opinion, the major ones are: 1. Agriculture and light industry are still backward. 2. Heavy industry is being lopsidedly developed and the internal proportions are unbalanced. 3. There is a shortage of energy as well as of some important raw materials. 4. Communications and transportation do not meet the needs of the development of the national economy. 5. Those sectors such as commerce, service trades and so on are backward. 6. There are contradictions between capital construction and financial and material resources. 7. There is disproportion between "bone" and "flesh." 8. The foreign trade development does not conform with the needs of the development of the national economy. 9. Quite a part of the people still live a difficult life and there are quite a lot of people in the towns awaiting employment. 10. We have had financial deficits in successive years; as we have issued too much currency, the prices of many commodities have gone up.

To deal with the above-mentioned contradictions, which are linked with one another we must find out how they are connected, differentiate the important from the less important and the urgent from the less urgent, and solve them one by one. In our opinion, to solve or basically solve these contradictions, the job can be divided into three stages and will take about 10 years before a comparatively rational economic structure will be initially established.

The first stage is to eliminate deficits and stabilize the economy. The aims of this stage include: to accomplish financial balance; to stabilize commodity prices; by reasonably allocating jobs to people in towns awaiting employment, actively promote the commerce and service trades, improve the relations between the "bone" and the "flesh," and thus further improve the livelihood of the people in the towns and countryside on the basis of the results achieved in the last few years.

Why do we consider eliminating deficits and stabilizing the economy as the central link of the present stage of readjustment? Because this problem being the comprehensive expression of various contradictions in current economic life, reflects the fact that the scale of capital construction has gone beyond the capacity of our country's financial and material resources, that the growth of the people's consumption has surpassed the developing speed of the production of consumer goods, and also that the various sectors of the national economy are so seriously out of proportion that reproduction cannot be carried on smoothly and is resulting in very bad economic effects. On the other hand, it has brought about inflation and the rise of commodity prices, which have affected the people's livelihood. This is the main problem we mean when speaking of the underlying crisis in the present economy. Without solving it, the other tasks economic readjustment will hardly be attainable. That will not only prevent the people's living standard from further improvement but will also counteract, through the rise of commodity prices, the good results already achieved, or even disturb the stability of society.

At this stage, the following measures, such as concentrating on the elimination of financial deficits, making every effort to reduce expenditure and broaden sources of income (in particular, vigorously promoting the production of consumer goods) can accompany and help the gradual solution of a series of other contradictions. We anticipate it will take about 2 years to complete the tasks of this stage.

The second stage: To readjust the proportions of agriculture, light industry and heavy industry. In this stage, emphasis should be placed on the further readjustment of the proportions of agriculture, light industry and heavy industry so as to basically harmonize the proportions of the two major divisions of social production and thus push ahead with the appropriate improvement of the people's livelihood. During this stage, national investment in capital construction will not increase noticeably, and energy production will not rise obviously either, some energy resources will even probably decrease a little bit. But, relying on the basis of the readjustment in the previous stage, and by giving full play to the latent power of the existing enterprises and vigorously economizing on energy resources, we will be able to turn the state of the serious disproportions of agriculture, light industry and heavy industry into a basically harmonious relationship, through various measures of readjustment and reform.

Why should we make the further readjustment of the proportions of agriculture, light industry and heavy industry the central link of the economic readjustment after the balance of revenue and expenditure has been achieved? Because industry and agriculture, being the fundamental material sectors in society, occupy a decisive position in the whole national economy at the present level of development of productivity in our country. They control the direction of economic development, and condition the development of other material production sectors and other social causes. The relations between agriculture, light industry and heavy industry basically embody the relations between the two major divisions of social reproduction, which are the most fundamental proportionate relations affecting the social reproduction process. Meanwhile, the harmonization of the relations between agriculture, light industry and heavy industry is the prerequisite for correctly handling the relations between accumulation and consumption. How large a portion of the national income can actually be used for accumulation and consumption respectively, in the last analysis, is decided by the social production structure consisting of the production of the means of production and the production of the means of subsistence, as well as by the possibility of change of this structure within a certain period. Now the accumulation rate is still too high, and should be lowered further. And the condition for this is to further harmonize the proportions of agriculture, light industry and heavy industry, and to readjust the relations between the production of the means of production and the production of the means of subsistence. In fact, the faults in the economic development strategy in the past were mainly due to the mishandling of the relations between agriculture, light industry and heavy industry. And this is exactly the key issue responsible for the irrationality of the economic structure at present. In the first stage of readjustment, in order to accomplish the balance of revenue and expenditure and the stabilization of the economy, the relations between agriculture, light industry and heavy industry must also undergo readjustment. Nevertheless, as changing the industrial structure takes time, we cannot expect to reverse the series disproportions of agriculture, light industry and heavy industry in the first stage. After the completion of the basic tasks of the first stage, as the conditions for further harmonizing the proportions of agriculture, light industry and heavy industry are available, to deal with these relations should become the most important task of the second stage.

Of course, this in no way implies that tasks in other fields can be neglected. In the past, when placing emphasis on the problem of agriculture, light industry and heavy industry, we have always overlooked the functions of those sections such as commerce, service trades and so on, and neglected the role of scientific education, and even that of those infrastructure and vanguard sectors such as the construction industry, communications and transportation, and so forth. From now on, we should prevent such erroneous practices. In the course of harmonizing the proportionate relations between agriculture, light industry and heavy industry, the collaboration of other sectors is needed. Hence tasks in these sectors have to be strengthened correspondingly. Based on the appraisal of the present economic situation, we may envisage the completion of the tasks of this stage in about 3 years if the jobs are well done.

The third stage: The preliminary rationalization of the economic structure. In this stage, importance should be attached to changing the grave backwardness of the infrastructure, so that the energy industry, communications, posts and telecommunications services, and municipal construction can be developed relatively fast, comparatively harmonious relations can be established between and within agriculture and industry, and between other sectors of the national economy, and economic and social development can be better coordinated. On this basis, we will try to considerably enhance economic effect, enable the national income to achieve a fairly high rate of growth, and the people's livelihood to improve fairly substantially. May we suggest a tentative idea as follows: to raise the growth rate of the people's consumption level in the urban and rural areas to, or near, what it reached in the period of the "first 5-year plan," in other words, around 5 percent per year on average, in the later period of this stage?

In the second stage, the readjustment of the proportions of agriculture, light industry and heavy industry still have to be restricted by many objective conditions. First of all, the energy production will not be noticeably increased; second, communications and transportation will still remain rather weak; moreover, the backwardness of other infrastructure sectors will hardly be changed enormously. Apart from other causes, all these circumstances are closely attributable to the fact that the investment in capital construction is strictly limited. For this reason, while the proportionate relations between agriculture, light industry and heavy industry can only be readjusted to a reasonable extent within the limit of the above-mentioned conditions, quite a few problems will still exist in the economic structure as a whole. On the other hand, as social production and national income will not rise very fast, the growth of the people's revenue and the improvement in their living standard will still be quite limited. Precisely because of this, strengthening the energy industry, communications and transportation, and other infrastructure sectors will become the key problem which urgently needs to be solved to further improve the economic structure after the end of the second stage.

By the way, the basic conditions for this will be at hand by that time, since the proportions of agriculture, light industry and heavy industry will have been basically harmonized in the previous stage, both the development of production and the national financial state will have been substantially improved, and the economic status of enterprises and their operational and administrative level will have been improved and enhanced. Therefore, it will be possible to gradually and reasonably increase the accumulation on the premise that an appropriate growth of the people's consumption will be guaranteed, and to increase the investments in the energy industry, communications and other infrastructure sectors and speed up their development in accordance with our needs and ability. Take the energy industry for example, we have placed emphasis on economization in the first and second stage. Of course we will try our best to increase investment a little, but the amount will be limited after all, and it will take time to produce an effect. Only from the third stage on will we be able to attach due importance to the exploitation of energy while upholding economization. As everybody knows, our country is quite rich in energy resources, if only we can gradually release more funds, and rationally make use of foreign capital which is favorable to us, and do a good job of exploration and exploitation, we can be optimistic about the prospect of solving the energy problem.

Following the strengthening of the energy industry, communications and other technological structures, agriculture, light industry and heavy industry will be further developed under the new conditions, and the relations between them will be further harmonized as well. Starting from this basis, the primary rationalization of the whole structure of the national economy will be completed. Besides, as the relations of production have been gradually modified, the reform of the economic administrative system has been completed step by step, and the economic development of our country has turned to a new path, the development speed of production can be speeded up, the effects of economic activities will be much better than at present, and the growth of the people's consumption level will considerably exceed that in the two previous stages. In our opinion, we should make every effort to accomplish the tasks of the third stage in 5 years. Whether or not this idea is appropriate needs further deliberation.

It should be noted that the above-mentioned three-stage division is relative. These stages are differentiated from each other because of their own priority tasks, yet related to each other because of their common aims. For example, in order to eliminate financial deficits, we have to stress developing agriculture and light industry and readjusting the relations between agriculture, light industry and heavy industry. The promotion of energy production and communications and transportation also cannot only be undertaken in the third stage. It should also be noted that 2 years or more have passed since our plan of readjustment got under way soon after the third plenary session. This should be considered as well in deliberating the matters of the stages of readjustment and the tasks and interval of each stage. After the completion of the tasks of the second stage, we believe, the situation of serious imbalance in the important proportionate relations of the national economy will primarily be overcome, the latent crises completely eliminated, and the readjustment period--the period with readjustment as its key task, which we are concerned with at present--will be terminated. However, the rationalization of the economic structure will still be far from being entirely completed, and should be continued. Nevertheless, the task of readjustment will not necessarily remain the core of economic tasks again, it can be dealt with in combination with other jobs. In fact, during the third stage mentioned above, the reform of the economic administrative system will become more and more important. Besides, even after the completion of the readjustment tasks of the 3rd stage, we will still have to readjust and improve the economic structure from time to time in accordance with the current domestic and international economic situation and with the change of social needs and that of the technical conditions of production.

Concerning the Measures for Each Stage of Readjustment

We have discussed above the tasks of the different stages of readjustment. In order to accomplish these tasks, we are required to deliberate and take various appropriate and concrete measures.

Because the tasks of readjustment concern every domain and field of economic life, and have to be carried on stage by stage over quite a long period, some principles which are to be shown below must be observed in working out the readjustment measures. First, all readjustment measures should embody clear-cut aims in accordance with the major tasks which are designated to be accomplished in each stage. Second, all measures must be synchronized to form a complete chain, so as to coordinate and enhance each other, aiming at solving the central task; mutual exclusion and counteraction must be avoided. Third, all stages must be coordinated. While various measures are divided by stages, continuity still has to be maintained to link them together. Fourth, an important characteristic of the current economic readjustment is that it is being carried out along with the reform of the economic administrative system. Therefore, the relations between readjustment and reform must be correctly dealt with so that they complement and enhance each other. Actually this is nothing other than the correct handling of the relations between the productive forces and the relations of production, and those between the economic base and the superstructure. Fifth, we must pay attention to economic effect in working out various measures. Every measure must undergo accurate calculation and strict proof, with advantages and disadvantages being weighed again and again, so as to achieve the greatest results with the least effort. In the past, one could ignore the costs as well as economic effect in endeavoring to complete a certain task. Such practices are not encouraged anymore.

Now we are going to discuss, stage by stage, some important readjustment measures which should be taken.

(1) Measures to be taken in the stage of economic stabilization.

All readjustment and reform measures in this stage must aim at the completion of the tasks to realize the balance of revenue and economic stabilization. On the other hand, they have to prepare the necessary conditions for the readjustment tasks in the next stage. In brief, the measures to realize the balance of revenue and expenditure are nothing other than reducing expenditure and broadening sources of income. Basically speaking, the most important things are to promote production and increase income. Based on this principle, the principal measures in this stage are as follows.

1. Attach great importance to promoting the production of consumer goods for daily use, while trying our best to ensure good agricultural harvests. We should start from famous brands and center around key cities, to speed up the development of those consumer goods which can produce results in a short period because of the urgent market demand, great return of currency and technological maturity.

The agricultural harvest has been fairly good in the last 2 years, which is the basis for the present good economic situation. However, in a country with a large population and scarce cultivated land like ours, we still have to pay due attention and can by no means lower our guard to the importance and arduousness of agricultural development. The agricultural problem cannot be regarded as solved and will still remain a problem of primary importance to the national economy in the future. The direction of the latest agricultural development to depend on correct policies in the first place and on science in the second has already been proved totally correct by practice. Therefore, we should carry on in this direction. We must have a full evaluation of the fact that the latent power to develop agriculture in various areas is still quite enormous. It would be absolutely possible to achieve steady growth in agriculture if only we could conscientiously uphold all the correct policies set by the central authorities, continuously sum up experience, promote and modify various forms of production responsibility systems in accordance with different places and situations, and promote diversified economy while taking good care of grain production.

To vigorously promote the production of consumer goods for daily use is an important measure in the current drive to improve the people's livelihood, and also a key act for the present readjustment of the economic structure. We should conscientiously carry out the important plan which the State Council has drawn up lately with regard to this problem. To promote the production of consumer goods for daily use can provide more and better industrial products for the market and for export, thus money can be withdrawn from circulation and the state's financial income and foreign exchange earnings can be increased. In particular under the circumstances that the purchasing power of peasants has been greatly raised in quite a lot of areas after good harvests, the increase in the production of consumer goods for daily use will serve as an important condition for stimulating the economic interflow between town and countryside, satisfying the needs of peasants and further spurring the enthusiasm for production. It should be noted that in such a country with an enormous rural population of 800 million like ours, the promotion of light industry, which provides consumer goods for daily use is indeed a measure of vital importance for strengthening the support of industry to agriculture and consolidating the alliance of workers and peasants. We should have a sufficient understanding of this. On the other hand, to promote the production of consumer goods for daily use can spur on the development of heavy industry as well, which will play an important role in improving the present situation of the irrational internal structure of heavy industry. Therefore, to vigorously promote the production of consumer goods for daily use is not only an important measure for overcoming the present financial difficulties and balancing market supply and demand, but also a long-term guideline for the further readjustment of the economic structure in the days to come.

2. In order to produce more consumer goods, the production capacity of all those heavy industrial departments, such as metallurgy, machinery, chemical engineering and so on, which can be more accurately forecasted and more easily shifted to other types of production, must be turned to serving the light industry market. Some of these departments may produce durable consumer goods, directly or in collaboration with other plants. Nevertheless, the most important thing is to provide more and better raw materials, technical equipment and other technical services for the development of production of consumer goods for daily use. We must try our best to boost the production of light industry and that of those heavy industry departments that render service to the light industry market so that their growth can partly compensate for the temporary decrease in heavy industrial production due to the cutting down of capital construction, and hence ensure a fair growth of the whole industrial production and a bigger increase in the national financial income.

3. Strengthen the rational distribution of energy resources as well as strict administration, and push ahead with the technological reform in energy economization step by step. The energy problem is a very important one in the present drive of promoting production and increasing financial income. The guiding principle for solving the energy problem is to attach equal importance to exploitation and economization. In the near future, we should give priority to economization and make every effort to save oil and other energy resources.

4. Vigorously promote the commerce and service trades, actively develop the collective and individual economy in towns and countryside, try hard to increase the production and supply of nonstaple food in towns, boost economy, make things convenient for the people's livelihood and open up all avenues of employment. It should be noted that the capacity to recruit labor power in this way is quite great. A great development can be achieved if only the proper guideline and policies are adopted and all positive elements motivated. This is another important measure to improve the people's livelihood in this stage.

5. The work of cutting down the scale of capital construction must be upheld well. In order to realize the balance of revenue and expenditure as soon as possible, enormously cutting down the investment in capital construction is an absolutely necessary measure. At the end of last year, the central authorities made the decision of once-and-for-all drawing back with regard to this problem in deadly earnest. Therefore, we must be firm and persistent in carrying out this decision. Not only the contemporary investment but also the total scale of the projects under construction have to be cut down. On the other hand, it is necessary to rationally allocate investment funds and try hard to improve investment effect. Apart from the above, at present, we have to conscientiously deal with those problems that arise after the suspension or closing of construction projects and work hard to minimize the loss of the state's property.

6. Reduce administrative outlays and cut down group purchasing power. All business units which survive on revenue must do their utmost to become enterprized [Qi Ye Hua 0120 2814 0553]; all those which cannot be enterprized should adopt the system of taking full financial responsibility.

7. The policy of closing, suspending, merging and shifting must be resolutely and cautiously enforced in the enterprises that are competing with advanced ones for fuel and raw materials, producing inferior goods with great consumption and high cost and suffering from enormous loss. For some others which have to be maintained yet cannot turn loss into profit in the near future, the system of taking full responsibility for losses must be adopted.

8. Carry on the reform of the economic administrative system which is advantageous to readjustment. Consolidate, substantiate and perfect the reform measures of expanding enterprise autonomy. Strengthen the systematic direction and control by the state while activating the economy. Since great importance must be attached to the reorganization and integration of enterprises, we must actively enforce the restructuring of enterprises with concentration being put on the requirement to promote the production of consumer goods for daily use, organize companies and integrated complexes of various forms in accordance with the principle of coordination between specialized departments and economic rationality. We must create conditions to gradually adjust the prices which are really unreasonable, of a small number of means of production, on the premise that commodity prices are kept stable. In the meantime, we should pay enough attention to making use of the taxation lever and other economic levers to condition the economic relations between enterprises and the state, and between enterprises themselves, so as to improve the situation of disparity in suffering and joy, and ensure a stable financial revenue to the state. Put into force the system of employing funds with interest compensated, by levying resources tax, conditioning tax and income tax for all units and individuals who are profiting from sales revenue. Change the present situation whereby the central authorities suffer from financial deficits while local units are benefiting from surplus, by readjusting the base quantities and limits set for full responsibility in central and local units, according to the real circumstances. At last, we must improve the foreign trade price setting system, carry out the system of accounting at different levels for foreign trade and the unity in action in dealing with foreign businessmen, restrict or even prohibit high-loss commodities from being exported, work hard to reduce the loss in foreign trade and make every effort to turn loss into profit.

9. Put rectification in its due position. Do a good job in rectifying the existing enterprises so as to give full play to them. Enterprise rectification should concentrate on improving operational management and raising economic effect. The following tasks must be conscientiously dealt with: (1) Strengthen fundamental jobs such as calculation, original record, statistics, quota setting and so forth. (2) Comprehensively set up and strictly carry out various systems of job responsibility. (3) Comprehensively put into force the economic accounting system. (4) Correctly carry out the principle of distribution according to work, enlarge the area of piece rate wages and modify the bonus system. (5) Strengthen democratic administration.

While rectifying enterprises, we must also rectify financial and economic jobs, enforce financial and economic discipline, and resolutely ban speculation and profiteering and crack down on smuggling activities.

10. Strengthen the training of workers and staff members. Transform in a planned way a number of closed or suspended enterprises into technical secondary schools and technician training schools, enforce a regular rotational training system for staff and workers, try hard to raise their ideological and political consciousness and technical level.

11. Appropriately control the growth of consumption funds according to the feasibility for developing production. Stop reckless issuing of bonuses and [illegible] the practice of price bargaining.

12. Strengthen economic legislation. Establish and amplify executive and supervisory setups.

13. Unfold extensive economic investigations in a planned way. Make a thorough study of the conditions of our state, try to find out the real situation of various trades, enterprises and products, and forecast changes in market demand. Based on comprehensive balance, work out the readjustment and reorganization plans for different trades and regions, the draft and plan for price adjustment, plans concerning the systems of materials, labor, finance, banking and so on, so as to prepare well for the readjustment and reform in the second stage.

(2) The measures to be taken in the stage of harmonizing the proportions of agriculture, light industry and heavy industry.

All measures to be taken in this stage must center around the requirement to change the serious disproportions among agriculture, light industry and heavy industry, and around the full functioning of the latent power of the existing enterprises. On the other hand, they should aim at changing the investment structure and preparing for the readjustment task of the third stage.

1. Continue to vigorously promote agriculture. On the basis of ensuring steady increase in grain production, try harder to boost the diversified economy in rural areas, and hence provide better conditions for developing light industry and improving the people's livelihood, and gradually decrease the quantity of imported grain and agricultural raw materials.

2. Light industry must be developed in a comprehensive way. While raising the production of general consumer goods, boost the production of medium and high grade commodities. Improve the quality of products, increase their types and variety, bring forth a number of new products and push the popularization of electronic products. In order to raise the proportion of industrial raw materials and push ahead with the development of heavy industry by promoting light industry, the light industrial raw materials structure has to undergo a relatively great change. The food industry and fine processing of agricultural raw materials should be vigorously promoted, strive to make the tax gain surplus arisen from developing the industrial production which relies on agricultural raw materials, compensate for or exceed the increased outlay caused by bargaining and price increases due to the purchasing of agricultural products in excess of the quota, and thus stabilize price compensation at the present level.

3. The heavy industry structure must undergo substantial readjustment as conditions allow so that it can conform with the development of agriculture and light industry as much as possible.

The machine building industry must further be oriented toward the production of consumer goods, the technological restructuring of old enterprises, national defense and export trade. Readjusting the orientation of service of the machine building industry is the key link to readjusting the whole industrial structure. On the other hand, it is also an important condition for the steady and stable growth of heavy industrial production in the course of readjustment. In the past, the machine building industry did not get enough jobs to utilize its full production capacity. This situation must be changed in this stage and a fair rate of growth is supposed to be achieved. To reach these aims, (1) according to the new circumstances, actively expand the production of various marketable machines for light industry and agriculture including forestry, animal husbandry, sideline production and fishery, so as to boost light industry and agriculture. (2) Strive to enforce equipment renewal and technological restructuring in old enterprises on the basis of enterprise restructuring. Fully make use of the production capacity of the machine building industry to serve the restructuring of old enterprises and speed up the modernization of the existing enterprises. (3) Actively pursue sales on the international market. Increase the export of electrical products by a big margin so as to change the export structure and raise the foreign exchange revenue. (4) Enforce a protective tariff policy. The importation is strictly prohibited of all mechanical equipment which can be produced and is subject to quality control domestically. The emphasis is to be placed on raising the level of the domestic machine building industry when introducing new technology. All these measures should be adopted consecutively in the first stage and be comprehensively carried out in the second stage in the expectation that obvious results can be achieved.

The chemical industry should concentrate on developing the means of production for agriculture such as highly effective compound fertilizers, highly effective agricultural chemicals with minimal side effects, and so on. In the meantime, we must strive to expand the production of raw materials for light industry and that of basic chemical industrial products, and make the chemical industry a strong backup for developing light industry.

The civil construction industry and building material industry must be greatly developed. Various ways should be adopted to gradually solve the problem of commercialization of urban housing.

The production structure and orientation of service of the metallurgical industry will also have to undergo a corresponding readjustment so that it can provide suitable and good-quality metal materials to agriculture, light industry, the machine building industry, the construction industry and other departments of the national economy.

4. While continuing to strengthen energy control, concentrate on technological restructuring for energy saving. Further take care of the technological restructuring of substituting coal for oil, and spur the drive to eliminate equipment which wastes much energy and to evolve new products. Strive to considerably lower

the per unit energy consumption of various products. These measures form an important condition for maintaining the steady growth of production at this stage.

5. Continue to limit the scale of capital construction. Employ a portion of the investment saved in restructuring the existing enterprises, and the rest in the construction of those weak links such as energy, communications, and so on.

6. Continue to strive to promote commerce, service trades and urban public utilities. Continue to develop the collective and individual economy in towns, try to raise their proportions in the national economy to the level which was reached in the "first 5-year plan" period.

7. Comprehensively enforce enterprise reorganization, systematically group all enterprises which should and could be organized together into companies and integrated bodies of different forms, primarily realize the rationalization of the organizational structure, create conditions for the vigorous enforcement of technological restructuring and for the further reform of the economic management system.

8. With consumer goods prices basically stabilized, take appropriate measures to adjust the prices of the means of production, and primarily change the present situation whereby the price system is extremely unreasonable.

9. Enforce the new planning system step by step, further bring into play economic levers such as pricing, taxation, credit, and so on, under the state's systematic guidance, and let economic legislation function as well.

10. Comprehensively reform the scientific and technological systems, make science and technology play a more active role in boosting economic development.

(3) Measures to be taken in the stage of preliminary rationalization of the economic structure.

1. While developing upper-level industries, vigorously strengthen and improve the construction of the infrastructure sectors such as energy, communications, posts and telecommunications, and so forth, to ensure the smooth and steady growth of the national economy.

2. With the continuous growth of agriculture and light industry guaranteed, enhance the construction of heavy industry, in particular the construction of mines, raw material production, chemical industry and so on, in accordance with the requirement to further promote agriculture and light industry and to let heavy industry develop in an internally harmonious way.

3. Starting from the basis of the steady growth of the national income, we should increase accumulation on the premise that the people's consumption grows normally. On the other hand, we must rationally expand the scale of capital construction and allocation of investment.

4. As the major proportionate relations of the national economy are taking a turn for the better and the state's financial and material resources are on the increase, a big readjustment of the price system can be carried out.

5. On the basis that the price system has been initially rationalized, we can enforce to a greater extent the reform that substitutes the system of taxation and responsibility for one's own profits and losses for that of turning profit over to the state in companies, enterprises and integrated bodies, and enhance the reform of other economic management systems concerned as well, in an effort to primarily accomplish in this stage the major tasks of systems reform.

6. While developing material production, more vigorously combine economic development with social development by employing more funds and material in promoting science, education, cultural activities, public health and other social utilities.

What we have deliberated above is tentative and quite immature. Our major aim is to cast a brick to attract jade in the hope that the studies and discussions on the problems of economic readjustment can be further intensified so that they will help us in our actual work.

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[Article by Zhai Songtian [5049 2646 1131] and Geng Taoke [5105 2711 4430] drafted in April 1981 and revised May 1981: "An Important Theoretical Problem Concerning the Principle of Adhering to the Socialist Road"]

[Text] If we are to adhere to the socialist road, we must have an unshakable faith in socialism. This is of major importance to all revolutionaries. However, this unshakable, clear-cut faith does not come into being just like that, but is based on a deep understanding of the Marxist theory historical dialectics and scientific socialism.

Can there be said to exist in this plot of land called China a crisis as far as our faith in socialism is concerned? Naturally the problem is not as simple as that. Due to the unprecedentedly close attention paid by the 1 billion people to the cause of socialism and the ability of the Chinese communists, the mainstay of the Chinese revolution, to withstand the tests which any stormy sea presents the lofty ideals of socialism and communism remain unshakable. However, within society as a whole, there is also no denying the fact that there are certain people who are experiencing various problems in having faith in socialism. For example, some people have pointed out that, according to the laws governing the development of human society brought to light by Marx, history should advance through the sequence of a primitive society, slave society, feudal society, capitalist society, and communist society. Is not the fact that China became a socialist society directly without having been a capitalist society contrary to the laws governing the development of human society? Others are of the opinion that the development of human society presupposes the development of the productive forces and that the productive forces determine the production relationships. Since China's backward productive forces obviously do not have the objective material base for the realization of socialism, and since they are unsuited to the advanced socialist production relationships, is this not similarly contrary to the laws governing the development of human society? In short, there has arisen in these comrades' minds the following question: Was the establishment of socialism in China premature? Can the difficulties inherent in the early establishment of socialism ultimately be overcome? What sort of future can China expect to have?

How should we in fact handle this problem?

After Marx and Engels, by applying dialectical materialism and historical materialism which they founded had conducted much painstaking research into the vast complexities of human society, they pointed out that the development of human history is, like any other object, subject to its own fixed laws: beginning with primitive society, right through the slave, feudal and capitalist societies, up to the transformation into a communist society, we can discern the general law governing the ascent of man. This law, which was brought to light by the founder of Marxism, not only confirms past historical developments, it will also confirm future historical developments. Undoubtedly, this is an objective law of universal significance.

However, we need delve just slightly deeper into the study of the Marxist laws governing the government of human history to discover that the development process of human society is by no means a simple mechanical movement but a living dialectical development process. If we are to correctly understand and grasp this process, we must gain a clear idea of the difference between the logical sequence reflecting the general law governing the process of history and the concrete historical sequence of the development of certain nations and countries, and also the connection between the two. Looking at the overall picture, the logical sequence of history and the concrete historical sequence agree with one another, because the logical sequence of history is merely the abstraction and condensation of the concrete historical sequence. The logical sequence reflecting the laws governing historical development cannot possibly run counter to the course of history. However, the logical sequence of history is not exactly the same as the concrete historical sequence. The difference between the two lies in the fact that the logical sequence of history has discarded the historical sequence molded by externalism and chance and "is a reflection of the process of history in an abstract, theoretically consistent form."[1]

The whole of human society, when viewed in the light of its historical development process, advances strictly according to a logical sequence. However, as far as the concrete sequence goes, when it comes to speaking of a country, nation or locality, the situation is sometimes not like this at all. As Engels said, "History often advances by leaps and along winding paths."[2] Lenin also clearly pointed out: "The general law governing world historical development not only does not preclude individual development stages from showing their peculiarities within a development form or sequence, but on the contrary, it presupposes them."[3] In the history of the world, as for Rome and Greece, in advancing from a primitive society to a slave society, and then to a feudal society, their development process and the logical sequence of history completely correspond. As for the Spartans and Germanic peoples, together with the Romanians and peoples of certain other countries lying in the valley of the Danube River, their development process and the logical sequence of their history do not correspond. Further, the historical development of each of these nations and countries has different characteristics.

Looking at the situation as a whole, many countries in the world have, in the later stages of primitive communes, experienced agricultural communes, this "last stage of the primary social formation." Because agricultural communes possess the characteristics of both public and private ownership, they have become the bridge linking public-ownership-based primitive society with private-ownership-based class society. Marx pointed out: "Since agricultural communes are the last stage of the primary social formation, they are also the transitional state on the path toward the secondary formation, that is, they mark the transition from a society based on public ownership to a society based on private ownership. It goes without saying that the secondary formation includes a series of societies built upon slavery and serfdom." The ultimate effect of agricultural communes "depends entirely on the historial environment."[4] Obviously, the "historical environment" which Marx speaks of here included many historical conditions. Among these, the first to have a decisive effect is the tendency for the form of the internal land ownership system to change. If the principle of private ownership gains dominance over the principle of public ownership, the free private land ownership system will have replaced the communal collective ownership system, paving the way for the development of a slave society, which was the case with Greece and Rome. If the free private land ownership system has not yet come into being, or the conditions for its smooth development are not present, but due to military conquest by other nations, the conquered people and their land are treated as the public property of the conqueror's communes, this will lead to the establishment of a serf society, which was the case with the Spartan and Germanic peoples.

There are some countries in Europe which, with agricultural communes as their base, naturally established dictatorial state regimes and then became feudal serf societies directly. This was the case with the many duchies on the river Danube. "There, the original mode of production was built upon the basis of the communal ownership system, but this communal ownership system was not the same as the Slavic version and was also completely different from the Indian version. One section of land was a free private field, cultivated by the respective commune members, while another section of land was a public field, cultivated by the commune members communally. ...In due course, prominent military and religious leaders seized the communes' landed estates, thus also seizing the labor expended on the public fields. The labor expended by the free peasants on the public fields had become corvee labor carried out for the pirates of the public fields. Thus the relationships of serfdom were developed in its wake."[5]

Although the concrete form in which these nations and countries were directly transformed from primitive societies into feudal societies without ever having been slave societies varied. All these examples occurred during the same historical period, namely the period when the ancient slave civilizations in the whole world were declining and the production relationships of feudal serfdom had already developed. From this we can see that all changes in the social form of a nation or country are closely linked to characteristics of the period in which they occur. The tendency for the social form (here the social form refers to the mode of production which has attained a ruling position, not overlooking the factor that in these countries and nations, other social production relationships existed) to leapfrog in some areas is also attributable to this.

Is this tendency for human societies to leapfrog reasonable? It definitely is, because this leapfrogging has still not transgressed the common path of human historical development. It seems at first glance to be a contradiction in terms to acknowledge both the truth of the logical sequence of history and the peculiarity shown by history at individual stages in its development. In fact it is not. Facts have shown that only by acknowledging the reasonableness of the fact that individual stages of historical development will show peculiarities in the form and sequence of their development can we be said to be historical materialists in outlook.

Historical materialism also asserts that each social form, by changing from a low to a high level and from a simple to a complicated form, is advancing in accordance with the law that the production relationships must be suited to the nature of the productive forces. Marxism once summed up social relationships as being production relationships and production relationships as being the level of the productive forces. It further illustrated with reliable evidence that "any change in the social system and any reform carried out in the ownership relationships are the necessary consequences of the development of the new productive forces which are no longer suited to the relationships of the ownership system."[6] Therefore, when discussing problems concerning the relationship between the laws governing the development of human society and Chinese socialist society, regardless of whether problems are being raised from the point of view of the logical sequence of the development of human society or of the productive forces, we are essentially raising and expounding from different angles one and the same problem, namely that of whether the establishment of socialism in China has violated a basic principle of Marxism.

That the productive forces determine production relationships is indisputable. The productive forces have always been the driving force, behind social development and progress, and the criterion for measuring the development level of the productive forces has been the means of labor. Marx pointed out: "The difference between the various economic eras does not lie in what they produced, but in how they produced it and what means of labor they used to produce it. The means of labor are not only the instruments for measuring the development of the human labor force but also the indicator of the social relationships which labor relies on for its operations."[7] Whatever the means of labor the appropriate production relationships will necessarily come in being.

However, this correlation between the productive forces and the production relationships has a particular form of manifestation under particular historical conditions. The movement of contradictions between them is not a mechanical movement which simply matches up one thing with another. Taking as an example the rise of the capitalist production relationships, the first capitalist revolution in the world successfully took place in England in 1640. However, the tools of production were at the time exactly the same as the tools used in feudal societies. The main ones were still hand tools. Marx said: More workers worked at the same time and in the same space (or we can say at the same place of work) in order to produce the same type of commodity under the auspices of the same capitalists. Both historically and logically speaking, this is the starting point for capitalist production. As far as the mode of production itself is concerned, as for example in the early workshop handicraft trade, apart from the fact that there were more workers employed at the same time with the same capital, there was practically no difference between this and the handicraft trade under the guilds."[8] Steam engines, an important symbol of the industrial revolution, were invented by Watt in 1769 (simple movement) and in 1772 (complex movement). This advanced production tool still had to wait some time before it was used in industrial production. It was not until the late 18th century that it came to be widely used in the textile industry and the chemical, excavation, metallurgical, machine building and other such sectors. It was also not until this period that it laid a material technological base for the capitalist system, enabling the capitalist system to finally triumph over the feudal system and thus attain the ruling position.

From the time the capitalist production relationships attained the ruling position in England to the time a suitable major industrial material base was set up, there was a time lag of about one-and-a-half centuries. This proves that in establishing a suitable material base, it is not unusual for a new social system to require a historical process. Due to differing concrete situations among the various countries, this process requires differing lengths of time. We can see that it is quite normal for our country to require a historical process to establish a material base suited to the socialist system.

We can further see from the history of the birth and development of capitalism in England that the tools of production do indeed ultimately determine production relationships. However, the tools of production are not the only factor to have a decisive effect on the productive forces. Why was it that in the early period after the birth of capitalism in England, when there was no marked change in the tools of production and feudal society, the social productive forces underwent an important change? This was because the capitalist workshop handicraft trade revolutionized the mode of labor of the individual, and coopertion itself gave rise to new productive forces. This transformation of the social production relationships brought about by the productive forces created by cooperation itself was still in accordance with the law that production relationships must be suited to the nature of the productive forces. It in no way violated this objective law. Was it for this reason that some people complained that capitalism should not have emerged in England so soon? Apart from the toppled class of feudal lords, there was probably no one else around making this complaint.

The birth of the socialist society in our country took place in accordance with the objective laws governing human historical development and came about under the effect of the basic law that the production relationships must be suited to the nature of the productive forces. We know that even though the level of economic development in our country is low because of the fetters of long feudal rule, from the time Western technology was introduced in the Qing Dynasty up until the eve of liberation, large-machinery production was already in existence in China and was developing over this period of about 90 years. Modern industries already accounted for 17 percent of the total output value of industry and agriculture in the whole country, and industrial workers numbered over 3 million. The development process of large-machinery production in China was different from that of countries overseas. It had its roots in the military industries operated by officials of the Qing government. Not until afterwards did we have the heavy and light industries operated by businesses under the supervision of officials and also those operated jointly by businessmen and officials. Only eventually did we see the development of private capitalist industries consisting mainly of light industries and did they reach a fixed standard. For example, all soda-making industries set up by certain patriotic national capitalists, regardless of their production, equipment, management or technological level, had by the 1840's reached advanced levels compared with identical products on the international scene at the time.

Another characteristic of large-machinery production in China was that it was concentrated in the hands of the imperialist class and the bureaucratic comprador bourgeoisie. They monopolized the economic lifelines of China. These reactionary and backward production relationships severely hindered the development of the productive forces. There was an urgent need to destroy these degenerate production relationships if the productive forces were to be developed. According to a basic Marxist point of view, both human and material factors are included within the productive forces, and only a social system which makes full and reasonable use of both human and material resources in the production process can be called an advanced social system. Man was the most active of the social productive forces in China at the time. Regardless of whether he was one of the less common industrial workers, a proletarian or semi-proletarian from the vast countryside, or one of the other laborers, he was subjected to enslavement and oppression of a kind that far exceeded that to which European and American laborers were subjected. History had already reached the state where the ruling class of the day definitely could not continue to rule and the ruled class definitely could not continue to live. The social productive forces were in a state of atrophy and were in desperate need of liberation. These forces became an enormous driving force in the transformation of the then degenerate and declining production relationships. Social mention must be made of the fact that poor peasants and farm laborers accounted for 70 percent of the rural population of China. Under the leadership of the Chinese Communist Party and having been tempered in the protracted revolutionary struggle, they soon became reliable allies of the proletariat and the main force in the revolutionary ranks of China. They looked forward to the birth of an independent, democratic, free, happy and strong new society. Under these circumstances, the worker movement were united quite naturally and forged into one body. This became an evident characteristic of the Chinese revolutionary movement. Therefore, proceeding from the realities of Chinese society, in 1949, when the new democratic revolution was victorious, we already had the necessary economic and political preconditions for embarking upon the socialist path. To be sure, our material base was not completely suited to the demands of a mature socialism, but this unsuitability, when compared with the situation in England in the early period of the bourgeois revolution, showed a much higher degree of "suitability." If this was the case even in the capitalist revolution then the proletarian revolution, the greatest in human society, should not abandon its own historical mission either. Of course, it should vigorously propel society forward. As Lenin pointed out when speaking of the October revolution: "If we say that since we acknowledge the fact that our economic 'strength' is not suited to our political strength and we should 'therefore' not seize political power, then we have made a cross error. So-called 'blinkered men' reason in this fashion. They have forgotten that there will never be such a thing as 'suitability' whether we are talking about developments in the natural world or about developments in society. This kind of adaptation can never come about. Only after numerous attempts--of which every individual attempt will be one-sided and suffer from certain errors of maladjustment--can a perfect socialism be established with the cooperation of the proletarian revolutions in the various countries of the world."[9]

In our investigation into why China should bypass the capitalist stage and embark upon the socialist road from a semifeudal, semicolonial society, we cannot depart from China's specific historical conditions and the overall international scene at the time. Ever since China got rid of slavery and became a feudal society, its economy, politics and culture have for a long time developed at a snail's pace. Of course, we should be certain in our minds that, regardless of how lengthy the duration of the process of feudal society, China would sooner or later have entered the phase of a capitalist society. As Comrade Mao Zedong pointed out in his analysis of the nature of Chinese society: "The development within Chinese feudal society of a commodity economy already carried within itself the seeds of capitalism. If it had not been for the influence of foreign capitalism, China would also have gradually developed into a capitalist society."[10] However, with the outbreak of the opium wars in 1840 and the invasion by Britain, France and other such imperialist countries, the possibility of China gradually entering the phase of a capitalist society was dashed. "The purpose of the imperialist powers' invasion of China was definitely not to change feudal China into a capitalist China. The purpose of the imperialist powers was the opposite of this. They wanted to transform China into a semicolony or colony."[11] After we achieved the victory of the new revolution on the semifeudal, semicolonial base, in the light of developments in the world, capitalism had long entered the imperialist era. At that time, any oppressed nation or country that wanted to establish an independent capitalist society would meet with obstruction and suppression from imperialism. There was really no way of shaking off the position of a country enslaved and oppressed by imperialism. It can be said that the international conditions prevalent at the time had already blocked the path for China to enter the phase of capitalism. At the same time, because the big bourgeoisie among China's bourgeoisie had long been embraced by imperialism and become the allies of the landlord class, they became accomplices in colonialism and the mainstay of feudal rule. Further, due to the weakness and compromising nature of the national bourgeoisie, they could not assume the task of leading to the end an anti-imperialist, antifeudal bourgeois democratic revolution. Although leading figures among them like Kang Youwei and Yan Fu had made indefatigable efforts in their quest for truths from the West to save their country and to embark upon the path towards capitalism, as it turned out, this was nothing more than wishful thinking. As for the revolution of 1911 led by the pioneer of the great bourgeois democratic revolution, Dr Sun Yat-sen, although it did overthrow the monarchy, and establish the Republic of China, it failed to change the semifeudal, semicolonial social nature of China. Both the actual economic and political situations in China and the characteristics of the historical period of the world at that time determined the fact that China could not enter the phase of a society where capitalist production relationships reigned supreme and that China had to bypass this stage on its way toward the bright road of socialism. This is the inevitable consequence of our historical development and the only option open to the 1 billion Chinese people. But up to this day, some people are still thinking of establishing capitalism in China and some cannot comprehend this historical choice. It can be seen that they understand neither the history of China nor its situation and even less the characteristics of the era. This shows extreme childishness on their part.

There is no doubt that we must also realize that this leapfrogging and this backwardness of the productive forces in the historical development of society has brought about a peculiarity in the future consolidation and development of our society. Particularly in the case of a country like ours which proceeded directly to the stage of a socialist society from a semifeudal, semicolonial society, there must be many characteristics during the process of developing socialism that are peculiar to us, the most prominent of which is the arduousness involved in building socialism. After the victory of the October revolution, Lenin, with Russia's backwardness in mind, pointed out: "Compared with the various advanced countries, it was easier for the Russian people to start the great proletarian revolution, but to carry it through to the final victory, that is, to complete the construction of a socialist society, is rather more difficult."[12] Old China was much more backward than imperialist Russia. Our task of building a socliast society is obviously more difficult and arduous than that of the Soviet Union. In particular, the backwardness of scientific and cultural education, the fetters of the long period of feudalism and natural economic thinking, the entrenched bad practices of small-scale production and the influence of force of habit have brought with them even more severe obstacles to economic development. However, due to our rather long exposure to "leftist" thought, our inability to clearly recognize the peculiarities involved in the development of socialism in our country, our failure to adequately estimate the arduousness involved in the building of a socialist society, our rushing to effect completion, and the illusion that socialist revolution and construction could be carried out in a day, the end result has been "more haste, less speed." In the first 2 years after the smashing of the "gang of four," due to our inadequate knowledge of the harm caused by "leftist" thought, some unrealistic slogans were once again put forward. When we had been liberated from the fetters of "leftist" thought, some people, on seeing that a long, hard period still lay ahead if we were to completely realize the ideals of socialism and communism, were entirely at a loss as to what to look for in life. Some individuals even became victims of self-neglect as their sacred and glorious ideals were shaken. In order to arouse people's ardor, in addition to devoting major efforts to propagating the fact that the Chinese socialist system is entirely in keeping with objective laws, we should seek truth from facts and propagate the arduousness involved in building socialism, so that our comrades will at the same time be brimming with confidence and be down to earth in their approach as they tackle the difficulties that lie ahead on the path to progress.

Although the theory of scientific socialism was founded by Marx and Engels over 130 years ago and over 60 years have elapsed since this theory was put into practice, in the endless flow of human history, when all is said and done, this is only a batting of an eyelid. It is still in the stage of continuous development and perfection. Engels said: "Since socialism became a science, it has demanded that people treat it as such. That is to say, it has demanded that people study it."[13] Therefore, the theory of scientific socialism must never be treated as a dogma. Whether or not we have adhered to the socialist road is definitely not a matter of whether or not we have rigidly stuck to the writings and individual conclusions of the founders of Marxism, but more a matter of whether or not we have remained faithful to the essential spirit of scientific socialism. In particular, we must see whether the universal truths revealed by them can be integrated with concrete practice in China and whether the series of questions on the socialism brought about within the specific economic environment of and under the specific historical conditions in China can be answered. Comrade Mao Zedong once warned us that, when analyzing contradictions, it is hardly adequate to merely understand their universality. "Of special importance is that fact that we must pay attention to their particular characteristics, and this forms the basis of our recognition of things."[14]

Only an investigation which pays attention to the peculiarities of socialism in China and a reply which seeks to convince people by applying the basic principles of Marxism and Mao Zedong thought to its particular characteristics can encourage and impel the popular masses to struggle on indefatigably. This is an extremely glorious military-like task for the theorist.

Comrade Deng Xiaoping once said in a speech he made at the beginning of the 1980's that we are still quite definitely lacking in experience in how to practice socialism, and that it is only now that we have conscientiously found a relatively better path. Since the 3d plenary session of the 11th Central Committee, we have already done much work in this respect. As long as we continue to adopt a scientific attitude in our study of and research into Marxist truths, remain faithful to the essential spirit of scientific socialism, thoroughly eradicate the influence of leftist thought while at the same time paying attention to the prevention of disturbances from the right, we will definitely be able to progress in a socialist direction. A highly democratic, highly civilized, powerful, modern socialist country will definitely emerge in the Eastern world.

FOOTNOTES

1. Engels: "Karl Marx--Critique of Political Economics," "Collected Works of Marx and Engels," Vol 2, p 122.

2. Ibid.

3. Lenin: "On the Revolution in Our Country," "Selected Works of Lenin," Vol 4, p 690.

4. Marx: "Draft of Reply to V.I. Zasulich--Three Drafts," "Collected Works of Marx and Engels," Vol 19, pp 450-451.

5. Marx: "Das Kapital," Vol 1, People's Publishing House, 1975 Edition, p 265.

6. Engels: "The Principle of Communism," "Selected Works of Marx and Engels," Vol 1, p 218.

7. Marx: "Das Kapital," Vol 1, p 204.

8. Marx: "Das Kapital," Vol 1, p 358.

9. Lenin: "On 'Leftist' Infantility and the Nature of the Petite Bourgeoisie," "Selected Works of Lenin," Vol III, pp 550-551.

10. Mao Zedong: "The Chinese Revolution and the Chinese Communist Party," "Selected Works of Mao Zedong," Vol II, People's Publishing House, 1966 Horizontal Edition, pp 589, 591.

11. Ibid.

12. Lenin: "The Third International and Its Position in History," "Collected Works of Lenin," Vol XXIX, p 277.

13. Engels: "Preface to 'The German Peasant War'," "Selected Works of Marx and Engels," Vol II, p 301.

14. Mao Zedong: "On Contradiction," "Selected Works of Mao Zedong," Vol I, p 283.

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BUILDING OF NEW RURAL ENERGY SOURCES DISCUSSED

Use of Methane Gas, Solar Energy

Beijing BEIJING RIBAO in Chinese 10 Jul 81 p 1

[Article by Ren Zhixi [0117 4460 3679]]

[Text] "To light a lamp without using oil; to cook without worry; to bathe without leaving home; and to see a play without leaving one's kang." This is a scene from the life of commune members in the Liuminying Production Brigade of Changziying Commune in Daxing Commune. Since last year this production brigade has vigorously developed new energy sources, and virtually every household has built a methane pit and a solar energy bath. In a village of 162 households, there are 155 methane pits, and 152 solar energy baths.

Last year this production brigade's per unit grain yields reached 1,400 jin per mu and annual income amounted to 720,000 yuan, each person averaging 2,670 jin of grain. Production and living standards rose, but because of the increase in the rice growing area, there were no stalks and stems to be used for fuel. Every family depended on the hauling of sawdust and not fully burned coal ashes to cook their food and provide heat. A family of five would spend an average of somewhat more than 70 yuan per year in a situation that was truly one of "no worry about what to put into the wok, but worry about what to put under the wok." Last year, the brigade's party branch summarized the lessons of experience in failure from the building of methane pits, and both sent people to advanced brigades to study techniques and used classical methods of leading the way, first building a methane pit connected to the three toilets and pig pens of three production team cadres. As a result, each family used only three matches a day to prepare three meals, saving expenses, saving time, and having sanitation. During electric power outages, they could light lamps. Next, more than 100 households in the village asked for construction of methane pits. The brigade's party branch had the brigade supply bricks and cement, the individual commune members themselves providing labor in arousal of the masses to build methane pits. As a result, by this spring the entire brigade has been methanized. Last spring's use of the first 36 methane pits to be built has shown that by using methane gas for cooking, it is possible to prepare three meals a day 6 months of the year, two meals 2 months of the year, and one meal 4 months of the year. The masses no longer "worry about what to put under the wok." The waste from the methane pits makes fine fertilizer. Used to fertilize wheat and rice, it causes resistance to lodging, resistance to disease, and filling out of the grain. Last year they used methane pit waste to water cabbage with phenomenal results.

Formerly when a commune member wanted to take a bath, he would have to travel at least 15 li and as far as 50 li, missing work and wasting money. It was a nuisance as well, so some commune members never took a bath. In 1977, the production brigade built a public bath, which was open twice a month and which consumed 400 jin of coal each month, but commune members still felt it was inconvenient to use. Last year the County Science Committee developed a solar energy box-type hot water device of simple construction that could be used in a family solar energy bath. The County Science Committee set up a pilot project in the Liuminying Production Brigade, which the production team's party branch enthusiastically supported. Party branch secretary, Zhang Zhanlin [1728 0594 2551] took the lead in building a solar energy bathroom in his home, where results of experiments showed that water reached a maximum temperature of about 65°C and remained at about 40°C at 11 o'clock at night, so that a family returning home from work could take a bath, sometimes bathing twice a day. Commune members were happy as soon as they saw it and clamored to have solar energy bathrooms built. Under the organization of the brigade's party branch, the brigade provided materials, bricks and mortar, and the commune members themselves did the work, very quickly constructing solar energy bathrooms in 152 commune member households. During 6 months of the year, commune members can now "take a bath without leaving home."

As a result of the popularization of methane pits and solar energy bathrooms, individual health throughout the brigade is good; environmental sanitation is good; people can relax in their free time; and expenditures have been economized as well. Everyone has learned from experience about the superiority of the collective economy, realize the tremendous power of science and technology, and have greater zeal for work on the four modernizations.

'BEIJING RIBAO' Comment

Beijing BEIJING RIBAO in Chinese 10 Jul 81 p 1

[Text] The very good experiences of Liuminying Production Brigade in using methane gas and solar energy marks the direction of development for use of new energy resources by suburban rural villages.

For the past several years, new growth has occurred in endeavors by suburban rural villages to use new energy sources, and many production brigades now use methane gas to cook and for illumination, and methane is even used to generate electricity. In Daxing County, numerous communes, brigades, and units have built solar powered baths, and some also use solar energy to propagate seedlings, to grow vegetables, and to dry grain, opening new paths for multiple uses of solar energy. Additionally, some production brigades and units have begun to use geothermal energy in building baths, and using windpower to generate electricity. These facts demonstrate that the field is vast for tapping new energy sources, and use of new energy sources holds vast prospects. Nevertheless, use of new energy sources in suburban rural villages is very unbalanced. In some places, because leadership cadres have given insufficient serious attention, no action has yet been taken.

In some other places, because of a lack of technology and management measures, projects have been abandoned in mid-course. Some people even think that to make methane is to work "in vain," and that it is "spending money to go looking for trouble." They do not believe in science, supposing that "there are no lamps that save oil and no stoves that save on firewood, methane gas and solar energy not being able to solve any large problems."

For this reason, vigorous pursuit of methane gas and solar energy endeavors will require strengthening of leadership and straightening out of perceptions so that people realize that the tapping of new energy sources is to use science and technology to effect a transformation in the living habits of several thousand years in rural villages. It both saves energy for the state and is a powerful measure for hastening the pace of the four modernizations, and is a major way, as well, to develop agricultural production and improve the life of the masses for the benefit of the state, the collective, and individuals. Everyone should be concerned and should make efforts. In order to do a good job in this undertaking, it is also necessary to take effective action to arouse the masses. In this regard, Liuminying Production Brigade provides very good experiences. First they learned to do what they had been unable to do, learning from experts and advanced units to get a grasp of the technology. Second they used classic methods of leading the way so that everyone could see results with his own eyes to make the masses more receptive. We hope that communes and brigades everywhere will study the fine experiences of Liuminying Production Brigade, and study their scientific attitude and methods so that there will be more new energy villages in the suburbs, and that standards will rise somewhat so that development of methane gas and solar energy undertakings will flourish more, the better to create prosperity for the people.

Sichuan's Small Methane Power Stations

Beijing RENMIN RIBAO in Chinese 12 Jul 81 p 1

> [Text] Xinhuashe Editor's Note: As production develops and the standard of living of the peasants rises, rural villages will need more and more electricity, but at the moment, the rural villages of the country are very short on electricity. Therefore, in places where raw materials for fermentation are sufficient, the building of small methane gas electric power generating stations is one way for rural villages to tap a new source of electric power for which the prospects are extraordinarily vast. At the present time, numerous rural villages in Sichuan Province are in the process of constructing small methane gas electric power stations and are urgently in need of large amounts of methane gas power generating equipment. Are not some of our machine industry units shouting that they "have nothing to eat"? If they can open a road to supply these rural villages with methane gas power generating equipment, they will find a great market for it. They will find rice to put into their pots and have something to eat.

Rural villages in Sichuan Province have blazed a new trail in the use of methane gas to generate electric power by building small methane gas electric power generating stations. As of the end of last year, 488 small methane gas electric power generating stations with an installed capacity totaling 2,629 kilowatts had been built throughout the province.

Rural villages in Sichuan generally lack electricity. During the past several years, less than 10 percent of all production teams had electric power. Since 1974 numerous communes and production brigades in rural villages have scurried to make methane gas, providing an inexpensive fuel for the generation of electricity. Then, small methane gas electric power generating stations sprang up. Most of these small methane gas electric power generating stations use a mixture of methane gas and diesel oil as fuel, but some use methane gas exclusively as fuel.

Small methane gas electric power generating stations have tapped new electric power sources for rural villages, have promoted industrial and sideline industry production, and have improved the livelihood of the people. Last year No 1 Production Team of Guangrong Production Brigade in Chengdu's southern suburbs built a small methane gas electric power generating station. In addition to providing enough electricity for the production team itself, it supplied power to two nearby production teams, saving 12,960 kilowatt hours of electric power annually for the state. Shimiao Commune in Ba County, located at 1,060 meters above sea level in the high mountains, has no water power resources, and construction of high voltage power lines is also difficult there. During the past 2 years, individual production teams have built 13 small methane gas electric power generating stations with an installed capacity of 170 kilowatts. Last year, this commune generated a total of 10,500 kilowatt hours of electricity, and 40 percent of peasant households have electric lights.

The experiences in Sichuan Province demonstrate that rural village use of low cost, easily developed methane gas energy for the building of small, scattered methane gas electric power generating stations that the masses can operate possesses advantages in short electric power lines, small loss of power in transmission, quick results, savings in petroleum resources, and small investment, with great acceptance by the peasants. Right now, enthusiasm is running high in rural communes and brigades for the operation of small methane gas electric power generating stations, and many are pooling their funds to accelerate construction. Numerous prefectures have formulated development plans. In many distilleries, livestock farms, and truck farms that have copious raw materials for fermentation to make natural gas, the zeal for operating small methane gas electric power generating plants is greater.

In the construction of small methane gas electric power generating plants in rural Sizhuan, some problems still exist in equipping electric power generating facilities, which research and production units concerned are actively studying for early solutions in a determined effort to provide rural villages, with all possible speed, complete electric power generating facilities of fine quality that can be operated economically and are completely fueled by methane gas to meet the needs of rural villages.

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USES OF SOLAR ENERGY, BIOGAS DISCUSSED

Development in Beijing Suburbs

Beijing GUANGMING RIBAO in Chinese 21 Jul 81 p 2

> [Text] Editor's Note: In recent years, some places and units have acted in accordance with realities, adapting general methods to specific situations to make a start in research and application of solar energy, achieving remarkable results. However, other individual places and units have persisted in seeking the highest, the most perfect, and the best in solar energy research, frequently only to have to quit in mid course in the face of restrictive conditions. The series of manuscripts published here show that inasmuch as China is still in the stage of research and experimentation on new energy sources, in the development and application of solar energy emphasis must go to selection of those projects for which costs are low, results rapid, the technology simple and readily workable, and in which current production and livelihood are intimately related. Only such results of scientific research will be accepted by the masses.

The correspondents arrived in Daxing County, a southern suburb of the capital, in mid-summer. Upon arrival at the county seat, we were attracted at once to the different kinds of solar energy hot water devices that various units and households had installed in their courtyards. Some of these hot water devices were of a stationery panel type, while others were automatically tracking; some were large, and some were small. The largest had a light collecting area amounting to more than 150 square maters; the smallest was only 1 meter square. They were set facing the scorching sun, and their reflection was blinding.

The County Science Committee deputy director Zhang Qingxing [1728 1987 5281], and engineer Xie Guoguang [6200 0948 0342] warmly and excitedly briefed us. Daxing County's experimentation and promotion of multiple applications of solar energy technology began in 1976, developing within the short space of several years from the county seat to the rural villages, and from experimental use of a boxlike solar stove for cooking to the use of solar energy to treat illnesses, to dry grain, to kill insects, and most particularly, use of solar energy to heat water for baths has been most widespread. Now, the multiple use of solar energy has not only blossomed in the city, but numerous communes and brigades in rural areas have also planted the seeds. The collection area for solar energy hot water devices in the county runs to 6,700 square meters, of which more than 600 are home hot water devices with individual light collecting areas of from 1 to 2 square meters. Between May and October of each year, solar energy hot water baths are taken an average of 15,000 times daily throughout the county. In this way, the county saves more than 12 tons of coal daily.

Promotion of a comprehensive technology for use of solar energy in Daxing County has not been all smooth sailing by any means. At the beginning, many people considered it like lighting a candle for a blind person--a sheer waste. They said, "If this technology is not popular in Beijing Municipality, how will the rustic cadres and the rubes in the countryside be able to put it to use?" However, the leaders and scientists and technicians of the County Science Committee were undaunted. They patiently propagandized the leaders concerned and the masses, helping one unit after another to design and install facilities for the use of solar energy, using facts to explain their superiority. Up until 1977, there were only two 4 square meter bath houses for the more than 300 workers in the county transportation company, and since the boilers consumed much coal that was difficult to come by, these baths could open only once or twice each week. Each time they opened, only half the employees could take a bath, and they had to queue up to do it. Each day after finishing their shifts, the sweat-covered and grimy drivers, mechanics, and loading and unloading workers had no choice but to splash a little water over their bodies in the dormitory. The summer of 1977, comrades from the County Science Committee helped this company construct a light collecting area of 80 square meters, and an 8 ton solar energy hot water device using sunshine to heat water. Thereafter, from spring to fall every year, not only could all the employees and families of employees in the company take a hot bath daily, but they also annually saved more than 100 tons of coal. The comrades of the County Science Committee also helped more than 50 farm machine plant, nitrogenous fertilizer plant, and manure depository units build installations to make use of solar energy.

Having paved the way in the county seat, the confidence of comrades from the County Science Committee about experimental spread of multiple use technology for solar energy increased. They made up their minds to promote it in rural communes and brigades, letting solar energy warm thousands upon thousands of households. Following numerous inquiries of commune members and repeated experiments, they designed and fabricated a home use solar energy hot water device with a light collecting area of only 1 square meter, and they selected the Liuminying Production Brigade in Changziying Commune to be the test site.

"As soon as test site work got underway, we ran into difficulties," said Zhang Qingxing, telling us the following story. When the County Science Committee notified the Liuminying Production Brigade to haul away the first group of family hot water devices, the cadres and masses in the production brigade were happy. The following day, the secretary of the party branch committee personally went to the county seat early in the morning to accept the goods. However, when he saw that the so-called family solar hot water device was only a metal box 1 meter square, he could not believe that it would be able to satisfy a family's needs for hot water for bathing. He felt so disappointed that he even refused a cup of tea and wanted to return to his brigade with an empty vehicle. Laughingly, Zhang Qingxing restrained him saying, "Let's make a gentleman's agreement. Just you haul these few score hot water devices back to the brigade, and I'll send someone over right away to install one of them before noon. If you are unable to take a hot bath by 3 o'clock this afternoon, I'll haul the hot water devices back and pay you for all your losses." When the commune members finished work at noon that day, they all surrounded the hot water devices, but no one asked for any of them. At 3 o'clock in the afternoon, they crowded into the secretary's house to see just what would happen. When the faucet was opened, a touch showed them that the water was scalding. Then the several score hot water devices that no one had wanted, were all taken.

When we arrived at Liuminying Production Brigade, we saw that every one of the more than 150 households in the brigade had installed a solar energy hot water device. When commune members came home from work, they would take a comfortable bath first. Happily, they said to the correspondents, "We didn't spend much money for this apparatus (each one costs 50 yuan, but commune members paid only 20 yuan, the remainder being subsidized by the brigade), but it really solved a big problem for us." Now, these hot water devices have struck root in one commune and brigade after another in Daxing County.

In order that solar energy will be widely applied to agricultural production, with the cooperation of units and departments concerned, the Daxing County Science Committee has designed and fabricated for rural communes and production brigades solar energy devices having multiple uses. One such has been a piece of equipment that can dry grain, or be used in a greenhouse to grow vegetables or propagate seedlings, and can be used to heat bath water, which was put up in Ercunsan Brigade of Qingyundian Commune in June, 1979. Useable throughout the year, during last year's wheat harvest alone, it dried 280,000 jin of wheat. Now, the Daxing County Science Committee's comrades are striving to move ahead, determined to make new achievements in the multiple uses of solar energy.

Use With Flue-Cured Tobacco

Beijing GUANGMING RIBAO inChinese 21 Jul 81 p 2

[Article by HENAN RIBAO Correspondent Li Genlin [2621 2704 2651]]

[Text] Following 4 years of cooperative efforts on the part of the Changge County Tobacco Bureau in Henan Province, the Solar Energy Unit of the Institute of Dynamics of the Chinese Academy of Sciences, and the Tobacco Machine Unit of the Farm Machine Unit of the Farm Machine Institute of the Henan Provincial Machinery Bureau, "solar energy tobacco curing equipment" has been successfully developed at Dongzhuang in Changge County. This successful research has blazed a trail in the reform of flue-cured tobacco technology for savings in energy, lowering of production costs, and in improving quality of flue-cured tobacco.

The Dongzhuang solar energy tobacco curing equipment uses solar energy as a supplementary energy source. Atop massed ovens, solar energy heat concentrators and an associated hot air cycling system have been erected. The concentrators are of two types. One is a flat heat concentrator that uses glass as its transparent material, and the other is an arched heat concentrator that uses plastic sheeting as its transparent material. The heat efficiency rate of these two kinds of heat concentrators is 49.6 and 45.9 percent respectively as compared with a between 25 and 30 percent saving in coal for the massed ovens, and as compared with a 40 to 50 percent saving in coal for the native curing sheds. Quality of flue-cured tobacco is also better than that of either the native curing sheds or the massed oven building. This February the units concerned made an appraisal of this research achievement, concluding that the heat efficiency rate and coal conservation index of both the glass and plastic sheeting solar energy tobacco curing equipment's heat concentrators attained better standards than similar equipment used elsewhere in the county. The structure of the plastic sheeting heat concentrator was particularly simple, its costs of construction was low, and it could be easily promoted in other places.

In order to improve the solar energy tobacco curing equipment's utilization rate and put a single oven to multiple uses, the Changge County Tobacco Bureau launched further experimental research in multiple use with the vigorous support of provincial, prefecture, and county science committees, achieving heartening success in the hot air generating room for the solar energy tobacco curing equipment, they built an edible fungus cultivation room atop which was a glass hothouse. In the hot air generating room was a seven force axial flow wind machine able to supply hot air both to the flue-cured tobacco drying room and to the edible fungus culturing room. After the season for curing tobacco was over, the flue-cured tobacco drying room could be used to dry grain and other agricultural byproducts, and could also be used for drying Chinese vermicelli. This equipment could both raise and lower temperatures, and except for the winter season and the tobacco curing season, when it was necessary to have a fire, coal was otherwise not burned. During May, temperatures may drop to 12°C. Last year, the equipment was used to culture pinggu [1627 5466] [a kind of mushroom] for a harvest of 2,400 jin, the largest pinggu weighing 7.6 jin, and each jin of cotton husks producing 8 liang of pinggu. This spring, more than 10,000 jin of vermicelli were dried, and a harvest of more than 100 jin of garlic was taken in. Currently, hedgehog hydnum [Hydnum erinaceus], pinggu, white mushrooms, and vermicelli are being produced here.

Solar Energy, Biogas in Combination

Beijing GUANGMING RIBAO in Chinese 21 Jul 81 p 2

[Text] With the help of the energy laboratory of the Chinese Academy of Agricultural Engineering Design, the Mianyang County Science Committee in Hubei Province has achieved success with experiments in hot house culture using a combination of solar energy and biogas.

Mianyang County is located on the Han River Plain. Its climate is mild and rainfall copious, making it suitable for continuous cropping of early and late rice. Here seedling propagation for the early rice crop is done in open fields, and frequently spring season cold waves cause fairly serious seedling rot. In view of this situation, this county switched to seedling culture in hothouses heated by stoves. This was an effective method, but too many stalks and stems were burned, more than 4 jin of stalks and stems being required to propagate seedlings from 1 jin of rice seeds, which made it economically not worthwhile. In 1979, with the help of relevant units, the Mianyang County Science Committee began experiments using solar energy and biogas to grow seedlings.

Solar energy is an inexhaustible resource, its shortcoming being that when there are 2 or more days of overcast and rainy weather, the accumulated energy is used up, and a supplementary source of energy is needed. In Mianyang County, the best supplemental energy source is biogas. Finding a way in this resource of the county, the County Sceince Committee constructed a 100 square meter glass hothouse, a 100 square meter simple hot water concentrating pit, and a 90 cubic meter biogas pit. These facilities could mutually combine solar energy and biogas, using the advantages of one to make up for the disadvantages of the other.

Almost 3 years of experiments have shown that by using this method to propagate seedlings, early seedling growth is promoted and seedling survival is assured. It both saves conventional energy sources and permits diversification inside the hothouse. Using these facilities, 600 mu of early crop rice seedlings can be grown every year. Once the rice seedling propagation season is over, edible fungi such as pinggu and black wood fungus can be cultured, and some vegetables may be grown as well. The hot water may also be used for bathing or washing clothes. Looked at from an economic standpoint, the entire investment may be recovered within 4 years, making it suitable for promotion in rural communes and brigades.

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CSO: 4006/430

BRIEFS

SOYBEAN MILK FROM SOLAR POWER--The Jiaonan County Fermentation Plant in Shandong Province with only 82 employees has successfully developed use of solar energy soybean milk manufacturing technology, thereby greatly increasing output of soybean milk. The process not only saves energy, but also cuts down on environmental pollution and improves sanitary conditions. Following appraisal by relevant units, this process is considered to have broad prospects for future development in the fermentation industry. This plant's soybean milk production technology had formerly been antiquated. It depended entirely on the use of several hundred large vats for open air fermentation to produce soybean milk. Annual output of soybean milk was 120,000 jin, far from enough to satisfy the needs of the widespread masses. Last year they studied the experiences of a fraternal unit in the use of solar energy, themselves then designing and building a set of flat solar energy heat concentrator equipment with a light collecting area of 238.7 square meters for use in producing soybean milk. This January experimental batch production began, and after a 3 month fermentation cycle, 225,000 jin of soybean milk has been produced. Chemical testing has shown that the first batch of soybean milk meets promulgated standards. [Text] [Beijing GUANGMING RIBAO in Chinese 21 Jul 81 p 2] 9432

ANHUI COAL MINES--Hefei, 3 Aug (XINHUA)--Seven pairs of large and medium-sized coal shafts, with a total annual capacity of 15 million tons, are now under construction in Anhui Province, according to the Huainan and Huaibei coal mining administrations. Coal washing plants, power plants, railways and public utilities for the mining areas are also being built, the administrations said. The Liuqiao coal mine, with an annual capacity of 600,000 tons, opened in May in Suixi County near Huaibei City. The Luling coal dressing plant, with an annual capacity of 1.8 million tons, opened in July in Suxian County. Construction of the Huainan and Huaibei coal fields, with verified reserves of more than 22,000 million tons, is one of China's key construction projects. [OW031433 Beijing XINHUA in English 0721 GMT 3 Aug 81]

CSO: 4020/233

STEPS FOR RAPID DEVELOPMENT OF CEMENT INDUSTRY OUTLINED

Beijing SHUINI /CEMENT/ in Chinese No 6 10 Jun 81 p 2-5

/Article by Ding Hong /0002 7703/, chief of the Bureau of Cement of the Ministry of Building Materials: "Opinions on Hastening the Development of Our Nation's Cement Industry"/

/Text/ Recently, the leading comrades on the State Council issued demands for the development of our nation's cement industry. They can be summarized in three points: 1. The cement industry must be oriented toward the 1 billion people, especially the 800 million farmers. 2. The development of building materials must follow the road of concrete. 3. The development of the cement industry must be hastened. Therefore, how to hasten the development of the cement industry on the presently available foundation is an important question that should be conscientiously studied at present. Now let me talk about my opinions regarding this question.

I. Present Situation of the Cement Industry

For 31 years, as the national economy developed, our nation's cement industry established a definite foundation. The production of cement increased from 680,000 tons in 1979 to 79.86 million tons at the end of 1980. Distribution has improved greatly. Of the 29 provinces, cities, and autonomous regions, all except Xizang and Ningxia have large and medium-size cement factories. Small cement factories are scattered throughout the nation. A relatively complete technical team possessing definite standards in geological survey, scientific research, design, education, machinery manufacturing, mine construction, building and installation, and production management has grown up. During the mid-1950's, the technical standards of our nation's cement industry were no lower than those of the Soviet Union. The technological and economic indicators of the wet-method rotary kiln and of the liboer /phonetic/ kiln surpassed the levels of the same types of kilns in the Soviet Union. In 1956 we began to study the dry-method rotary air preheating kiln, along with other nations of the world, and we were not late in developing new technology and new techniques. But later, because of the influence of leftist mistakes, and especially during the 10 years of upheaval, the foundation of the cement industry was damaged and progress slowed. At present, the level of equipment and technology of our nation's cement industry lags far behind the advanced nations of the world. The present situation in the cement industry has created many hindrances to the rapid development of the cement industry. Generally speaking, the foundation and strength are weak, the technological level is low, the equipment is backward, management is backward, the product structure is not rational, and the economic results are not good. To hasten the development of the cement industry, we must exert great efforts to solve these problems.

II. Small Cement Industries Must Develop Steadily During Readjustment

The small cement industry is an important force that cannot be neglected in the present cement industry. In 1980, the products of small cement plants constituted 68 percent of the total cement yield of the entire nation. They served greatly to alleviate the conflict between supply and demand for cement, especially in its orientation toward the farm villages to solve the needs of the 800 million farmers. But because most small cement factories have outdated equipment, their techniques are not complete. Therefore their technological strength is weak, the quality of their products is not sufficiently stable, and the cost and sales price are high. Therefore, this part of the enterprise must be readjusted, reorganized, improved, and rebuilt so that it will gradually develop into a superior quality, economical operation.

During the period of readjustment of the national economy, small cement manufacturing industries must solve two problems: One is to improve the quality of their products. Their products must meet the standards for quality established by the state for products of large and medium enterprises. Practice proves this can be done. At present, a fairly large portion of the enterprise has already achieved this goal. Foreign experience also proves that as long as techniques are complete and management is scientific, No 400 and No 500 cement can be produced in vertical kilns. The second is to reduce the cost of the products. Last year, we held three learning classes in economic accounting and cost management in order to help small factories learn economic accounting and improve operations, and we believe that after such efforts, the costs of small cement factories can be reduced.

In line with the spirit of readjustment of the national economy, no new small cement factories should be build in the future, except in a few faraway border regions. Presently existing enterprises should grasp technological reform tightly in the following aspects:

1. Ordinary vertical kilns should gradually be rebuilt into mechanized vertical kilns in order to increase production, improve quality, and lower energy consumption.

2. Presently available mechanized vertical kilns should be technically equipped as a complete set, and equal treatment of raw materials, semifinished products, and finished products should be strengthened to assure the need for steady production.

3. Utilization of surplus heat of rotary kilns over 2.4 meters in diameter that have already entered into production should be solved as a key measure to reduce heat loss in firing chamotte. Measures can be suited to local circumstances to utilize surplus heat for power generation for the rotary air preheater and vertical cylinder preheater, or to utilize surplus heat for drying. Dry-method hollow kilns of less than 2.4 meters in diameter consume a lot of energy, their technical and economic indicators are poor, and their development in the future should be limited.

Doing the work of rebuilding and improving small cement plants is a major way to increase the production of cement in the near future. The potential for this is very great. We must emphasize it and take forceful measures. First, we must grasp well the backbone enterprises that produce over 40,000 tons annually, so that small cement manufacturing enterprises can healthily develop on the basis of improving quality and improving their economic results.

III. Presently Available Large and Medium-Size Enterprises Are Important Foundations for Hastening the Development of the Cement Industry

The nation's 49 large and medium-size cement manufacturing enterprises are a very important backbone force of the cement industry. They are an important foundation for the future development of the cement industry. We must stand on this foundation before we can change the backward situation of the cement industry relatively quickly and with more conservative investment.

The distribution of the present cement industry is basically rational. The main problem is that the quantity of products of the large and medium-size cement plants is insufficient. Newly built enterprises cannot easily produce results within a short period for various reasons. Utilizing old plants for expansion and rebuilding will produce quicker results than building new plants.

The specific way to expand and rebuild old plants is as follows:

1. Enterprises with suitable conditions should be selected for enlargement of their facilities and expansion in the scale of their plants. Large facilities should be utilized. The investment per unit of product is lower than the investment in medium-size plants. The building period is shorter when compared to building several medium-size plants of an equivalent total scale. Therefore, new types of dry-method kilns can be expanded to a daily production capacity of 4,000 tons, 6,000 tons and even 8,000 tons at such cement plants as the Dalian, Huaxin, Zhongguo, and Jiangnan cement plants, which are old plants along rivers, near the seacoast, with good resources, and where transportation by sea and land is convenient; thus their production can be expanded from several hundred thousand tons at present to 2 or 3 million tons. To hasten the rate of expansion of old plants, key facilities of single unit machinery [whose development] cannot be solved within a short period domestically should be imported so that over a period of 5 years, through expansion, there can be increased production of about 10 million tons of cement.

2. Rebuilding of cement factories using the wet method should be grasped tightly. Sixty percent of our nation's large and medium-size enterprises use the wet method of production. The efficiency of the single unit machinery is low, energy consumption is high, and urgent reforms are needed. But because wet-method kilns are mostly small kilns with a diameter of less than 3.5 meters, changing the wet-method kilns to dry-method production still requires further study because, first, there are few usable parts, second, objective conditions do not allow discontinuation of production for rebuilding, and third, the technological and economic feasibility [of the changeover] requires further study. Therefore, wet-method plants should not hasten to rebuild facilities at present, but they should be rebuilt according to plan: for example, new dry-method production lines can be built alongside the original wet-method production lines, and for a certain period the new and old facilities should be allowed to coexist and the dry and wet production methods can be used together. We have proposed this method by starting out from the actual situation in our nation. Therefore it is more practical and effective. Experimental work in changing wet-method production should still be actively carried out, and the technological and economic results of rebuilding obtained through experiments should be evaluated of an overall basis so as to provide experience for future efforts to "change from the wet to the dry" method.

3. During the period of readjustment, forces should be organized to explore on an overall basis the conditions for rebuilding and expanding the old plants. On this basis, study the feasibility of plans to rebuild and expand enterprises that have suitable conditions, and propose overall and definite plans to rebuild or expand the plants so as to create conditions for a great development of the cement industry after readjustment.

Digging out the potential of old plants is an effective way to increase the production of cement within the near future. At present, we must grasp in a key way the following three aspects of work:

1. Enterprises which have not yet reached their designed capacity must quickly create conditions to reach that designed capacity. In general, the 49 large and medium-size enterprises are operating over capacity, but there are 10 plants that have not reached their designed capacity. The reason is that management is poor, there are a great number of loose ends left by capital construction, and, after entering into production, the enterprises cannot produce normally, and external conditions such as lack of coal, electricity, water and dregs and shipping difficulties mean that production needs cannot be assured. These 10 plants can increase their production by 1.05 million tons of cement after they reach their designed capacity.

2. Technical measures that have proven to be effective should be popularized in order to improve the efficiency of the facilities and conserve energy consumption. New types of fireproof lining materials should be used to extend the operating time of the cement kiln and improve operating efficiency, and heat-tolerant steel chains should be popularized to improve the heat-utilization efficiency of the cement kiln. Using these two measures can increase the production of cement by 2 to 3 percent on the present basis; this would be equivalent to an increase of 700,000 tons of cement each year. Ball grinders should be of wear-resistent steel, at this would conserve 10 kilowatt-hours of electricity for each ton of cement produced at present. Calculated at an annual production rate of 80 million tons of cement, this would mean a saving of 800 million kilowatt-hours of electricity.

Reducing the burning temperature of chamotte is a promising measure for increasing yields and conserving energy. At present, scientific and research departments have already obtained welcome results from their experiments. A reduction of 100°C to 150°C in temperature in the burning of chamotte can produce an increase of about 10 percent in yield and conserve 8 percent of the fuel, but further in-depth research into production techniques and into the properties of the products is still needed. After evaluation, this can be gradually popularized among enterprises with suitable conditions.

3. Deficiencies should be corrected in order to improve the comprehensive productive capacity. During recent years, four large and medium-size enterprises expanded one production line, but because a whole procedure was lacking, a comprehensive productive capability was not formed. If the deficiencies can be corrected, the productive capacity of cement production can be increased by 500,000 tons.

After implementation of the measures to dig out the potential in old factories, an increase of about 2.2 million tons of cement a year can be realized.

IV. Newly Built Plants Should Engage Mainly in Dry-Method Production

After many years, the debate between the wet and dry methods have now been decided, and the dry method is the direction of future development. The problem is that our dry-method facilities are still technologically incomplete, and they have not yet reached the point of popular use. Therefore, the most urgent task at present is to concentrate scientific and research and design efforts to come up with several dry-method facilities and plant designs that are technologically more complete for selection at the time the plants are constructed. Design work on a dry-method production line with a daily productive capacity of 2,000 tons has made great progress after several years of effort, but there are still more technical links that require further research and solution. It is suggested that the ministry establish a specialized internal agency to coordinate research, design, equipment manufacturing, and experiments for a production line with a daily capacity of 2,000 tons in order to realize completion of the experimental design work for the entire mainframe machinery and equipment set within a year. At the same time, fixed localities should be grasped tightly to build up the work in about 4 years, summarize experience, and rapidly popularize it. The external decomposition kilns with diameter of 3 x 48 meters, and the 4 x 60 meter diameter rotary air preheating kiln and vertical cylinder preheating kiln, which have already been built or are being built, must be perfected in order to create conditions for the utilization of the dry-method technique by newly built plants and rebuilt old plants of various scales.

The type of kiln for the newly built dry-method plants can be selected by suiting measures to local circumstances. The general direction is to increase production and conserve energy. But in regions where there is a shortage of electric power, the dry-method hollow kiln with a surplus heat generator can be used. The efficiency of electric power generation is not comparable to that at large powerplants, but given our nation's conditions, in which the price of coal is cheap, the price of electricity is expensive, and there is a shortage of electric power supply, efforts which can solve the source of electricity and can also produce economic gains are still rational for enterprises. The dry-method hollow kiln that uses surplus heat to generate electricity actually consumes about 1,050 kilocalories of heat per ton of chamotte, calculated on the basis of a need for 0.425 kilograms of coal to produce 1 kilowatt-hour of electricity, and deducting the amount of coal used for the generation of electricity, and deducting the amount of coal used for the generation of electricity. This is still a type of kiln that at present has a relatively low consumption of energy in our nation.

V. Establish Chamotte Production Bases; Disperse Cement-Grinding Plants; Supply Users With Unpackaged Cement

Large chamotte production bases should be established in regions where mineral resources are rich and transportation is convenient. Grinding stations should be established in large and medium-size cities and regions where there are no mineral resources and where the amount of cement used is relatively large. Consumers should be supplied with unpackaged cement. This is an important economic reform that has a direction for development. Its main benefits are as follows:

1. It solves the problem of supply and demand for cement in regions where limestone resources are not available. It changes the present situation of shipping limestone and cement over long distances to certain localities and reduces the burden of shipping.

2. Unpackaged supplies can conserve the use of massive quantities of paper for packaging, and a massive quantity of superior timber materials can be conserved. Calculated at an annual production of 120 million tons of cement, 3.6 million cubic meters of Korean pine and pinus bungeana would have to be used each year to produce the paper bags for packaging the cement. It can be seen that it is very necessary to supply unpackaged cement in China where timber resources are in short supply.

3. It benefits improvement of environmental pollution in large and medium-size cities.

4. It benefits the rebuilding and improvement of some small plants. Shipping a part of the chamotte to small plants and vertical kiln chamotte mixing and grinding plants to produce cement along the sides of transportation routes, or converting some small plants into grinding stations, will be beneficial to improving quality and reducing cost.

Under the present system, implementing this measure requires that the state arrange for investment in and construction of a group of large commercial chamotte bases. At the same time, corresponding and rational regulations must be established for the distribution of cement, the pricing of chamotte, and tax policies so that the chamotte bases, grinding stations, and localities will all benefit. The method is first to grasp a trial locality. For example, the state can invest in and build a chamotte production line at the Dalian Cement Plant in Tianjin; the locality can invest in the building of a grinding station (Tianjin does not have good limestone mines); the Dalian chamotte can be shipped by boat to Tianjin for grinding; and unpackaged cement can be supplied locally. After experience has been obtained, this method can be popularized.

VI. Readjust the Product Structure of the Cement Industry

At present, the structure of cement products has two relatively outstanding problems. One is the large proportion of medium-label /quality/ cement and the scarce amount of high-label /quality/ cement and low-label /quality/ cement suitable for building mortar. The second is that the proportion of the products of large, medium, and small enterprises is not rational; the proportion of products of large and medium enterprises with good economic results is too small. These two problems should be readjusted during future development.

1. We should increase the proportion of high-label cement and special cement, and at the same time develop a portion of low-label building cement. Doing this will benefit the rational utilization of cement, achieve the goal of conserving the amount of cement used, reduce the burden on shipping, and conserve packaging materials. This will also create the necessary conditions for the development of high-label concrete to improve the standards of building structures and construction technology. We imagine that after readjustment, presently existing large and medium-size enterprises will for the most part provide high-quality cement above the 600

label to society; small enterprises will produce mainly No 400 and No 500 medium-quality cement; and in regions where there is industrial waste, and near large construction sites in cities, we can allow some small plants to produce building cement of No 250 and No 300 grades, which contain less chamotte. To do this readjustment work well, the following problems must be solved well.

(1) When the state arranges production plans for large and medium-size enterprises, it should consider the effects brought about by a change in the variety of products and appropriately reduce production goals. After the product structure is readjusted, utilization will be more rational, there will be more conservation, and the products therefore will be more beneficial to the state. Problems must be considered on an overall basis, and efforts should not simply be to pursue production goals.

(2) We must have a rational pricing policy and a tax policy so that the production enterprises and the consumers will both benefit from the economic gain to different degrees through readjustment of the product variety.

(3) The work of the design and construction departments must be strengthened in order to rationally utilize different varieties and labels of cement.

(4) We should do the work of propagandizing and popularizing the production of high-label concrete well.

2. We should select small plants with good conditions for expansion into large and medium-size enterprises, so as to increase the backbone elements of our nation's cement industry. At present, the quantity of products produced by the large and medium-size enterprises cannot satisfy the needs for construction of large industries. Increasing the proportion of the products of large and medium-size enterprises cannot passively limit the development of small cement-producing industries. The development of large and medium-size enterprises should be hastened, and some small plants should be expanded and rebuilt and upgraded to large or medium-size plants. Two years ago, there were projects to upgrade 22 small plants, but for various reasons most /projects/ have been terminated or postponed. Some /plants/ would have better conditions after implementation, and in the future this should be reconsidered. Presently existing small enterprises with good product quality and with a rational economy should be encouraged to develop. The necessary administrative measures should be taken to intervene in those plants that do not have productive conditions and that produce low-quality products for long periods. Some should be readjusted within a certain period of time, while those that really do not have /the proper/ conditions can be converted to grinding stations. We can imagine that after a definite period of readjustment, the proportion of products of large and medium-size enterprises can be increased to about 50 percent.

VII. Strengthen Basic Work

Scientific research, education, design, equipment manufacturing, geological survey, specialized installation, mine construction, and production management teams must be rapidly strengthened. To hasten the development of the cement industry without a strong and forceful team of workers consisting of scientific research and design personnel is not possible. Faster and better development is possible only when the foundation is well established. The function of technical personnel must be fully developed. In technical problems, technical personnel should have their duties, their authority, and their responsibilities so that they can fully develop their technical skills. We must strengthen the training of workers and elevate their cultural, scientific, and technical level. We must emphasize the development and construction of the resources of mines for cement, strengthen surveys of mines, and strengthen the design forces. We must improve the standards of equipment manufacturing. Equipment manufacturing is a key to whether or not development of the cement industry can be hastened and whether the technical level will be high or low. Without modernized equipment, it will not be possible to have modernized cement plants. To improve the standards of equipment manufacturing and the standards of complete sets of equipment in our nation as quickly as possible, besides developing our own nation's technology we should plan for the introduction of foreign, advanced, reliable, and suitable technology and necessary single machinery units into our nation.

VIII. Actively and Steadily Carry Out Reform of the Economic Management System

The present system in the cement industry hinders the development of productivity. Hastening the development of the cement industry requires a reform of the system. We must actively create conditions to establish a management system under which responsibility is both centralized and delegated to different levels. There must be a clear responsibility system. The present situation whereby there are people in management but there is nobody to take responsibility should be changed. The cement industry must be specialized; it must centralize the forces of scientific research, design, equipment manufacturing, and geology to form a company. Unnecessary centralization will not produce strength or high efficiency.

Now, the leading comrades of the Party Central Committee and the State Council care about and are paying attention to the development of the cement industry. This is a very favorable condition. As long as we conscientiously implement the line of the Third Plenum, as long as the direction is correct, as long as the measures are practical and useful, and as long as we do not just talk and issue written orders but concretely work, I believe that after a definite period of effort, our nation's cement industry will undergo a relatively great improvement in the relationship of supply and demand and in the situation of the industry. The gap between our level and the world's advanced level will greatly lessen. Let us take action together to promote the development of our nation's cement industry, and welcome new victories.

9296
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RURAL MARKET SURVEY RESULTS ON BICYCLES, SEWING MACHINES, WATCHES

Beijing ZHONGGUO CAIMAO BAO in Chinese 11 Jun 81 p 4

[Article: "How Many Bicycles, Sewing Machines and Wristwatches Are Needed in Rural Villages? Survey Shows That This Year an Average of 1 Out of Every 55 People Wants To Buy a Bicycle; an Average 1 Out of Every 16.5 Households Want to Buy a Sewing Machine, and an Average of 1 Out of Every 88 People Wants to Buy a Wristwatch"]

[Text] Recently the National Supply and Marketing Cooperative Administration's Planning Bureau had its contact points in rural markets in 26 provinces, municipalities, and autonomous regions survey peasant needs for bicycles, sewing machines, and wristwatches.

Statistics from 86 contact points on 1,258,000 households and 6,670,000 people showed that as of the end of 1980, there were 422,000 bicycles, or an average of 1 bicycle for every 14.6 people, and 184,000 sewing machines, or 1 sewing machine for every 6.9 households. In 1981, 114,465 bicycles will be needed, or an average of 1 bicycle per 54.9 people; and 78,077 sewing machines will be needed, for an average of 1 sewing machine for every 16.52 households. Extrapolating these figures, in 1981, rural villages nationwide will require 15.66 million bicycles, and 11.16 million sewing machines. By 1985, there will be 1 bicycle for every eight people in rural villages, and 1 sewing machine for every 2.5 households.

A look at the circumstances of the survey shows that since economic conditions differed from place to place, requirements for bicycles and sewing machines differed too. In places with good economic conditions, the number owned was large and the number required was large too. In plains areas and places with fairly good economic conditions, the number required also increased very rapidly. In places where the economy is not well developed or where consumption levels are low, the number currently owned is small and requirements are comparatively small. However, in terms of development, a greater potential exists for purchases in such places.

In the course of the survey, commune members had many complaints about the supply of bicycles and sewing machines. First was that the number supplied to rural villages was too few. In recent years rural purchasing power has risen rapidly; nevertheless, the proportion of supply to rural villages has steadily declined. In 1978, for example, bicycles supplied to rural villages accounted for 36.65 percent of total output. In 1979, this declined to 35.58 percent, and in 1980, it declined further to 30.72 percent. Surveys done by the 86 contact points showed that in 1980 supply to rural villages of bicycles and sewing machines amounted to only 40 percent and 30 percent respectively of the number required. Second was the need for sturdiness, durability, and good quality. In 80 percent of the places surveyed, people wanted heavier bicycles, and they also wanted name brands.

According to statistics on 6.06 million people at the 86 contact points, as of the end of 1980, people owned 530,000 wristwatches, or an average of 1 watch per 11.4 people. The ownership pattern was very uneven, however. In the suburbs of large cities, virtually everyone had a wristwatch. In the suburbs of Beijing and Shanghai, for example, there was an average of 1 watch for every 1 plus people. In these places, the main purchases of the future will accompany increase in population. In places where incomes were relatively high, commune members had a relatively large number of watches, particularly young people. In places where incomes were not high, it was mostly cadres, employees and staff of enterprises, and teachers; few commune members had watches. In Jiuzhou District of Huangping County in Guizhou Province, for example, except in government organizations where personnel had almost 1 watch per person, among commune members, there was only a single wristwatch per every 500 people or so. At these 86 contact points, in 1981, 70,000 wristwatches will be needed for an average of 1 watch per 88.1 people. Extrapolation from this figure shows that in 1981, 8 million wristwatches will be needed in the rural villages of the country. By 1985, there will be an average of 1 wristwatch for every 9.4 people.

The tendency shows that future needs for wristwatches will be most in places where economic conditions are good. The peasants like Chinese made mechanical wristwatches, particularly those made in Shanghai of medium quality and selling for about 60 yuan. Furthermore, a certain ratio of women's watches is required A survey done in Yukang County in Zhejiang Province shows that 30 percent of the watches people want to buy are of medium size and 10 percent are of small size.

9432
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COOPERATIVE VENTURES USING FOREIGN CAPITAL ELABORATED

Guangzhou GUANGZHOU RIBAO in Chinese 12 Jul 81 p 1

[Article: "Remarkable Achievements in Foreign Economic Work of Guangzhou Financial and Trade System; Creates Large Amount of Foreign Exchange for the Country; Creates Conditions For Increased Employment"]

[Text] Since the last half of 1979, Guangzhou's finance and trade system has instituted "special policies and flexible measures" in its foreign economic work. By launching cooperative ventures, processing of goods brought into China from abroad, engaging in compensatory trade and barter trade, and such flexible and diversified measures, it has used foreign capital for the introduction of advanced technology. According to statistics, formal contracts have been signed and implemented for a total of 44 projects, of which 14 have to do with cooperative development of tourism, 15 have to do with repair and maintenance of goods, 4 concern introduction of advanced equipment for the development of production of foodstuffs, 4 concern importation of materials from abroad for processing, 6 involve technical exchange, and 1 involves export of labor. In total, they employ more than S77 million of foreign funds, and have already created more than $5.6 million in foreign exchange for the country and made employment for more than 1000 people.

The finance and trade system's use of foreign capital for the introduction of advanced technology has made heartening changes in the countenance of some enterprises. First tourist facilities began gradually to improve. Since 1979 the Orient Guesthouse has used more than 32 million Hong Kong dollars to make changes that have converted it into a first rate guesthouse meeting international standards while maintaining a Chinese atmosphere. It has been favorably commented upon by both Chinese and foreign guests. In addition to stepped up cooperation with the Hong Kong Xin Hecheng Company, Ltd. in preparing to construct the China (Guangzhou) Hotel, the municipal finance and trade system is also actively using foreign capital to improve Mineral Springs Villa, People's Mansions, the Guangzhou Guesthouse, and food and beverage service industries in order to meet the ever increasing needs of developing tourism.

Financial and trade departments have used foreign economic cooperation to operate goods maintenance and repair service centers, which has increased the city's technical forces for maintenance and repair of goods. Timepiece and eyeglass firms have benefitted and been strengthened. The Southeast Timepiece Shop and the

Zhongshan Fifth Road Department Store have worked with foreign traders to operate timepiece maintenance and repair services, thereby raising standards in electric quartz crystal watch repair. The Youguang Eyeglasses Shop on Renmin Nanlu has begun to run a computerized eye examination and lens prescription service, and the Jingyi Eyeglasses Shop on Zhongshan Fifth Road has set up a computerized contact lens examination and prescription center. Foreign cooperation in opening maintenance and repair service businesses requires small investment of capital, produces results quickly, and provides large benefits.

The Municipal financial and trade system is also giving attention to use of advanced foreign technology to improve upon commercially operated industries, giving new life to some old enterprises. The Yongcheng Bedding Cooperative belonging to the Municipal Textile Company possessed only simple equipment and its production methods were backward. It has since introduced advanced clothing processing technology, valued at 700,000 Hong Kong dollars, to establish a clothing production assembly line of a certain size, rapidly transforming the enterprise's backward condition.

While giving attention to supplying the domestic market, the municipal financial and trade departments have actively worked with foreign trade departments in efforts to expand exports. The Municipal Supply and Marketing Trust trade warehouse alone supplied 15,000 tons of dried fruits and miscellaneous foodstuffs outside of plan to foreign trade units during the past year, producing more than $5 million in foreign exchange. Goods purchased for trade supplied to foreign trade units by the financial and trade system have steadily increased. In 1980 goods purchased for supply to foreign trade units amounted to more than 73 million yuan, a 32.8 percent increase over 1979. Goods purchased for export between January and May this year amounted to 38.11 million yuan, for a 17.7 percent increase over the same period last year.

Municipal finance and trade units have also worked hard on supplying foreign markets and supplying overseas Chinese goods. In recent years, the Guangzhou Friendship Company's, the Foreign Ship Supply Company's, and the Overseas Chinese Goods Supply Company's business has multiplied, while at the same time international tourism and international advertising has steadily developed, thereby creating more foreign exchange for the country. According to incomplete statistics, foreign exchange created by the municipal finance and trade system during 1980 amounted to more than $26 million (exclusive of earnings from overseas Chinese remittances).

In accordance with overall actions taken in readjustment of the national economy, the municipal finance and trade units have closely linked development of foreign economic work and enlivening of domestic markets. During the past year or more, they have used local foreign exchange and their own outlays of foreign exchange to import raw materials and goods that are urgently needed in China to support industrial and agricultural production, and to increase the supply of goods so that the state could get back a large amount of currency and increase revenues.

9432
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GUANGDONG LEADER RELAYS CENTRAL VIEWS ON SPECIAL ZONES

HK010203 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 31 Jul 81

[Text] Following the fourth enlarged plenary session of the fourth Guangdong provincial CCP committee, the provincial CCP committee held a forum of prefectural and municipal CCP secretaries from 27 to 29 July to convey, study and implement the spirit of the recent central work conference on Guangdong and Fujian Provinces and on the special economic zones. The forum held: At present, while seriously studying and implementing the spirit of the sixth plenary session, we must in connection study and implement well the spirit of the central conference, continue to carry out the special policies and flexible measures in light of the province's reality, open up to the outside world, relax the internal policies, hand down power to the lower levels, and boldly carry out reforms, to make the province's economy still livelier and do still better in building the special zones.

Provincial CCP committee First Secretary Ren Zhongyi presided at the forum. Provincial CCP committee Secretary Liu Tianfu conveyed the spirit of the conference convened by the State Council on Guangdong and Fujian Provinces and on the special economic zones. He said: This meeting fully affirmed the achievements of Guangdong and Fujian Provinces in the past 2 years in implementing the special policies and flexible measures stipulated by the central authorities. The State Council conference pointed out: Practice has proven that the central policy decision to institute special policies and flexible measures in Guangdong and Fujian Provinces and to set up special economic zones there is correct. This State Council meeting also briefly summarized the main contents of the special policies and flexible measures instituted in the two provinces, as follows: 1) open up still more to the outside world. This includes actively making use of overseas Chinese and foreign investment, introducing and using advanced technology and scientific management methods and expanding foreign trade; 2) relax the internal policies more. This includes permitting the coexistence of many types of economic components under the leadership of the socialist economy, making better use of the law of values and various economic levers and making the economy still more lively; 3) expand the powers of the two provinces, including their powers in economic matters, personnel, and local legislation, and enterprise decisionmaking powers. This in brief means opening up to the outside world, relaxing the internal policies, and handing down power to the lower levels. This demands bringing the superior features of the two provinces into play and speeding up their construction, so that the two provinces can become rich before others and also probe experiences for reforming the economic system in the whole country.

The forum initially studied the guiding ideology and demands for implementing the spirit of the State Council conference in Guangdong:

1. It is necessary to be bold in experimenting and pioneering new things. At present the whole country is carrying out reforms of the system, and Guangdong must advance ahead of the others and strive to accomplish modernization a bit earlier than other places.

2. It is necessary to overcome bureaucratism. Stress must be on efficiency in our action. As the central authorities have expanded Guangdong's powers, we must be skillful in using them. We must in all cases improve our work efficiency, whether in seeking instructions on work from higher authority, or in carrying out external economic dealings, or in cooperating with fraternal provinces and municipalities. Approval, action, and results must be swift.

3. It is necessary to act with caution, bear the whole situation in mind, and pay attention to the effects of our work, so that the central authorities can feel at ease. In the course of using the special policies and flexible measures stipulated by the central authorities and in running the special economic zones, we must take account of the interests of the state, the collective and the individual and also of our neighbors. Our main way of striving to become rich before others is to develop production and foreign trade. On the basis of developing production we should enable the masses to increase income and make our market supplies more abundant. We must take resolute action to oppose graft and corruption. We must stress trust and socialist business morality, and oppose vicious behavior of resorting to unscrupulous methods in order to make money.

4. The special economic zones must be run strictly according to the orientation of modernization. The organs there must be streamlined and highly efficient. There should not be too many members in their leadership groups, and limits should be set regarding the numbers and age of their leading cadres, who should also have a relatively high cultural level.

The forum held: Further implementing the special policies and flexible measures and running the special economic zones well is the business of the whole province. All areas and departments must be concerned for this work. All work must conform to this endeavor. All levels of the province must take positive action, get their brains working, come up with schemes and methods, and study specific measures for implementing them in their own areas and units in connection with reality.

CSO: 4006/435

LABOR AND WAGES

NEW WAGE SCALE, BENEFITS FOR GUANGZHOU SANITATION WORKERS

Guangzhou GUANGZHOU RIBAO in Chinese 7 Jul 81 p 1

[Article by Yu Hua [3768 5478]: "Improvement in Environmental Sanitation Workers Wages and Welfare Benefits; Municipal Revolutionary Committee Approves Increases in Wages for about 6,000 Environmental Sanitation Workers Beginning from January This Year; Monthly Per Capital Increases To Average More Than 8 Yuan Per Month; Simultaneous Institution of Environmental Sanitation Subsidies"]

[Text] The Municipal Revolutionary Committee today approved improvements in sanitation worker wages and welfare benefits. This will mean an average 8 yuan per month more for the city's more than 6,000 environmental workers. Environmental sanitation subsidies will be instituted simultaneously. These measures are to take effect from 1 January 1981.

The cleanup workers, nightsoil collectors, and ash and garbage collectors, who constitute the environmental sanitation workers of Guangzhou, work with great intensity, frequently laboring day and night. For years their wages have tended to be low. Not long ago, the Municipal Revolutionary Committee undertook a study of the question of improvement in environmental workers' wages and welfare benefits. A leading comrade in charge at the Municipal Revolutionary Committee said, "All departments concerned should urgently implement gradual increases in the political and economic benefits of environmental sanitation workers." All year long, municipal departments concerned have repeatedly investigated and studied this problem to formulate a specific plan. Today the Municipal Revolutionary Committee formally approved its implementation. The four provisions of this plan are as follows:

1. Prevailing wage standards for environmental sanitation cleanup workers under the system of ownership by all the people, nightsoil collectors, street sweepers, and ash and garbage collectors in all districts should gradually make a transition to the wage standards applying to construction workers. The prevailing grade 4 wages paid cleanup workers under the system of ownership by all the people, and paid nightsoil collectors and street coal ash and garbage collections under the system of ownership by the collective should be made into the grade 4 wages paid construction workers. The prevailing grade 5 environmental sanitation cleanup workers, nightsoil collectors, street sweepers, coal ash and garbage collectors should be paid at the 4.5 scale for construction workers. Grade 6 environmental sanitation cleanup workers and nightsoil collectors should be paid at the grade 5

construction worker rate. Environmental sanitation cleanup workers at grade 7 should be paid at grade 5.5 construction worker rate. Grade 4 and grade 5 street cleanup workers should be paid at the grade 3.5 and grade 4 construction worker rates respectively. After being blanketed into the construction worker wage scale, existing supplemental wages will no longer by paid.

2. Benefits for those engaged in labor requiring strenuous physical exertion, as follows: All new workers will have grades assigned in accordance with wage standards for construction workers, and will be paid at the grade 1 level during the first 6 months on the job. Following completion of a year on the job, they will be paid wages at the grade 2 level. After 2 years on the job, and provided they have performed competently, they will receive grade 3 wages.

3. The proportion of award money that may be collected by environmental sanitation workers under the system of ownership by all the people will be increased from the existing 10 percent of wages to 12 percent of wages. So long as it does not exceed 12 percent of total wages, amount of award money paid to nightsoil collector and street environmental sanitations crews in all districts may be decided on the basis of individual income.

4. Cancellation of prevailing health subsidies and institution of environmental sanitation subsidies. Depending on the type of work done, this is to be paid at a rate of 0.20, 0.30, 0.40, 0.50, and 0.60 yuan per person per day.

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PROBLEMS OF ENTERPRISE OPERATIONS DISCUSSED

HK120144 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 6, 20 Jun 81 pp 51-56

[Article by Li Yingzhang [2621 3602 4545] of the Enterprise Management Department of the First Ministry of Machine Building: "A Tentative Discussion on Forecasting and Formulating Policy in Enterprise Operation"]

[Text] The problem of enterprise operation is a very important problem in modern economic management work. It is also a new subject urgently awaiting study and solution with respect to our current readjustment and reform by the various enterprises and their management departments. Good performance in business forecasting and formulating policy is an important part of the modernization of enterprise management.

I

In order to study forecasting and policymaking of enterprise operations, first of all we must understand what enterprise operations are. In terms of general concept, management means the following behavior on the part of the enterprises in their economic activities for the production of physical output: the development of scientific forecasting, the selection of product orientation, the formulation of development plans, the undertaking of product development, the organization and arrangement of production, and provision of good sales service for the purpose of attaining business targets, and this process repeats itself in recurring cycles. Capitalist enterprises pay much attention to operation in their production activities, because the capitalist commodity economy is there, the law of value and competition are playing the role of regulation and stimulation with respect to production, and with the constant progress of science and technology, and diverse changes of market demand, good enterprise management and administration, correct forecasting and formulation of policy play the deciding role with respect to the existence and development of capitalist enterprises and constitute a problem of life or death with respect to the enterprises. If an enterprise makes correct forecasting and decisions, it will be able to develop and grow amid competition. Otherwise, it will close down and become bankrupt. To cite a case as an example, in the United States, there is a well-known corporation, the Chrysler Automobile Corporation, which was struck by a disastrous slump in sales, and was forced to plead for government rescue loans to avoid bankruptcy, because in policymaking it failed to take into consideration the energy crisis, and organized production on the single basis of market preference for large and luxurious cars. In contrast to this, two other U.S. competitors, General Motors, and the Ford Motor Company, developed fuel saving compact cars which had small sales at that time. As a result, the latter two auto companies were benefited with progress. For this reason, invariably capitalist enterprises regard operation and policymaking as matters of paramount importance, for they want to win in competition and reap more profit at less expense. In recent years especially, in operation and policymaking the capitalist enterprises have extensively made use of mathematics, sociology, psychology, computer science, and so on. In consequence, a comprehensive management technology has been developed.

This is how capitalist enterprises are. Is it also necessary for socialist enterprises to pay attention to operation and to do well in forecasting and policy making? For many years, this question has been unclear to us and has been neglected. In our enterprises, attention was only paid to management and never to operation in the past. One important reason for this is that the management system of enterprises was only an appendage of administrative organs in the context of the control system, they were deprived of the autonomous power in operation, management and policymaking which they should have had in their capacity of relatively independent commodity producers. This has led to backwardness in management and administration poor economic efficiency. Looking at the panorama of the economic development of our country, it is precisely due to the lack of understanding of the concept of operation and the absence of scientific forecasting and policymaking on the part of government management departments as well as enterprises that economic errors have been made and can be found everywhere. For example, the duplicated plant locations and blind development of industrial enterprises are quite serious. Although this has much to do with the management system of lines of command and compartmentalization which gave rise to independent spheres of control and the situation of each going its own way, this is also an outcome of the fact that enterprises did not pay attention to operation, forecasting and policymaking, nor did they take into consideration operations efficiency. In the past 2 years, the number of industrial enterprises in our country has been increased by almost 10,000, most of which are redundantly constructed small plants. Again this is a misunderstanding of market demand on the part of many of the enterprises, which caused production to be [word indistinct] from sales, giving rise to new idle funds and waste. Last year, overstocking of electrical and mechanical products was still on the rise, circulation funds tied up in industrial products in the country as a whole amounted to tens of billions of yuan, and the funds are prevented from playing their proper role. All this demonstrates that in a socialist economy, forecasting operations and policymaking of the enterprises are important all the same. It is a requirement of objective economic law to select the practicable business program on the part of the enterprises by means of forecast operations and policymaking in order to gain better economic results with less social labor input, and to improve the operational efficiency of enterprises.

At present, our national economy is in the stage of further readjustment. During the readjustment period, good performance in business forecasting and policymaking by enterprises is of great significance. The reason for this is that by means of forecasting and policymaking the enterprises can improve their service orientation and product makeup to satisfy the needs of society. For the case of individual departments of individual enterprises in particular, by means of business forecasting, appropriate decisions can be made in respect to closing, suspending, merging and shifting for those enterprises that turn out substandard products of poor marketability and quality and thereby suffer business losses for a long time in order to enhance economic efficiency and to facilitate the progress of readjustment.

II

How can a good performance be accomplished in business forecasting and policymaking by enterprises? This question is of much concern to the management personnel of the enteprises. As of now, many enterprises, especially the machine building enterprises, have sent many of their staff, some including their factory directors and party secretaries, out of town to scout for production contracts and for sales. Under the present situation of a shortage of production tasks, this is quite necessary. However, it should be said that this is not an effective way to get a solution to this problem. Sending out personnel to promote sales in itself is not an essential aspect of enterprise operations. To grasp the core of business management, it is necessary to link it with obtaining market information, market investigation, proper forecasting and policymaking, and the promotion and sales of products.

(1) Market investigation. This is the basis for making forecasts. Through investigation, large amounts of numerical data and other information about production and demand are acquired and accumulated, and this provides a reliable and true basis for scientific forecasting and policymaking. However, market investigation itself is not forecasting, nor policymaking. Some enterprises identify paying visits to customers and market surveys with forecasting. Such an identification lacks precision. Investigation and forecasting are related, but they are not identical. Investigation means the acquirement of data, while forecasting requires scientific methods for induction, arrangement of data, measurement, and calculation. These are precisely the problems awaiting solution in respect to undertaking operations. As to how to carry out proper market investigation, in view of the present experiences of some enterprises, the following are the main points:

1. Market investigation should take the product in question as the center of all considerations and the customers as the targets of action in order to ascertain the makeup of customers using this product, and to find out in what economic sectors, industries, regions, entities and by which individuals such products are being used. In the study of the application of the product, active measures should be taken to expand the area of application of the product in order to look into the possibility of introducing the product to new sectors, and new industries as well as the prospect of establishing it on the international market. All this is for the purpose of opening up and developing new markets.

2. Investigation is to be conducted into different categories of products. In terms of the characteristics of mechanical products, generally speaking, they can be divided into two broad categories, the large-scale specialized equipment

(for example, metallurgical equipment and electricity generating equipment) and general purpose equipment (for example, the general purpose lathe and bearing generator). Another division is made for high-grade, precision, and advanced products as one group vis-a-vis ordinary products. For all the different products, detailed investigations should be made in regard to their social demand and market potential. We must acquaint ourselves with the pattern of production and sales, how much last year, how much this year and how much next year. It is only if there is a large market potential that there will be a bright prospect for the future development of the product. While investigating the market potential, study should be made at the same time of the purchasing power of the customers. It is the purchasing power of the customers which determines the volume of sales. After establishing the potential sales volume, further investigation is necessary to find out the market shares of the respective producer plants. With all these investigations properly carried out, then reliable data for forecasting are available.

3. Methodology should be emphasized in making market investigation. In terms of form of investigation, there are two kinds: the direct method and the indirect. The direct method comprises the following: sending out investigation teams or inviting interviewees, visiting customers, holding sales exhibitions, having direct contacts with customers in order to have a good understanding of the past as well as the present, to collect information, and to acquire data. By direct investigation, information can be obtained concerning the requirements of the customers in respect to the product, giving a truer and more reliable picture. Indirect investigation is made by correspondence, questionaires, and by collecting information from the press, advertisements, and so on. Both these methods, the direct and the indirect, can be taken simultaneously so that more information can be collected. With reference to the extent of the investigation, distinctions should be made in accordance with the different categories of products. In the case of large-scale specialized equipment for only a few customers, produced individually or in small batches, investigation can be made case by case in terms of the equipment and the customer, and a separate filing card should be prepared and kept. As for products of general use in large quantities and with broad market applications, the typical pattern or random sampling method should be used for investigation to achieve simplicity and good results. The enterprises should keep up their market investigations unintermittently and systematically so that comparatively complete data may be collected to provide a reliable basis for forecasting and policymaking.

(2) Develop forecasting. By forecasting, we mean carrying on scientific analysis on the basis of market investigation and study, and finding out about development and prospective trends. As far as an industrial enterprise is concerned, the purpose of forecasting is to study the economic rationality of operating and developing the production of the enterprise and to provide a basis for policymaking. Therefore, the forecasting of an enterprise involves the development of products, which include the old products being produced at present and the new products of the immediate future. Market investigation provides the possibility for production to be undertaken by the enterprise. However, in the study of the production of these two kinds of product, attention must be paid to two problems, the life span of the product and its economic limitations, and due forecasts should be made of the two.

As the life cycle of the product implies, the use value of the product undergoes changes with the passing of time. In analyzing any product, it is not difficult for us to find out the variations of its life. Generally speaking, the following stages are undergone: the initiation stage (upon completion of trial production, the product is introduced to the market, and the volume of production is relatively small), the stage of development (the product is accepted by the customers, production is undertaken in large batches, and volume of production rises), stage of maturity (production reaches a peak, market demand for the product approaches stability and saturation point), stage of decline (as new technology and products appear on the market, demand for the product declines), the stage of replacement (the acceptance of the new product and the elimination of the old) and so on. The above stages can be plotted to make a life cycle curve. The job of forecasting of the enterprise is to get a good grip of the life cycle of the product, and to enable proper planning of the four categories of products: (1) planning for the formal undertaking of production; (2) planning for trial production; (3) planning of products in the process of study and design; (4) research work in connection with the application of newly developed technology. This enables the enterprise to have a reserve of products in terms of technological variations, and to practice continuous renovation of its products to meet the needs of the developing social production technology. Take the mechanical products of our country for example, of the present product varieties which number several tens of thousand, 70 percent belong to varieties of the 1950's (not to mention those of the 1940's which number quite a few). Many of these varieties are still in short supply at present. At first glance, they seem to be in the stage of development or maturity. However, after a careful study of their properties and performance, their technological backwardness is bound to be discovered: excessive consumption of energy, low production efficiency, poor quality and precision, insufficient mechanization and automation, and so on. Some of these products should have been classified in the category of decline or replacement long ago. This requires us to change the models and bring in new products. Obviously, in making a judgment on the life cycle of a product, the correct answer can only be attained by taking stock of the developing technology, and taking into consideration the market sales volume alone certainly does not suffice.

In the process of forecasting production, another factor to be taken into consideration is the problem of economic limitations, or the study of effects on value in the development of the product. Any product of an enterprise has its point of profit and point of loss. The purpose of producing in respect to an enterprise is to make profit while satisfying the needs of society. Therefore, production of any product requires compensation in terms of value so that the earnings from production offset consumption (the variable expenses and the invariable expenses). Profit is made, when earnings exceed consumption. Conversely, losses are incurred. This is the critical point of profit and loss of a product. With the increase of production, profit for the product will be increased, so will the profits of the enterprise. When production is increased to a certain maximum level, a turning point will be reached. At this point, the enterprise must improve its conditions, make more investments, expand its production capacity, consequently greatly enlarging its invariable expenses with the result that profits may be reduced, or perhaps may come to nil, depending on the future prospect of sales on the market.

These limitations are called economic limitations of the product, also known generally as the economical production volume, indicating the limit of production that yields the best economic results for certain products under the present conditions. The management personnel are to make selections within the range of points of profit and loss, and economic limitations. The economic limitations relate not only to production volume, but also to price, cost, and so on. When the management personnel make a forecast for product development, correct evaluation can be made only by taking into account the economic limitations and the life cycle of the product.

Making forecasts involves scientific methodology. Various methods are found abroad, which can be generally divided into two models, the qualitative model and the quantitative model. The qualitative forecast depends on surveys made by specialists, on subjective judgments, and mutually effective analyses, while the quantitative model most generally adopts the method of time series, moving averages, and the correlative linear retrogression. To undertake such forecasts, historical data are indispensable. As the current condition of our present enterprises indicates, it is difficult to make forecasts in terms of pure mathematical approaches. However, in order to adapt to the changes in economic management, certain machine building enterprises have adopted some simple forecasting methods and have achieved some good results. For example, in the field of qualitative forecasting, the method of economic trend analysis has been used to study the quantative changes of market demand for products brought about by the implementation of the eight-character guideline of readjusting, reforming, rectifying and improving: with the reduction of investment in heavy industry, investment in agriculture, light industry, commerce and the service trades has relatively increased; with a big reduction in demand for machines by capital construction, such demands arising from tapping potential, renovating and restructuring have been on the rise; with the reduction of tasks for large precision equipment, there have been more tasks for general products; with less state-planned tasks, there have been more private market-oriented tasks, and so on. This is the basis for readjusting the service targets of the enterprises and developing products with good marketability. In quantitative forecasting, the correlation forecasting method has been adopted. Investigation is made in respect to the internal relations of demand to ascertain the correlation coefficient. For example, to raise coal production by 200,000 tons, a coal mine elevator no smaller than 2 meters must be installed; to increase steel production by 1 million tons, 45,000 tons of mining equipment must be added; 1.8 units of vertical cutting automatic lathes and other supplementary equipment are needed to increase production of wrist watches by 10,000; 7,500 electric meters are needed for every 10,000 kilowatts of electricity generation equipment, and so on. In the case of the study of forecasting means of subsistence, the social purchasing power must be analyzed, and typical-case investigation must be made to find out the correlation coefficient. For example, the Beijing survey showed that four cameras were bought for every 100 staff and workers; and 10 percent of all households in the cities of the country as a whole have electric fans. From this data it was concluded that 74,000 cameras and 2 million electric fans are needed in the country as a whole, and so on. With the data concerning national needs, the producer plants can estimate their own sales volume by virtue of their share of the national market. It must be pointed out that any numerical value produced by forecasting is subject to errors, and deviation must be allowed. The necessary revision must be made according to the concrete conditions, when business policy of the enterprise is made. Furthermore, just like the market surveys, no constant forecasting can be found, but corrections must constantly be made according to market information.

(3) Business policy making. Good policymaking for business operation is the crucial question in enterprise competition and development. In a broad sense, it can be said that business management of an enterprise is the process of policymaking, that is, making scientific forecasts on the basis of market surveys in order to produce countermeasures and work out the necessary program. The following steps are included in the process of formulating policies: 1. presentation of the problem and setting the aim; 2. making forecasts and drawing up programs; 3. analyzing and evaluating the technical economic results; 4. selection of the appropriate program; 5. formulating the action program; 6. examination of the implementation of the plan. Here, we find that forecasting is the promise and policymaking the key link. By patterns, there are two kinds of policymaking: the business management (strategic) policymaking which involves the development orientation of the enterprise, the product varieties, scale of production, the making of investments, and the administrative (technical) policymaking, or measures to be taken for the daily control of operations during the process of implementing the program in order to bring about the aims set by the enterprise. Generally speaking, most of the strategic business policymaking is without sequence. That is to say, it is subject to the influences of variable factors which are not quite predictable at present. For example, the variations of market demand, the supply of raw materials and parts made by cooperative parties, the rise and fall of prices, innovation of production techniques, the domestic and foreign competition and other factors influence the decisionmaking of enterprises. Therefore, it is impossible to have a fixed standard solution subject to no variation. Here, much depends on the knowledge, experience and command of information of the manager as well as his ability to judge, his willingness to take responsibility and his courage to take risks. During the process of policymaking, use should be made of the decision pedigree (programs related to the decision are to be shown by pictures and charts in the pattern of a trunk and branches like those of a tree) so that from the programs the most practical and suitable ones can be selected in order to accomplish the aims of the enterprise (not the most superior program, as superiority is only relative). This is one lesson which all senior executives must learn in business operation. In contrast, the technical management decisions being implemented mostly follow definite sequences, with well defined objectives, less uncertain factors, definite programs, and clear numerical data. In such cases, calculation can be made by operational research. Falling into this category are examples such as: rational arrangement of production tasks, the correct size of production batches, selection of efficient working technology, adjustment of labor force to improve the man-hour productivity, shortening of the production cycle, and so on. All these are the tasks of middle-level executives of the enterprises.

Usually, the collective form should be taken, when business decisions are made for the enterprise, as problems involved in making such decisions are comparatively numerous, especially those for business operation which are more complex and more liable to errors, and the collective decisionmaking which pools the wisdom of many people and relies on group study is better than that made by individuals. There are two kinds of collective decisionmaking: for one kind, people are called to the meeting when a decision needs to be made; the decision is reached collectively, or by ballot. For the other, discussions and consultation with experts are held before making the decision, which is left to the final discretion of the chief executive. The trend of business decisionmaking abroad shows the development from individual decisionmaking to collective decisionmaking through a council of advisors. The advantages of this are more information and wholehearted execution of the program after the decision is made. Here, we should take notice of the fact that when business decisions are taken by the enterprise, very often due to the influence of variations of external factors, the decision may become an error, as the accomplishment of its ends may be impaired. Therefore, contingent remedial programs must be drawn up when business policy is made so that remedial measures may be taken when sudden changes occur in order to guard the enterprise against business losses.

Currently, some attempts have been made at business decisionmaking by certain machine building enterprises. The methods are quite simple, but the results have been good. For example, the Ningjiang Machine Tool Factory of Sichuan Province is a producer of precision instrument making machine tools for heavy industry, the military industry and light industry. In the past, its products were in excessive supply, and annual sales were less than 500 to 600 machine tools. In 1979, the factory started making market surveys, forecasts, and business decisions, and the situation has turned for the better. Having analyzed the changes in our national economy, they came to the understanding that (1) heavy industry would be cut down, the market for light industry would be expanded henceforth, several billion yuan of state loans had been granted to light industry, and demand for precision instrument machine tools would be on the rise; (2) the production of watches would be on the rise, as employment would be increased by several million annually, therefore watches would be in demand, especially those for women, hence growth of demand for machine tools for making ladies' watches; (3) equipment of the watchmaking industry would need renovation and transformation; (4) the quality of their products had been comparable to that of Japanese watches, hence the possibility of sales on the international market. By correlation, they have made forecasts and estimates of the demand for the machine tools they produce. First, in respect to the growth of demand for their machine tools due to the increase of production of watches, they have made the assumption that by 1985, 30 million watches will be produced. This means that to reach this figure an annual capacity of 2 million watches must be added each year, and for every extra 10,000 watches, 1.8 machine tools will be needed. Then the annual total figure will come to 360 machine tools. Second, concerning the demand for machine tools due to renewal of equipment, they make the assumption that the replacement rate is 5 percent of the present total of 6,000 precision instrument machine tools owned by the country's watchmaking industry, which amounts to a requirement of 300. The sum of the above two items comes to 660. The Ningjiang Machine Tool Factory's share of the market being 80 percent, the figure for the Ningjiang Machine Tool Factory comes to 500. This is what is needed for the production of watches. Third, concerning the demand of other industries, according to the historical data of the Ningjiang factory, the watch industry accounts for 40 percent of its total sales, and 60 percent is taken up by other industries. This means that 700-odd machine tools are needed by other industries. Fourth, in respect to export needs, the figure for the past years has been 200 to 300. The total demand of the above four items comes to 1,400 to 1,500 machine tools. Accordingly, the Ningjiang Machine Tool Factory has decided to produce 1,400 to 1,500 machine tools annually in the coming few years in keeping with the market situation in our own country as well as abroad, and in accordance with the variety, quality and price of its products, and its capability to compete in terms of its technical services and capabilities. In addition to this, the factory has also decided to adjust its product range and increase its capacity to produce more marketable products in the light of the aims of the policy. In 1980, the factory made arrangements to produce 850 machine tools, which fell short of the customers' demand. This year, arrangements have been made to produce 1,000 machine tools, which again falls short of demand. At present, some contracts have been signed for 1982. Facts show us that the forecasts and decisions made by the Ningjiang Machine Tool Factory are well grounded.

III

Step by step, many of the management personnel of our enterprises and those of our economic administrative departments are paying more attention to the problem of business forecasting and policy-making of the enterprises. This is a new beginning of business management of our enterprises for the past 30 years. Due to the fact that we did not pay much attention to business management in the past, our demand for good forecasts and decisions on the part of the enterprises will give rise to many difficulties. Certain conditions need to be created, but the following are most urgently needed:

1. The government organs in charge of economic affairs must set up consultation and service departments in regard to forecasting and decisionmaking information to provide technical and economic information, and market demands, both in our own country and abroad. It is very difficult for the enterprises to get such information by themselves. For a single enterprise, it is only possible to know the local conditions. Under the conditions of regulation by market mechanism and competition among the enterprises, a large amount of economic information, including the situation of supply and demand is needed to make correct decisions on the part of the enterprises. Without such a prerequisite, a situation similar to the recent one may possibly reoccur with everybody rushing to produce electric meters, electric fans and other "hot property." As shown by statistics, there are nearly 2,000 enterprises producing electric fans, and those that specialize in producing electric meters have increased from 29 to more than 200. Under such conditions, blind production can hardly be avoided. This may very well exert unfavorable influence on our economic readjustment. Consequently, it is absolutely necessary for the government organs in charge of economic affairs to set up information centers, to provide good consultation, to circulate the necessary information, and to help the enterprises do well in forecasting and decisionmaking.

2. In the enterprises (especially those of medium and large size) internal structures in charge of management policy must be set up and be provided with the necessary technicians and managing cadres. Steps must be taken to enable them to learn how to make market surveys and to do well in business forecasts and decisionmaking. As for the senior executives, such as managers and factory directors, they must be provided with better training programs with emphasis on enhancing their capability to run the enterprise and to make decisions as well as increasing their business knowhow and improving their quality.

3. Economic legislation must be enacted. The nature, position, rights, responsibilities, and benefits of the enterprises must be clearly stipulated. Policymaking of the enterprises must be commensurate with their authority. The nature of authority prescribes the nature of policies made, and the scope of authority prescribes the scope of policies made. This provides the enterprises with legal insurance when they make their business decisions. In the meantime, the enterprises must also carry on their business dealings within the scope stipulated by economic laws.

4. The state must have a stable long-term economic and technological development policy as well as long-term development plans with well defined and specific development targets, speed, proportions, economic set-up, and so on, in order to give guidance to the business operation of the enterprises, to integrate the state and enterprise policymaking as well as to combine macroeconomics and microeconomics, and all in all, to enable the national economy to develop more harmoniously. For the present readjustment period, a readjustment plan is also needed. This will facilitate the government organs in charge of economic affairs and all the production enterprises in carrying out the task of economic readjustment more satisfactorily through forecasting and business decisionmaking.

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DISCUSSION ON REFORMING ENTERPRISE LEADERSHIP

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[Article by the group for investigation and research on reforms of the system of leadership over the enterprises, under the Shenyang Committee of the CCP: "Reforms in the Present System of Leadership Over the Enterprises Can Help Improve and Strengthen Party Leadership"--slantlines denote boldface type]

[Text] Will reforms of the present system of leadership over the enterprises and also division of labor between party organs and administrative bodies be able to help improve and strengthen party leadership, or will they weaken and lead to the abolition of party leadership? This is a very acute issue facing the experimental units. If this issue is not resolved, our experimentation will not advance with big strides. This year, with our attention focused on this issue, we have convened theoretical seminars, organized study classes for cadres and delivered lectures to the masses. Through such means we have repeatedly studied and discussed, and have preliminarily unified our understanding of, the following three questions: First, what should we correctly understand about leadership of the party committee over the enterprise? Second, are there shortcomings in the present system whereby the factory director is in charge of the enterprise under the leadership of the party committee, should the present system be reformed, and how should it be reformed? Third, how can we work to improve and strengthen party leadership when the relevant reforms have been carried out? In the ensuing paragraphs we will discuss our views on these three question.

I. What Should We Correctly Understand About Leadership of the Party Committee Over the Enterprise

Some comrades have been worried about the possibility that reforms in the system of leadership over the enterprises may weaken and lead to the abolition of party leadership. An important cause of their worry has been the disruption and sabotage by Lin Biao and the "gang of four," coupled with the influences of forces of habit which have prevailed for many years. Their understanding of what constitutes leadership of the party committee over the enterprise has been muddled. Now, when the problems concerning their understanding have been solved, they feel at ease instead of worried, and they actively support the reforms instead of showing disagreement. We have mainly resolved the following three issues.

/1. The leadership of the party committee over the enterprise should mean ideological and political leadership, instead of direct command by the party committee over everything./ Some comrades said that the party should exercise leadership in everything. The enterprise must therefore subordinate itself to the direction by the party committee in everything. If the reforms are carried out, so that the party committee will no longer exercise direct command over the factory director and the staff and workers' congress, then is it not obvious that party leadership is weakened? During the discussions, it has been generally believed that it is incorrect to understand the leadership of the party committee over the enterprise as the direct command of the party committee over everything, with the party committee simply having the say. Party leadership should mainly mean political leadership, and leadership over the line, principles and policies. The party committee of the enterprise should mainly insure the implementation of the party's line, principles and policies at the enterprise. Therefore, the main task of the party committee of the enterprise is to spread propaganda among and provide education to all party members and workers on the party's line, principles and policies, to put forward measures of implementation in the light of the circumstances of the enterprise, to turn the implementation of such measures into the conscious action of the whole staff through painstaking propaganda, ideological work and organization work, and thus to insure that the enterprise will adhere to the socialist orientation, and to insure that the fulfillment of the production plans and various tasks will help continually improve the workers' livelihood on the basis of a continuous increase of accumulation on behalf of the state. In view of the party committee's tasks, it should exercise leadership mainly by bringing the role of organizations at various levels and also the exemplary vanguard role of the communists into play, and by carrying out ideological and political work, instead of by relying on administrative decrees.

/2. The fact that the party committee of the enterprise should exercise unified leadership over it does not imply that all powers related to the running of the enterprise should be vested in the party committee./ According to some comrades, the party committee will have high prestige only if it has power, and it will be able to exercise leadership and people will follow its instructions only if it has high prestige. At present, even though in matters related to the party, administration, finance and cultural affairs, the party committee is in control of powers to run the enterprise, its prestige is not high and its direction is not very effective. If the reforms are carried out, and the decisionmaking power over major matters concerning the enterprise is handed over to the staff and workers' congress, with the power to direct production handed over to the factory director, then the party committee will not have real power, and will it not be in vain to talk about strengthening party leadership? Such a view is also incorrect. Through discussion, it has generally been understood that the need for the party committee to exercise unified leadership implies that the whole enterprise must be unified in ideology and line. The factory director, the staff and workers' congress, the trade union and the communist youth league must be led by the party committee politically. They must rally round the party and work according to the party's line, principles and policies. Politically, each of them must not do things in its or his own way. However, we must definitely not interpret unified political leadership as vesting all powers in the party committee. We must clearly define the functions and powers of each. Each should have its or his own functions, powers and responsibilities. Each should be assigned the power due to it or him. Each should exercise its or his own powers according to the line, principles and policies set by the party. The vast numbers of staff members and workers are the masters of the enterprises. They should naturally have the right to make decisions on major matters concerning the enterprises, and to exercise their powers in their capacity as masters. The party committees should give assistance and support to the masses of staff members and workers in their assumption of the role of masters, and must not act as masters in place of the staff and workers. In particular, they should not have the power to force the masses to follow their decisions. The factory director must be responsible for production at, and the administration of, his enterprise. He will necessarily be the highest leading cadre of the enterprise in matters of production and administration. Because of his status and responsibilities, he must exercise full powers in directing production and administrative work at the enterprise. The party committee should assist, support and guide him in his work, instead of exercising command in place of him.

/3. To fully bring the leading role of the party committee into play does not mean that we must restrict and weaken the roles of the factory director and mass organizations./ Some comrades said that whatever we may say, when the reforms have been carried out, the factory director will play the leading role, the staff and workers' congress will cease to play the role of a rubber stamp, but the role of the party committee will dwindle, and its order of importance will fall from first place to third. This view, which takes bringing the role of the party committee into play as conflicting with bringing the role of the factory director and mass organizations into play, and which holds that party leadership will be weakened when the roles of the factory director and staff and workers' congress are fully brought into play, is incorrect. Through study and discussion, the majority of comrades have realized that to fully bring the role of the party committee of the enterprise into play means that the party committee must satisfactorily perform the work that it should perform, and it does not imply that it should perform the work which the factory director should perform, thus taking others' administrative affairs into its own hands. In an enterprise, although the tasks of the party committee, the factory director, the staff and workers' congress, the trade union and the communist youth league differ, the goal of these people and organizations, namely to do a good job of running the enterprise, is identical. If these organizations can work according to the party's line, principles and policies, and according to the party committee's intentions in connection with political leadership, then party leadership has been embodied. Therefore, the two things are not mutually exclusive, but promote each other. After the reforms have been carried out, if the staff and workers' congress genuinely exercise their rights as masters after we have put an end to the situation marked by "the party committee making calls, the factory director making reports, the representatives raising hands in compliance, and the trade union acting as a utility man"; if the factory director can independently exercise the power to direct production and can work with greater efficiency after we have put an end to the situation in which the factory director dares not take matters into his own hands and must rely on discussion by the party committee; and if the trade union and the communist youth league can independently carry out their work, actively safeguard the legal rights of the masses, and fully mobilize the enthusiasm of the masses in production; then, party leadership is strengthened instead of being weakened. Why do we say so? Because the staff and workers' congress, the factory director and the mass organizations carry out their work under party leadership and must follow the party's line, principles and policies in formulating their working regulations and establishing various rules, regulations and systems. Therefore, the party committee must work to provide necessary guarantees in various aspects and to create requisite conditions (an important condition is to enable them to independently carry out their work) so that they can bring their own roles into play. This is a specific embodiment of party leadership and also an important and indispensible aspect of the exercise of party leadership.

II. The System Whereby the Factory Director Is in Charge of the Enterprise Under the Leadership of the Party Committee Embodies Shortcomings Which Are Unfavorable to Strengthening Party Leadership

When several muddled views on party leadership have been preliminarily clarified on the plane of theory, some comrades have gotten their thinking straightened out and believe that reforms will not weaken party leadership. However, other comrades have been unable to change their thinking quickly. They have held that although the present system embodies the shortcoming of taking administrative affairs into its own hands by the party committee, anyhow, the present system is favorable to strengthening party leadership, and this is the greatest advantage. If the reforms help overcome this shortcoming, but also weaken party leadership, then it is better not to carry out the reforms. Some comrades have said that if the party committee is thought to have undertaken too many administrative affairs, then it can undertake fewer in the future; and if the staff and workers' congress and the factory director are thought to have little power, then they may be assigned greater power. It will be unnecessary to carry out radical reforms. However, what is the real situation? Are there shortcomings in the present system which are unfavorable to strengthening party leadership? During our experimentation, aside from organizing the cadres and the masses to improve their theoretical knowledge, we also organized forces to investigate the situation of leadership by party committees at the enterprises, so as to answer this question using facts. The results of our investigation have proved that not only is the present system unfavorable to enabling the staff and workers to exercise their powers as masters or enabling the factory director to exercise centralized and unified direction over production, but there are real shortcomings in the present system which are unfavorable to strengthening party leadership. The main shortcomings are as follows.

The present system places the party committee in a supreme position and allows it to undertake everything. Consequently, the party committee "cultivates other people's meadows but lets its own land lie fallow." The system whereby the factory director is in charge of the enterprise under party leadership is in itself a system whereby the party is not separated from administration. It combines the system of leadership by the party committee and the system of administrative leadership into a unified entity. Moreover, because the party committee is bent on exercising leadership over the factory director's administrative work, it is therefore the highest organ of power in the enterprise, and the secretary of the party committee is the top leader of the enterprise. Thus, the party organization is above other organizations, and the secretary of the party committee is above other leading cadres. Because the factory director and deputy factory director work under the leadership of the party committee, they will get what they deem to be important or difficult matters discussed at party committee meetings or approved by the secretary. If the masses wish to voice their opinions or demands, or complaints about matters handled by the administrative leaders, they will want to see the secretary. If they cannot contact him, they will think that they have not brought their problems to the attention of the most important person, and will feel dissatisfied. These things give rise to the categories of consequences.

The first category is that all matters must be discussed and decided upon by the party committee, so that it has become an administrative body. Although the present system stipulates that important matters of the enterprise must be discussed and decided upon by the party committee, there is great flexibility in deciding what important matters are, and it is difficult to make a clear classification in practice. For example, if the whole party grasps birth control, then birth control will be an important matter. The allocation of housing and the readjustment of wages are related to the staff and workers' immediate interests. If these matters are not handled well, the staff and workers' enthusiasm will be affected. These are of course important matters. Environmental protection and industrial safety are also important matters because they are related to the staff and workers' physical and mental health. Therefore, in practice, it is very difficult to distinguish important matters from trivial ones that need not be discussed by the party committee. Very often, all matters, important and trivial, are presented for discussion at party committee meetings. Some people are afraid to offend others or to shoulder responsibilities. They require the party committees to decide on matters on which they should make decisions personally. They take the party committees as "shields for protection against blame." Because all matters must be decided upon by party committees, there have been a deluge of party committee meetings. The party committee of Shenyang Enamelware Factory convened 32 meetings in the third quarter of last year. On the average, a meeting was convened once every 2 or 3 days, if holidays were not taken into account. A total of 157 subjects were discussed, out of which 31, or merely 20 percent of the total, were connected with party work. The rest were related to production or administrative work, and moreover, the majority of them were specific problems within the functions and powers of the administrative departments. The party committee very seldom grasped its own construction or political and ideological work. The party members played their exemplary role poorly, and the staff and workers had numerous ideological problems. In the fourth workshop, three successive meetings for reelecting the general branch of the league had been abortive, because the league members did not like to attend the meetings and less than half of them were present. The workshop branch of the party also did not pay any attention to this matter. Thus, it can be seen that the undertaking of everything by the party committee greatly weakens the work of the party.

Another category of consequence is that because the secretary must take command over everything, he becomes the general head of all affairs and is in charge of everything. Under the present system, the party committee has been established as the supreme organ of power in the enterprise, and the secretary has become the number one man, while the factory director is number two, or even number three or four. Therefore, the secretary must take command over all matters, important or trivial, and every kind of work. He takes command in the birth control committee, patriotic committee, civil disputes mediation committee and so on. He is the group leader of various leading groups by a multitude of names, such as those responsible for assessing wages, promotion, the stocktaking of assets, the auditing of funds, staff and workers' education and so on. Otherwise, it will be considered that the party committee does not pay attention to certain kinds of work, or that party leadership is not exercised. The secretary must also attend meetings convened by higher authorities and departments in charge of various trades. He must also attend and deliver speeches at various kinds of administrative work conferences convened in the factory. Because the secretary takes command and has the say in everything, he is actually above various organizations. Consequently, the phenomenon of "what I say goes" and the "patriarchal system" have inevitably emerged. Party leadership has given way to a single person deciding everything. The party's organizational principle has been radically violated. This situation can be attributed to the personal working styles of the secretaries, but has mainly been caused by the system.

This situation of the party committee discussing everything and the secretary taking command over everything is a general phenomenon among the enterprises on the industrial and communications fronts in Shenyang, though the degree of seriousness varies. If we say that allowing the party committee to wield greater power, to be in charge of a greater number of matters and to have the say in everything is favorable to strengthening party leadership, then it follows that the more numerous the things undertaken by the party committee, the stronger will be the leadership. However, the opposite case is true in reality. The units in which the leading role of the party committee is satisfactorily brought into play and ideological and political work is grasped satisfactorily are those in which the party committees have interfered to a smaller extent in administrative affairs. The same is true of an enterprise. Party leadership is really strengthened not when unified leadership is in practice, but when the party is preliminarily separated from administration.

Will production be affected when the party committee ceases to take production and administrative work into its own hands? Not at all. When the system of direction over production has been strengthened, so that the factory director has begun to exercise his functions and powers, and to pay attention to bringing the role of specialists into play, production has improved, and in particular, economic results have become prominently good. Over the past 3 years, the profits turned over to the state by the Shenyang Smelting Works have increased by 10 million yuan annually, at an average annual rate of 30 percent. In particular, very marked successes have been achieved in the tackling of pollution. Over the past 3 years, 50 environmental protection projects have been accomplished. The recovery of resources from the "three wastes" alone has created a value of 17.29 million yuan for the state.

III. When the Leadership System Has Been Reformed, How Can We Work To Improve and Strengthen Party Leadership

How should we reform the system? If the reforms have been carried out, how should the party committee work so that the improvement and strengthening of party leadership over the enterprises can be insured? These are also problems which we must solve in our experimentation. If they are satisfactorily solved, in the future, the resistance to popularizing a new leadership system will be reduced. Because we still lack relevant experiences, we can only discuss several questions that we have considered preliminarily.

/1. We must clearly understand the role and tasks of the party committee of the enterprise with regard to the system./ When the reforms have been carried out, the party committee of the enterprise will no longer execise direct command over or issue orders concerning production and administrative work, and will no longer have the power to make decisions on or veto the work of the staff and workers' congress. However, the entire enterprise must be subjected to leadership and must have a core which can unify various aspects. This core can only be the party committee of the enterprise. Therefore, when the reforms have been carried out, it must be clearly declared that the party committee is the core of leadership of the enterprise. In the regulations governing the work of the staff and workers' congress and of the factory director, it must be stipulated that politically they must be led by the party committee, and their implementation of the party's line, principles and policies must be supervised by the party committee. Playing the role of the leadership core means that the party committee must rally the system of production and administration, the staff and workers' congress, the trade union, the communist youth league and the whole staff of the enterprise round the party, and must unify the ideology of various organizations and the whole staff on the basis of the party's line, principles and policies, so that their efforts will follow the same orientation and they will vigorously do a good job of running the enterprise with one heart. The party committee must exercise political leadership over the work of various organizations, must coordinate their work, and must resolve the contradictions among them.

We think that the party committee of the enterprise should perform four main tasks when the reforms have been carried out.

1. The party committee should lead the whole staff to become masters and to do a good job of managing the enterprise. As the core of leadership, the party committee of the enterprise should take as the objects of its leadership not only the factory director, the staff and workers' congress, the trade union and the communist youth league, but also the whole staff. Under the present system, the party committee very often stresses exercising control over the factory director and over administrative work, and often neglects mass work and leadership over mass organizations. After the implementation of reforms, the party committee must extend its field of vision, must take the whole staff of the enterprise into consideration, and must lay its emphasis on mass work.

2. The party committee must insure the implementation of the party's line, principles and policies at the enterprise. To achieve this, the party committee must, for one thing, conscientiously study and understand in depth the line set by the party; and for another thing, it must go deep into the realities, carry out investigation and research, and master the actual situation of the enterprise and the tendencies and morale of the masses. By integrating these two categories of work, it will be able to clearly recognize which decisions of the staff and workers' congress or of the factory director are correct, and which of their decisions are incorrect. It must require all party members and appeal to the whole staff to vigorously implement correct decisions. It must insure the implementation of such decisions. It must also criticize incorrect decisions and propose ways of rectification.

3. It must correctly handle relations of material interests among the state, the enterprise and the individual. The party committee must insure that the enterprise is subjected to the guidance of state planning, turns over profits as stipulated, and pays taxes. The enterprise must gradually enhance collective welfare for the staff and workers and raise personal income, on the condition that accumulation for the state is continually increased.

4. The party committee must do a good job of ideological and political work, fully mobilize the enthusiasm of the staff and workers in production, and promote the continued development of production. These constitute a regular and very important task of the party committee of the enterprise. If this task is performed well, the political quality of the contingent of staff and workers can be improved, the relationship between the cadres and the masses can be satisfactorily coordinated, and the staff and workers' enthusiasm in production can be mobilized.

It will not be easy for the party committee to perform these tasks really well. When the reforms have been carried out, the demands on the party committee will be greater, instead of smaller; its burden will become heavier, not lighter.

/2. There must be a relatively great change in the composition of the party committee membership./ Because after the reform, the tasks, contents and objects of the party committee's work will change, the composition of the party committee membership should also change. We envisage that after the reform, it will be sufficient for two or three persons among the factory director and deputy factory directors to become members of the party committee. In particular, it is better for the factory director not to be concurrently the deputy secretary. Thus, the factory director will be able to concentrate his energy to do a good job of grasping production and administrative work. The secretary of the discipline committee, the heads of the propaganda department, organization department and party committee office, as well as the leading cadres of the staff and workers' congress, trade union and communist youth league, who perform political work, may become party committee members. Thus, when studying the party's work, they will all understand the situation and have the right to speak. Ideological and political work will be strengthened, and the party committee of the enterprise will consequently be able to play its role more satisfactorily.

/3. The party committee's methods of work must be changed./ After the reform, the party committee will change over from administrative leadership to ideological and political leadership. The intentions of the party committee will be implemented mainly through ideological and political work and through the party members' vanguard exemplary role. The party committee will be unable to issue orders for the factory director and administrative departments to obey, but may pose demands on party members who are responsible for various functions of administrative leadership. The resolutions of the party committee will have binding force on party members, and the observance of these resolutions will be insured by party discipline. Party members responsible for various administrative duties must also frequently report to the party committee or party branch the conditions of their work and their ideological conditions. They must solicit the opinions of the party committee or the party branch beforehand, and must accept the leadership of party organizations, whenever they make major decisions. Some comrades have said: "What shall we do if party members in charge of administrative duties do not comply with the views of the party committee on major issues?" This will not happen in ordinary circumstances. Even if this happens, the relevant party organization may report this to higher-level party organizations, and then the higher leading bodies will absolutely be able to solve the problem by the method of administrative intervention. Moreover, the party organizations may punish party members who do not fulfill party members' obligations or do not observe discipline, and may even expel them from the party. Therefore, it is unnecessary to worry about party members not respecting the views of the party committee. Especially, after the reform, the party committee will be able to concentrate its efforts on grasping the building of itself, so that this will be less likely to happen. Moreover, although the party committee will not exercise direct leadership over the staff and workers' congress, the former may influence the latter through party members among the representatives of the staff and workers, and insure that the latter makes correct decisions according to its intentions. Prior to or during the convention of the staff and workers' congress, the party committee may group the party members together, put forward its demands on them, clearly state the views of the party committee on the matters on which the staff and workers' congress is to make decisions, and require the party members to influence other representatives according to its demands. At meetings of the party, party members may really voice their personal opinions. However, at the staff and workers' congress, they can only act according to the requirements of the party committee, and must not practice liberalism. Some comrades have said: "Even if the party committee has set demands on the party members, and party members who are also representatives of the staff and workers have also worked vigorously, the decisions made at the staff and workers' congress may still be at variance with the views of the party committee. Then, what shall we do? Under this situation, whom should we listen to?" We say that even if this happens, the party committee will still be unable to alter the resolutions of the staff and workers' congress. On hearing this, some people will say: "Then, how can the political leadership by the party committee be realized?" We can do some analysis, and can discover three types of situations. First, the views of the party committee are correct. However, because it has not worked proficiently, its views have not been accepted by the majority of the masses. If the issue in question does not involve major questions of principle, we will have to wait a certain period of time. Before the masses have the necessary consciousness and appropriate demands, we must not force them to do some desired thing. This is also a principle according to which our party deals with the masses. Second, the views of the party committee are erroneous. If erroneous views are not accepted and are corrected before they are put into practice, is it not desirable? Third, the resolutions of the staff and workers' congress go against the party's line, principles and policies or the stipulations by higher authorities. Then, the party committee will have to persuade the factory director not to implement the resolutions of the congress for the time being, and will have to report this to higher authorities, requesting them to give their ruling.

Of course, after the reform of the system of leadership over the enterprises, the party committee's work will not be limited to the items mentioned above. It will also have to satisfactorily grasp the building of itself, rectify unhealthy tendencies, fully bring the party members' vanguard exemplary role into play, satisfactorily grasp the building of the grassroots organizations and party branch, bring the role of the party branch as a combat bulwark into play, and so on. To sum up, the party committee will have a great deal of work to do and its leadership over the enterprise absolutely can be strengthened. We are confident of doing a good job of experimenting on reforming the system of leadership over the enterprises, and are confident of answering relevant questions by means of practice.

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AGGREGATE ECONOMIC DATA

NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various media sources as indicated. In the abbreviations below, GVIO = gross value of industrial output, GVAO = gross value of agricultural output, and GVAIO = gross value of agricultural and industrial output.]

NATIONAL AGGREGATES

Item	Date; or period of comparison	Increase	Value, in billion yuan	Percentage of plan fulfillment	Source
GVAIO	1980:1979	7.2%	661.9	103.2	1
National income	1980:1979	6.9%	363		1
GVIO: Light industry	1980:1979	14.3%	96.1		3
GVIO: Light industry	1981:1980 Jan-Jun	11.6%	125.2		4
Television (sets)	1981: end-Jun			57	5
	1981:1980 Jan-Jun	67%			5
GVIO: Textile industry	1981:1980 Jan-Jun	14.93%	36.83		7
Total export/import	1981:1980 Jan-Jun	18.8%	30.4		6
Export	1981:1980 Jan-Jun	14.9%	14.86		6
Import	1981:1980 Jan-Jun	22.7%	15.6		6

PROVINCIAL-LEVEL AGGREGATES

Province	Date; or period of comparison	Increase	Value, in yuan	Percentage of plan fulfillment	Source
Beijing	1981:1980 Jan-Jun	GVIO: -2.3%			5
	1981:1980 Jan-Jun	Light-Textile industry: 8.5%			5
Fujian	1980:1979	GVAIO: 10.49%	11.681 billion		8
	1980:1979	GVAO: 8.11%			8
	1980		4.133 billion		8
	1980:1979	GVIO: 11.87%			8
	1980		7.55 billion	2.3% over plan	8
	1980:1979	Light industry: 15.54%			8
	1980		4.65 billion		8
	1980:1979	Heavy industry: 6.38%			8
	1980		2.9 billion		8
	1980:1979	Gross value of exported goods: 47.52%			8
	1980		361.4 million	19.21% over plan	8
	1980:1979	Gross value of imported goods: 101.06%			8
	1980		44.61 million		8
	1981:1980 Jan-Jun	GVIO: 2.8%		49.9% of annual plan	9
	1981:1980 Jan-Jun	Light-Textile industry: 7%			9
Guangdong	1981:1980 Jan-Jun	GVIO: 11%			10
	1981:1980 Jan-Jun	Light industry: 16.9%			10
	1981:1980 Jan-Jun	Total savings deposit: 379 million yuan			11
	1981: Jan-Jun		1.82 billion		11
Hunan	1981:1980 Jan-Jun	Textile industry	820 million	53% of annual plan	12

PROVINCIAL-LEVEL AGGREGATES (Cont.)

Province	Date; or period of comparison	Increase	Value, in yuan	Percentage of plan fulfillment	Source
Jiangxi	1981:Jan-Jun	Gross value of industrial-communications output	4,288 million		13
	1981:1980 Jan-Jun	Light industry: 10.8%	2,225 million		13
	1981:1980 Jan-May	GVIO: 4.6%	900 million (over plan)		14
Shanghai	1981:1980 Jan-Jun		31.3 billion	48% of annual plan	5
Tianjin	1980:1949	GVAO: 9.1-fold			15
	1949		149 million		15
	1980		1.498 billion		15
	1980:1950	Social commodity turnover: 7.3-fold			16
	1950		445 million		16
	1980		3.699 billion		16
	1980:1953	Gross value of exported commodities: 5.9-fold			16
	1980:1949	No of workers: 7.6-fold			17
	1980:1952	Average wages: 52.2%			17
	1952		573		17
	1980		872		17
	1981:1980 Jan-Jun	GVIO: 4.5%	10.226 billion	49.7%	18
	1981:1980 Jan-Jun	Light industry: 13.3%			18
Sichuan	1981: Jun over May	GVIO: 8%			2
Zhejiang	1979:1978	Light-textile industry: 17.1%	8.8 billion		19
	1980:1979	30.4%			19
	1980:1949	GVAIO: 10.13-fold			20
	1949		2.474 billion		20
	1980		27.543 billion		20

PROVINCIAL-LEVEL AGGREGATES (Cont.)

Province	Date; or period of comparison	Increase	Value, in yuan	Percentage of plan fulfillment	Source
Zhejiang (Cont.)	1980:1949	GVIO: 27.84-fold			20
	1949		660 million		20
	1980		19.036 billion		20
	1980:1949	Light industry: 17.47-fold			20
	1949		623 million		20
	1980		19.036 billion		20
	1980:1949	Heavy industry: 202.46-fold			20
	1949		0.37 million		20
	1980		7.528 billion		20
	1980:1949	Electric energy (KWH): 138.07-fold			20
	1980:1949	Raw coal (wt): 1,429-fold			20
	1980:1949	Railway (mileage): doubled			20
	1980:1949	Highway (mileage): 8.95-fold			20
	1980:1949	Inland waterway (mileage): 1.97-fold			20
	1981:1980 Jan-Jun	GVIO: 14.3%	10.317 billion	51.6%	22
	1981:1980 Jan-Jun	Light industry: 22.5%			22
	1979:1949	Average consumption level per person: 2.65-fold			21
	1949		62		21
	1979		226		21
	1980:1946	No of workers: 10.36-fold			21
	1980:1957	Average wage: 0.48-fold			21
	1957		523		21
	1980		772		21

FOOTNOTES

1. Chengdu SICHUAN RIBAO 30 Apr 81 p 1
2. Ibid., 10 Jul 81 p 1
3. Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] No 5, 15 May 81 p 3
4. Shanghai JIEFANG RIBAO 7 Jul 81 p 1
5. Hong Kong CHING-CHI TAO-PAO 15 Jul 81 p 13
6. Beijing RENMIN RIBAO 14 Jul 81 p 1
7. Ibid., 15 Jul 81 p 2
8. Fuzhou FUJIAN RIBAO 5 Jul 81 p 2
9. Hong Kong ZHONGGUO XINWEN 11 Jul 81 p 1
10. Guangzhou NANFANG RIBAO 10 Jul 81 p 1
11. Ibid., 13 Jul 81 p 1
12. Changsha Hunan Provincial Service in Mandarin 8 Jul 81
13. Nanchang Jiangxi Provincial Service in Mandarin 10 Jul 81
14. Nanjing XINHUA RIBAO 30 Jun 81 p 2
15. Tianjin TIANJIN RIBAO 27 Jun 81 p 1
16. Ibid., 28 Jun 81 p 1
17. Ibid., 29 Jun 81 p 1
18. Ibid., 4 Jul 81 p 1
19. Hangzhou ZHEJIANG RIBAO 22 Jun 81 p 1
20. Ibid., 4 Jul 81 p 4
21. Ibid., 5 Jul 81 p 3
22. Ibid., 8 Jul 81 p 1

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FINANCE, TRADE SECTOR ADOPTION OF RESPONSIBILITY SYSTEM URGED

Taiyuan SHANXI RIBAO in Chinese 12 Jun 81 p 1

[Article by reporters and correspondents: "Finance and Trade Sector Should Learn From the Experiences of Responsibility System in Agriculture as Pointed Out by Comrade Wu Guangtang [1976 0342 3272] in a Report Meeting of Provincial Finance Committee"]

[Text] In the report meeting held by the Provincial Finance Committee in Taiyuan in the morning of 8 June, Comrade Wu Guangtang, vice governor of the province, delivered a report and called on the finance and trade sector throughout the province to follow the example of agriculture in promoting the system of responsibility for business management. Among the participants at the meeting were assistant directors, vice mayors and more than 1,000 leading cadres of the finance and trade sector of Taiyuan.

Comrade Wu Guangtang pointed out: Since the 3d Plenum of the 11th Party Central Committee, the practice of various forms of a responsibility system in the vast countryside has aroused the enthusiasm of the broad masses of cadres and people in production, and has resulted in a rapid agricultural recovery and development. There has also been marked improvement in the peasants' living conditions. Spring plowing and sowing for the current year were completed quickly and efficiently. Some people have said in elation: "Consideration for production [in remuneration] means consideration for morale, because morale is essential to production" and "if production quotas are fixed for households, every household will have a cadre."

In a national industrial and communications conference held by the State Council in Shanghai in April 1981, it was decided that an all-out effort be made to promote the system of responsibility for industrial production. The finance and trade sector throughout the province, particularly the commercial, supply and marketing, and food units should follow the examples of agriculture and industry and actively promote various forms of a responsibility system. If we say that the enforcement of a responsibility system in agriculture marks a strategic decision and a turning point in rural work, then we can say with equal justification that the promotion of a system of responsibility for business management marks a turning point as well as an important reform in the work of finance and trade.

In the past, the practice of "eating out of the same pot" and equalitarianism was quite prevalent in business management on the finance and trade front. In a certain restaurant, there were 5 persons engaged in baking sesame seed cakes, and only 19 jin of flour was used each day. Marx' "Critique of the Gotha Program" contains this line: "The individual producer receives back from society--after the deductions have been made--exactly what he gives to it." According to Marx' concept, how much should be the average daily wages for these five persons after deductions? Probably not very much! Then how can there be any labor efficiency, economic results or social accumulation to speak of! How can there be such a situation? The main cause is that the principle "to each according to his work" was not followed. Consequently, whether an enterprise is managed efficiently or poorly, or whether it makes or loses money has no bearing on the workers' economic benefits, and these workers pay no attention to the result of the enterprise's business operation. A worker's income cannot be increased because of his outstanding work performance; nor can his income be reduced because of his poor performance. Then how can the enthusiasm of the broad masses of workers and staff members be aroused?

Comrade Wu Guangtang continued: Since last year, many finance and trade units in the province, such as the Supply and Marketing System of Anze County, the First Retail Department Store of Yuci Municipality, the Food Service of the Supply and Marketing Cooperative in Linfeng County, the Yangshungou Branch of Weizhuang Supply and Marketing Cooperative in Xiangning County, the Datong Hotel of Datong Municipality, the Yuci County Food Company, the food service of Lingshi and Yuxian Counties, the Food Service Company of Pingding County, and the Textile Department Store of Jishan County, have learned from the experiences of the rural areas and set up various forms of system of responsibility for business management. Their concrete methods can be summarized into six different types: first, responsibility for profits and sharing of surplus profits; second, establishment of work quotas, reward for above-quota work, and wage deduction for failure to fulfill quotas; third, the floating wage system under which regular pay, which is the major portion, is supplemented by a minor portion taken from retained profits; fourth, responsibility for an assigned quota and remuneration according to sale (or production) results; fifth, responsibility for loss beyond the approved limit, and such loss will not be made good, however, any loss within the approved limit will be compensated for, and the compensation fund is at the enterprise's disposal; and sixth, responsibility for a set profit quota with rewards for above-quota profits and punishment for failure to fulfill the quota. These units have in practice shown remarkable results.

We should learn something from these experiences and unswervingly promote the system of responsibility for business management in various forms. Following in old ruts or sticking to the old rules and conventions will not provide any good way out. We must emancipate our minds and carry out bold reforms in the light of each unit's actual conditions. Any of the above six concrete methods can be used. For example, ordinary commercial enterprises can adopt the method of responsibility for a set profit quota and proportionate sharing of above-quota profits, and keep up this method for several years. After fulfilling the profit quota, the enterprise can share the above-quota profits with the state. The proportion of the enterprise's share can vary according to different trades, and this share of profits is entirely at the enterprise's disposal. All enterprises practicing the system of responsibility for profit quota should also adopt the system of rewards which, however, should conform to the state's unified regulations. The collectively owned commercial enterprises can also adopt the year-end bonus system in addition to offering rewards according to regulations.

For enterprises operating at a loss in the implementation of state policies, the system of responsibility for loss beyond the approved limit should be practiced. The enterprise will be held responsible for such loss, but there will be compensation for any loss within the approved limit. Part or all of the compensation funds will be at the disposal of the enterprise.

Small or medium-size enterprises can try out the method of paying taxes rather than handing over profits to the state, provided the state's financial revenue is assured. This means that the state can levy income tax from these enterprises. The portion left over after tax payment can be used as enterprise funds or as rewards or welfare funds.

The enterprise can also practice the system of responsibility among the workers and staff members. Some enterprises can adopt the system of responsibility for profit quota; some can enter into contracts with work groups or even individual workers. Some basic level enterprises have already adopted such systems which are particularly effective for photo studios, barber shops, bath-houses, restaurants, vegetable dealers, and laundry and dyeing, repair and sewing trades. Contracts containing specific stipulations concerning the economic indices, the duty and responsibility and the state policies to be implemented, should be signed by the contracting parties.

The enterprises should practice the piece-work system to the maximum extent, if they are in a position to do so. Those which are paying taxes instead of handing over their profits to the state can use the floating-wage system instead of giving any reward. In collectively owned enterprises, the wages and fringe benefits of the workers and staff members can be the same as, or even more than, those given to the personnel of state-run enterprises of the same trade.

The principle "to each according to his work" should be adhered to in the use of reward funds, and equalitarianism should be positively opposed. Generally, the workers and staff members on the first line of production deserve higher rewards than those working in the administrative departments. The difference of the types of work and in working conditions should also be considered. Therefore, those doing dirty and tedious work, and those working under very poor conditions should be better rewarded in order that the money thus spent can serve the purpose of spurring the advanced elements and arousing the enthusiasm of the workers and staff members.

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GUANGDONG REVENUE INCREASED IN FIRST HALF OF 1981

Guangzhou NANFANG RIBAO in Chinese 9 Jul 81 pp 1, 3

[Article by correspondent: "Guangdong Financial Income in First Half of 1981 Increased by More Than 10 Percent Over Same Period of 1980--Remarkable Success of 'Cooking in Separate Kitchens'"]

[Text] By the end of June, Guangdong's revenue was already 53.6 percent of the amount in the annual budget adopted by the Provincial People's Congress, showing an increase of 11.89 percent or 220 million yuan over the same period of 1980. Three municipalities--Guangzhou, Shenzhen and Zhuhai--five prefectures--Foshan, Shantou, Zhanjiang, Huiyang and Shaoguan--and all enterprises under the provincial jurisdiction overfulfilled the plans included in the annual budget.

This is the 1st year of "Cooking in Separate Kitchens," a system of financial management enforced by the provincial authorities among all prefectures, municipalities and counties. Party committees, government bodies and economic departments at all levels have earnestly implemented the Central Committee's policies and the whole set of resolutions of the State Council concerning economic readjustment. They have done a great deal of work, surmounted many difficulties, and achieved marked success. The economic situation throughout the province is excellent. In the first half of 1981, the province's total industrial output value increased by 11 percent over the same period of 1980, including a 16.9 percent increase of light industrial output value. Because of increased production, the market has become brisk while foreign trade and economic cooperation with foreign countries developed rapidly. All these have provided favorable conditions for an increase in revenue.

The provincial authorities have also carried out a vigorous campaign to check on tax evasion and to remind the units concerned of the need to pay taxes. In the first half of 1981, 55.4 percent of the annual plan for industrial and commercial taxation was fulfilled, showing an increase of 14.16 percent over the same period of 1980.

According to information received, the province still has certain problems organizing revenue. The main problem is that some state-run industrial enterprises fail to show satisfactory economic results. There is an increasing number of enterprises operating at a loss, and the total amount of losses is also increasing. Consequently, the profits handed over to the government have declined. The departments concerned have expressed the hope that the leading organs at various levels will adopt strong measures to help these enterprises turn losses into profits in order that increased production will mean increased revenue and the plan for handing over profits to the state can be fulfilled.

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SHANXI STRESSES NEED FOR CURRENCY CIRCULATION CONTROL

Taiyuan SHANXI RIBAO in Chinese 8 Jun 81 p 1

[Article by correspondents Wang Yikai [3769 0001 7030] and Liu Feng [0491 6912]: "Strictly Control Currency Issuance and Vigorously Organize Currency Withdrawal--Shanxi Province Held First Conference To Analyze Situation of Currency in Circulation"]

[Text] The first conference held to analyze the situation of currency in circulation ended on 24 May. The participants at the conference pointed out that although the situation of currency circulation in the first 4 months of 1981 in the province was better than expected at the beginning of the year, great efforts on the part of the people's banks at various levels are still required to control the irrational issuance of currency and to organize the withdrawal of currency from circulation, in order that the plans for the control of currency issuance for the first half and the whole of 1981 could be fulfilled.

To insure that currency issuance could be kept within the planned limit for the first half of 1981, the conference urged the banks at various levels to continue the implementation of the readjustment policies and to strengthen their credit control. While controlling irrational currency issuance, these banks were also urged to organize large-scale currency withdrawals. Great efforts should be made to support the industrial sector in increasing the production of consumer goods for daily use, goods with more different designs and varieties, and the production of readily marketable commodities for the urban and rural areas. The production of these goods will provide a stronger material basis for the withdrawal of currency. Support in the form of funds and accounting should also be given to the commercial sector so that it will have more sources of goods. Such economic levers as bank credit and interest rates should be used to reduce stockpiling and to dispose of certain problem goods so that the potentials, now being kept in warehouses, could find their way to the market and thus help in currency withdrawals. Support should also be given to the development of "tertiary industries" so as to expand currency withdrawal with noncommodity means. The network and stations for people's savings deposits should be increased and there should be more personnel with better attitudes toward work, to provide better service. This will absorb more idle funds from the community. Cash control should also be strengthened particularly in the rural areas. The lavish payment of wages, bonuses and welfare allowances should be stopped so as to eliminate all unjustifiable transactions and to reduce cash payments.

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FINANCE AND BANKING

BRIEFS

GANSU SEMI-ANNUAL EXPENDITURES--Compared with the corresponding 1980 period, Gansu Province's expenditures in the first 6 months of 1981 declined 13.52 percent. [Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 3 Aug 81]

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HYDROPOWER CONSTRUCTION ACHIEVEMENTS IN 1980 LISTED

Energy Commission Official's Interview

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 4, 12 Apr 81 pp 3-5

[Interview: "Speed Up Hydropower Construction in China by Giving Full Scope to Our Superior Energy Resources--Li Rui [2621 6904], Deputy Director of State Energy Commission and Vice Minister of Electric Power Industry, Answers Questions From our Correspondent"]

[Text] Question: What are the achievements in hydropower construction and production in our country?

Answer: In 1980 we achieved heartening results in hydropower construction by implementing the line of the Third Party Plenum, which marked a turning point after 10 years of turmoil. The main achievements are as follows:

1. New achievements following the general survey of our national hydropower resources during 1977-1980: We discovered a hydropower reserve of 680 million kilowatts, which is approximately 100 million kilowatts above what was discovered following the general survey in the 1980's. The installed capacity of what can be exploited and utilized was 370 million kilowatts, with an annual generation of 1.9 trillion kilowatt-hours. The latest general survey further proved that we have very abundant water resources. This is very encouraging news.

2. New achievements in the construction of hydropower stations: Following the successful damming projects for the Longyangxia Hydropower Station, we completed three more damming projects--for the Gezhouba, Dongjiang and Dahua hydropower stations--in 1980 and early 1981. The Gezhouba Hydropower Station, the first large one on the main channel of the Changjiang River, is being designed and built by the Ministry of Water Conservancy, and the success in damming symbolizes a great step forward in hydropower construction in our country. This was also a prerequisite for the inauguration of power generation and navigation in July 1981. In 1980, the construction of large and medium-size hydropower stations in our country involved a total of 25.59 million cubic meters of earth and stone work and 2.51 million cubic meters of poured concrete.

3. A large hydropower station in the southwest--the Wujiangdu Hydropower Station, which has been formally commissioned--and three medium-size ones, namely the Hunanzhen, Taipingxiao and Chitan stations. The equipment for these three stations

has been completely installed, and their installed capacity reaches 480,000 kilowatts. By the end of 1980, the total installed capacity of our hydropower stations (including large, small and medium-size ones) already exceeded 20 million kilowatts.

4. In 1980, the volume of generated hydropower throughout the country was more than 8 billion kilowatt-hours over that of the previous year, an increase of 16 percent. This is a fairly large increase in hydropower generation in our history, and means a saving of approximately 4.8 million tons of coal. Because of the violation of principles of normal reservoir operation during the 10 years of turmoil, many hydropower stations were for a long time operating at low water levels. After the 2 years of readjustment, starting in 1980 the majority of hydropower stations in the country basically resumed operation at the normal water level. In 1980, our country suffered from flooding in the south and drought in the north; yet, on the whole, it was a year of fairly good harvest. The electric power stations at various levels paid greater attention to their operation, further streamlined the power grid systems, emphasized the need for strict compliance with the orders concerning the control of water levels, and implemented the "Tentative Regulations for the Economic Operation of Hydropower Station Reservoirs" issued by the State Economic Commission. The task of power generation for the whole year was duly carried out at each and every level. Thus, favorable conditions were created for the full utilization of water energy, reduced water consumption and greater power generation.

5. The advance work of hydropower construction has made new progress. The rebuilding of the East China, Central-South and Northwest Survey and Design Institutes, which were wrecked or downgraded during the 10 years of turmoil, also made certain progress, and all the institutes began to concentrate their manpower and material resources on carrying on their work during their reconstruction under crude conditions. In 1980, the hydropower survey and design units directly affiliated to the ministry completed seven planning reports, six damsite selection reports and five preliminary designs. In the same year, 1,126 holes totaling 82,000 meters, were drilled with machinery; 272 holes, totaling 2,600 meters were drilled using indigenous methods; and 12,000 meters of adits and 79,000 meters of troughs were excavated.

Question: What are the plans for hydropower construction in view of the further readjustment of the national economy?

Answer: Despite the state's financial difficulties, full consideration has been given to investments in the electric power industry. This is a fairly clear indication of the central government's strategic policy for energy development. While implementing the central government's readjustment policy and continuing to eliminate the "leftist" influence, we should make conscientious efforts to perform our duty well in the following respects:

1. Strive to manage and operate the existing hydropower stations efficiently. Although the development of hydropower has been slow in the past 30 years for various reasons, our existing hydropower stations still have a total capacity of more than 20 million kilowatts (more than 100 times that of the early post-liberation period). This is quite an achievement, and should serve as a base for the continued progress of our hydropower undertaking. We gained very good results in

the economic operation of hydropower stations last year. Hereafter, we will continue to implement the "Tentative Regulations for the Economic Operation of Hydropower Station Reservoirs." As conditions permit, we will use the best possible form of administration, strengthen the unified control of power grids and the coordination of thermal and hydropower stations, and practice energy conservation to the maximum extent. At the same time, we will pay attention to the maintenance and repair of buildings for hydropower engineering and of the machinery and power equipment, with particular reference to security inspection at large dams and other important buildings. At present the power generating equipment of some hydropower stations is not functioning efficiently. As a result, there have been quite a number of accidents requiring frequent inspections and repairs. This causes a huge loss of energy and the situation should be studied and improved through coordination of our efforts with those of the machinery and power equipment manufacturing departments.

2. Pay close attention to the projects still under construction and be sure that they can safely withstand the seasonal flooding. Altogether there are 22 large and medium-size hydropower stations under construction in 1981, with a total capacity of 10 million kilowatts. There has been some reduction in investments in hydropower construction this year; we must consider the state's difficulties and make the best use of the investments. While insuring that their work is of high quality, all units having enough production tasks should plan for the progress of their work in a rational way and in accordance with established policies in order to fulfill their construction tasks for the current year. Those units not having enough production tasks should try to look for more work on their own at the same time doing a good job of the tasks they have already been assigned by the state. They must try to reduce losses resulting from work stoppage. All projects should be meticulously completed so that nothing whatsoever is left undone. In this way, the projects will be ready for operation soon after the delivery checks. In dealing with projects under construction, we must conscientiously draw our lessons from the projects in Wujiangdu and Huanglongtan, and work out meticulous plans to combat flooding. The four major projects--Gezhouba, Longyangxia, Dongjiang and Dahua--include the building of cofferdams to check the water flow. We can never afford to be careless in these projects. The task of flood control at the Wujiangdu and Baishan projects is quite arduous. We must take every precautionary measure by planning our work well in advance, strengthen the system of reporting on the flooding, have all flood-control equipment ready, and improve the organization of flood-prevention work by providing more active leadership in order to cope with flooding effectively.

3. Do our advance work well for hydropower construction. One of the obvious problems in our hydropower construction is the poor quality of our advance work. This is the result of the abolition, downgrading and "smashing" of the survey, design and scientific research organs. Although the number of projects to be started was greatly reduced during the period of readjustment, advance work is still of great importance. In addition to carrying out the design work for the present projects, we must also prepare for future developments in the way of planning and design. Investments in the reconstruction of the three design institutes have been reduced. We hope all the workers and staff members of the units concerned will consider the state's difficulties and endeavor to do their work well in respect of both quantity and quality, despite the difficult working condtiions. In the current year, the state has allocated more funds for prospecting for water resources so

as to speed up the advance work. In order that these funds can be fruitfully used, we must strengthen our economic accounting system, enforce strict control, observe the financial and economic disciplines, and oppose waste, extravagance and other unhealthy tendencies.

In the selection of sites during the advance work period, we must change the former method of determining the site before planning and demonstrating its worth, since such a method is contrary to the procedures of capital construction. To insure a high quality of survey and design, we should strengthen our legislation and strictly observe the established standards so that our advance work will have a sound and reliable foundation.

Besides insuring the continued progress of the large and medium-size projects which are still under construction, the arrangements for hydropower survey, design and planning should also take into account some other large and medium-size projects which may be started in the near future. Also, in accordance with the present financial and material resources of the state and the need for electricity in various localities, we should look for some sites in places with favorable conditions for medium-size hydropower projects which require less investment and shorter construction periods, but yield quick returns. We should carry out the survey and design quickly so as to expedite the development of hydropower. It is hoped that all design institutes will work out a comprehensive arrangement for the work of survey and design for the current year and give full play to the enthusiasm and creativity of all the survey and design personnel.

4. Strengthen scientific and technological work. To speed up hydropower construction (including the advance work), lower the construction cost, and improve the quality of work and management, we must further step up our scientific study and experiments and strive to adopt and popularize new techniques. For this reason, we should see to it that the scientific organs for hydropower are adequately staffed and strengthened in order that science and technology can be given full play in survey, design, construction and production.

5. Attach great importance to quality and raise the level of management. We should carry out various basic tasks well, with high quality as our central goal. All units concerned should be well organized, and the various rules and regulations should be established and perfected as required. All units responsible for survey, design, construction and installation should respect science, abide by the rules and regulations, strengthen quality control, and cultivate in the workers and staff members the good workstyle of having a high regard for quality.

In the current year, we should further improve business management, strengthen the systems of quota production and financial and material control, follow the economic laws, be concerned with economic results, and increase our work efficiency. The General Bureau of Hydropower Construction should continue to provide good research classes in enterprise management, which are to be attended by the leadership and backbone elements of its directly affiliated bureaus and institutes.

6. Carry out plans for comprehensive utilization and for relocation of people. Throughout the past 30 years, workers in the hydropower sector have consistently attached great importance to the principle of comprehensive utilization of the

river courses. Because of disruptions from the "left" during the 10 years of turmoil, however, many problems have cropped up in this aspect of our work. In such matters as requisition of land and relocation of people, material supplies, posts and telecommunications, commercial undertakings and so forth, we have had many conflicts with the localities. We have not handled the problems of floating logs and navigation effectively. But a more serious problem has been that of people's relocation. We should make a real effort to solve these problems through consultation with the departments and localities concerned. There is an urgent need to set up rules and regulations, to be approved by the State Council and then relayed to the lower levels, so as to provide proper work guidance.

7. All engineering units should devote more effort to the establishment of rear bases. For 20 or 30 years workers and staff members at the worksites (including the field survey personnel) have worked and lived deep in the mountains and gullies where living conditions are harsh. They have had problems with the education and occupation of their sons and daughters, and with the separation between husbands and wives. These problems cannot be easily solved and have remained for a long time, thus creating instability in varying degrees. They can only be gradually ironed out in accordance with state policy, but the most important point is that good rear bases must be set up so that everyone can strive for the four modernizations with peace of mind.

8. Step up technical training. There is now a scarcity of young people qualified to take over the work of the old-timers in the technical force of hydropower construction. This situation should be quickly remedied. The main force in many survey and design institutes is now largely made up of people in their forties, fifties or sixties. Very few of them are around 30 years of age. It is an urgent task to train the young people in view of the serious problem of aging in the capital construction force. In the current year, we should take full advantage of our abundant manpower during the readjustment period to strengthen our training program for our young workers and young technicians. The old backbone elements should also learn something new in order to help solve the problem of technical renovation. All bureaus and institutes should work out their plans and arrangements for an overall improvement of the technical and professional force.

Question: Recently, SHUILI FADIAN No 2, 1981, carried the report, "The New General Survey and New Achievements of Our Water Resources." Please tell me about the significance of these new achievements to the four modernizations.

Answer: Some 2,700 persons throughout the country participated in the general survey of water resources. This survey lasted more than 3 years, from April 1977 to October 1980. The participating units realistically analyzed and studied more than 3,000 results of general surveys, prospecting, investigations, planning and design for water conservancy and hydropower. They also collected numerous data on hydrology and terrain, carried out repeat surveys or supplementary investigations of more than 1,400 large and small river courses totaling approximately 90,000 kilometers, and took measurements on more than 10,000 large and small river courses. On the basis of this gigantic task, the general survey determined theoretically the amount of our national water resource reserve and for the first time ascertained the water resources available for exploitation in the country. The result of this general survey reflects an in-depth study of our present water resources and is of great value to our country in working out realistic energy policies in the future. Moreover, it provides a criterion for the study of the energy pattern of various localities and the strategic layout for hydropower construction. Since there was no verified data on Taiwan Province, this general national survey did not include this province. We hope the hydropower workers in Taiwan Province will supply the data on Taiwan's water resources so it can be included in our future supplements.

Although many general surveys of our national water resources have been conducted in the past 30 years, this is the first one that has been able to determine and provide statistics on the resources that are available for exploitation. At present, only 40 percent of the resources specified in the general survey have been worked on in earnest, or exploited, the majority of them still await on-the-spot inspection. Hereafter, we should step up our study and investigation of the water resources that are ready for exploitation. Our study should not be confined to technical feasibility alone; more important still, we should also study the economic factors rationally. After study and investigation, we will be able to utilize our water resources economically. This will be the main task for our hydropower workers in their future study and investigation of water resources.

Question: What is the outlook for hydropower development in our country. What do you anticipate will be the hydropower situation in the year 2000?

Answer: Judging by the actual situation of our national energy resources, we can see that for a fairly long time to come we will depend mainly on coal and hydropower for electricity generation. Of course, nuclear power should also be included on our agenda, while the use of other sources, such as geothermal energy, wind power, tidal energy and methane, should also be studied. Water resources and coal are not evenly distributed in our country. Coal is mostly produced in the north and the east, while water resources abound in the south. Therefore, in accordance with the power structure ofour country, thermopower is mainly used in northern and eastern China. (In Zhejiang, Fujian and Jiangxi in eastern China, there are more than 10 million kilowatts of hydropower waiting to be exploited.) In the central-south, there is a combination of both thermal and hydropower. (Hydropower is more plentiful than coal in the central-south.) In the past 30 years, because of the fairly good foundation of our coal industry, the availability of railway and water transport, and the low cost of coal, it was more practical to develop thermopower. Furthermore, we did not consider the development of hydropower from a strategic point of view and we had to confine our activities within the limits of our annual investments. Thus the development of thermopower was faster than that of hydropower. Now, our coal production and capital construction have slowed down, the development in various regions has become more uneven, our railway and water transport facilities are severely strained, and there is hardly any prospect of increased petroleum output in the near future. Therefore, the development of hydropower has to be speeded up as an urgently needed solution to our energy shortage problem. People have realized that the development of hydropower is in line with the strategic policy of national economic development. The leading comrades among the central authorities have repeatedly pointed out the need to develop hydropower, and Comrade [Zhao] Ziyang in particular called it "a measure to promote the welfare of future generations." Therefore, the state should take some special investment measures to solve this long-standing problem. I believe that by following the formulation of this correct policy of the central authorities, there will naturally be great development of the hydropower industry in the future. In 1980, the volume of generated hydropower constituted 19 percent of the total power output, and we envision an increase of this proportion to approximately 30 percent. We must strive to attain this goal. If we have more funds, this plan can be even overfulfilled. I hope that the leadership of various localities and at various levels and in all trades and undertakings throughout the country will show their concern for hydropower construction and pool their resources to speed up the development of hydropower.

Gezhouba Engineering Project

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 4, 12 Apr 81 pp 14-15

[Genearl Surveyof the Gezhouba Hydro Project"]

[Text] The Gezhouba engineering project on the Changjiang River is located approximately 3 kilometers below the Nanjinguan pass outside the three-gorge area, and serves an area of 1 million square kilometers, or 55 percent of the entire drainage area of the river. The damsite is located at that section where the river, after passing the narrow and deep gorges, comes to a broad and shallow basin. The surface of the river abruptly widens from 300 meters in the gorge area to 2,200 meters at the damsite. After passing the gorges, the river flows eastward and then abruptly turns south with its depth greatly reduced. There are two islets--Gezhouba and Xiba--in the middle of the river, dividing it into three channels, known as the main, second and third channels. Because of the rocky projections along the left bank at the Nanjinguan pass, the main current is deflected to the main channel at the right. The river basins in the second and third channels are higher, so water flows over them only during flood seasons. For many years, the average flow of water at the damsite has been 14,300 cubic meters per second, and the average runoff has been 453 billion cubic meters. According to historical records, the most serious flood occurred in 1870, with a flow of 110,000 cubic meters per second. The lowest water level is generally in February with a minimum flow of 2,700 cubic meters per second. For many years, the average amount of silt carried downstream has been 520 million tons each year. The geological structure at the damsite is formed of a combination of conglomerate rocks, siltstones, and clay-siltstones of the Cretaceous system, including some intermediate layers of bury. The rocky layer stretches out toward the left bank and is slightly biased toward downstream at a dip angle of 4-8 degrees. The clay-siltstones are rather brittle, decay easily, and are weak in abrasion resistance. The coefficient of friction between the small dip angle and the soft and weak intermediate layers is small, and this is the controlling factor in the stability and security of the construction structure.

The Gezhouba project mainly consists of the construction of ship locks, powerhouses, a spillway, scouring sluices and other structures for checking the water flow (see diagram).

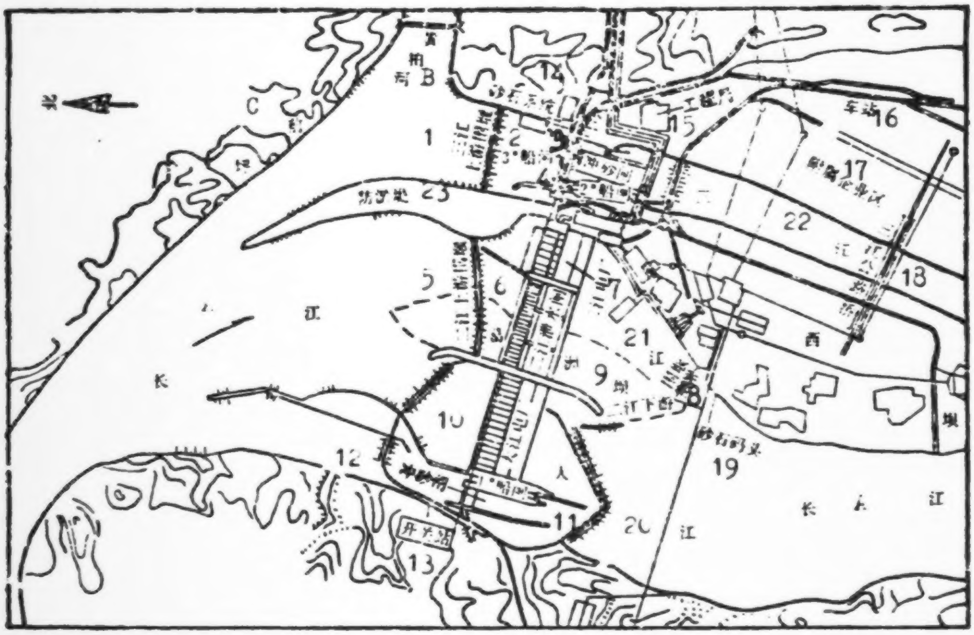
The various technical units and indexes for this gigantic project are shown in the following table.

Item	Unit	Index
Designed water storage level for reservoir	meter	66
Verified flood water level	"	67
Dam top height	"	70
Axis of dam	"	2,561
Total reservoir capacity	100 million meters^3	15.8
Designed flood flow	meters^3/second	86,000
Verified flood flow	" "	110,000
Construction designed flood flow	" "	66,800
Designed water head for power generation	Meters	18.6
Maximum generating water head	"	27
Guaranteed power generation	10,000 kW	76.8
Installed capacity	"	271.5
Average annual power generation	100 million kWh	141
Concrete work for project	10,000 meters^3	990
Earth and stone work	"	9,000

The navigation facilities provided by the project consist of ship locks and waterways. The highest water head for each ship lock is 27 meters. There are two large ship locks in the third channel: No 2 ship lock on the right with a net chamber width of 34 meters, an effective chamber length of 280, and a depth of 5 meters, allowing the passage of 10,000-ton ships; and No 3 ship lock on the left with a net chamber width of 18 meters and an effective chamber length of 120 meters, allowing the passage of passenger and freight ships on the Hankow-Chongqing run as well as local boats. No 1 ship lock is located on the right side of the main channel and is similar to No ship lock. In the third channel, there are navigation routes totaling 6.4 kilometers both upstream and downstream, and a 1,750-meter anti-silt-deposite dike upstream which controls the main flow of the third channel by slowing down the swift current, keeping it smooth and steady and then directing it sideways to remove the silt. The navigation route upstream is 180 meters wide with a 230-meter entrance, and the one downstream is 120 meters wide with a 150-meter entrance.

[See diagram of Gezhouba Engineering Project next page]

Diagram of Gezhouba Engineering Project



Key:

A. Changjiang River. B. Huangbaihe C. Qianping.
1. Upstream cofferdam in third channel.
2. No 3 ship lock.

3. Scouring sluice.
4. No 2 ship lock.
5. Upstream cofferdam in second channel.
6. Spillway in second channel.
7. Powerhouse in second channel.
8. Downstream cofferdam in second channel.
9. Gezhouba.
10. Powerhouse in main channel.
11. No 1 ship lock.
12. Scouring sluice.
13. Switchyard.
14. Sand and stone system.
15. Engineering bureau.
16. Railway station.
17. Enterprise area.
18. Third channel highway bridge.
19. Sand and stone wharf.
20. Main channel.
21. Second channel.
22. Third channel.
23. Anti-silt-deposit dike.

The powerhouses are of the river basin type, and the powerhouse buildings also serve the purpose of checking the water flow. The first and second powerhouses are located in the second channel and the main channel. The one in the second channel is equipped with two 170,000-kilowatt and five 125,000-kilowatt hydraulic turbines, with an installed capacity of 965,000 kilowatts. The powerhouse on the main channel will be equipped with 14 sets of 125,000-kilowatt hydraulic turbines, with an installed capacity of 1.75 million kilowatts. The total installed capacity of the powerhouses will be 2,715,000 kilowatts. Silt-drainage sumps are built under these buildings, and the anti-silt-deposit dikes outside the buildings help prevent the silt from clogging the hydraulic turbines and wash away the silt deposits from the entrance to the powerhouses.

The spillway is of the flat-bottom type. It is 12 meters wide with the floor at an elevation of 37 meters. This spillway is intended for discharging floodwater and is built according to the contour of the river. It will also serve the purpose of navigation when the main channel is closed during the second stage of the project. Each gate has two doors. The upper one is made of a 12 x 12 meter steel plate and the lower one is arc-shaped, also measuring 12 x 12 meters [as published]. The upper one is operated by a machine installed on the top of the dam, and the lower one is operated by a separate special mechanism. Both doors can be opened or closed in perfect coordination. Since the arc-shaped door has an axial thrust of up to 4,100 tons, an anchor structure of prestressed steel bands is required, (see article, "Prestressing of Gate Mounts for Gezhouba All-Purpose Project" in SHUILI FADIAN No 2, 1981) so that the anchor block and the gate mount will form a single solid entity. Maximum drainage over the apron is 170 meters^3/second/meter, and in view of the weak rocky foundation, selection of the form of stilling basin called for extra care. After testing and verifying with models, it was decided to use a 180-meter stilling pool with a completely sealed drainage apron. Later, a 70-meter concrete section was built as reinforcement together with a vertical concrete seepage interception wall which extends down below the bottom of the erosion ditch downstream. At the bottom of the ditch are also 52 anchor piles of a diameter of 850 millimeters to strengthen the seepage interception wall. At the end of the stilling basin, an 85-meter concrete section was added as a precaution against erosion, and on this section, there are 991 reinforced 2 x 2 meter square blocks used as a means ofminimizing erosion downstream.

The Gezhouba engineering project is being undertaken in two stages in accordance with the topographic features of the damsite, and two different navigation routes have to be used at different stages. The first stage includes the building of cofferdams for the second and third channels, with the water flowing only through the main channel. The second stage calls for the main channel to be closed, and the work completed in the first stage to be in operation, with the water going through the completed gates on the second and third channels. The building of a cofferdam and other structures on the main channel is included in the second-stage work. During the first stage, this engineering project required a total of 6.2 million cubic meters of concrete, more than 60 million cubic meters of earth and stone, and 27,000 tons of metal structure. Work during this stage was heavy and intense. In the peak year, more than 9 million cubic meters of earth and rocks were excavated and more than 5 million cubic meters of rockfill were used. In addition, some 2 million cubic meters of concrete were poured each year, and in the peak year some 22,000 tons of metal structure were used for the gates and the open/close mechanism. The foundation also required a large amount of engineering work. The structure of the buildings is very complex, in view of the many mounts, beams and holes. The frames and other structures used for the powerhouse building were mostly made of materials retrieved at a later stage; the construction procedure is very complicated, requiring a huge amount of reinforcing bars and shaped plates, as well as the use of high-grade cement of complex specifications, a strict temperature control and high-level technology. The apron below the spillway, for instance, is built of No 400-grade cement. There is also a set of double-level water stops requiring huge metal parts of many varieties. For the lower inverse "V" shaped door of No 2 ship lock, for instance, a steel water stop is used, and a single swing door weighs 600 tons; requiring high-level precision for its installation. The stone and earth work proved equally difficult, aside from the need for strength and sturdiness. Removing the brittle intermediate layers necessitated sinking many deep holes, some of them as deep as some 20 meters for the foundation of the spillway, and more than 40 meters deep for the main powerhouse section. Pre-set dynamite had to be used for this purpose. As for work progress, the original schedule called for the closure of the main channel by the end of 1981 so that by 1982 navigation and power generation would begin. After great effort, however, the closure was carried out by the end of 1980. The winding-up of the first stage work is now in progress, and the closure of the main channel was successfully completed on 4 January 1981.

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SICHUAN HYDROPOWER DEVELOPMENT PLAN EXAMINED

Beijing SHUILI FADIN [WATER POWER] in Chinese No 4, 12 Apr 81 pp 29-33

[Article by Zhang Derong [1728 1795 2837] and Cai Chengzhong [5591 2110 1813] of the Chengdu Investigation and Design Institute under the Ministry of Electric Power Industry: "Some Problems of Hydropower Planning in Sichuan Province"]

[Text] Sichuan has water resource reserves of more than 150 million kilowatts, which is equivalent to 22 percent of the total national reserves. The province has some 380 rivers, each with a capacity of more than 10,000 kilowatts, and approximately 93 million kilowatts of installed capacity, or 24 percent of the national capacity. It has an annual power generation of 515 billion units, or 27 percent of the national power output. To make full use of Sichuan's water resources as envisaged in the preliminary plan for our national energy resources and electric power, we should develop hydropower on a large scale so that in addition to meeting the need for long-range development of this area, we can also transmit a large amount of electricity to eastern China, the central-south and other areas. Petroleum is now very scarce in Sichuan, while coal and natural gas are far short of our long-range requirements. So there is an urgent need to develop hydropower by adopting various effective measures. Taking into consideration both the whole country and this region, we should carefully work out our river planning and long-range plans for our hydropower construction so that we can develop our superior water resources with the minimum investment and maximum economic benefits. This is now an important task for Sichuan's hydropower development, calling for prompt and decisive action.

For 30 years, since the founding of the people's republic, the units concerned have done a great deal of work for the exploitation of Sichuan's water resources. In hydropower planning, our institute, since its inception in 1956, has carried out many surveys and worked out many plans with varying details in cooperation with the other units on such large rivers as the Minjiang, Jialingjiang, Daduhe, Qingyijiang, Yalongjiang and Jinshajiang, and such small and medium-size rivers as the Yuzixi, Nanyahe, Longhe, Tangjiang, Chishuihe, and so forth, in addition to two large-scale general surveys--one in the 1950's and the other in the last several years. At the same time, we carried out some provincial and regional comprehensive planning. On the basis of planned site selection, we built the Longxihe Cascades and the Dahonghe Hydropower Station in the 1950's; and then by the early 1960's, we built several large and medium-size hydropower stations at Gongju, Yingxiuwan, Yuzixi and Mofanggou. By the end of 1979, the province had a total installed capacity of 1,885,800 kilowatts of hydropower, including an installed capacity of 1,192,300 kilowatts from the large and medium-size hydropower stations affiliated to the institute. The total power generated was 36.4 billion units, or 32.8 percent of the total generation by stations affiliated to the institute. Profits from hydropower totaled 1,891 million yuan, or approximately half of the profits from the entire power grid. The hydropower accumulated funds reached 2.337 billion yuan, or 45.3 percent of the accumulation of the entire power grid. The state invested a total of 1,034,600,000 yuan in eight power stations, including the Changshou Power Station (which includes the four cascades at Longxiha and the Dahonghe Hydropower Station) and the Gongju, Yingxiuwan and Yuzixi power stations. From the time of the linking of the power grids up to the end of 1979, the power generated totaled 3,412,200,000 kilowatt-hours, which yielded accumulated funds of 2.197 billion yuan. The following table shows how the investment was recovered:

Names of Stations	Changshou	Gongju	Yingxiuwan	Yuzixi	TOTAL
Total investment (in 100 million yuan)	1.75	5.156	1.71	1.73	10.346
Period of statistics (year)	59-79	72-29	71-79	72-79	
Installed capacity (10,000 kW)	13.95	70.00	13.5	16.00	113.45
Total power generation (100 million kWh)	111.45	160.13	45.64	24.00	341.22
Accumulated fund (100 million yuan)	7.05	10.41	2.95	1.56	21.97
Accumulated Fund/Total Investment (100 million yuan)	4.03	2.02	1.73	0.90	2.12

Most of the above are backbone large and medium-size hydropower stations in the present power system. Besides supplying electricity to the province, they are also responsible for peak adjustment, frequency modulation and backing up equipment failures. Thus they all play important roles in improving the operation of the system, raising its economic benefits, saving coal, changing the energy structure and promoting industrial and agricultural production.

Despite our great hydropower achievements in Sichuan, we sill have many problems requiring urgent study and solution. For example, we may mention the frequent changes in the energy policy and electric power policy, the lack of comprehensive planning, the poor arrangements for survey and design work, the slow progress of hydropower development, the failure to use Sichuan's superior water resources to better advantage, and so forth.

In this article we are attempting to express our views on the existing problems in planning for Sichuan's hydropower with the hope that it will attract the attention of the leading comrades in the departments concerned so that through discussion we can achieve a unified understanding and adopt effective measures to improve our hydropower planning, especially the planning for the principal rivers and the long-range planning. This will help create favorable conditions to accelerate Sichuan's hydropower construction.

1. Problems With River Planning

River planning is the basis for site selection and the compilation of long-range planning data for hydropower construction. According to the capital construction procedure, river planning should take place ahead of hydropower survey and design. When the planning has been completed and approved by the higher authorities, we should carry out the preliminary design for the cascades which are recommended in the planning as being ready for exploitation in the near future.

Certain stipulations concerning the substance and details required for river planning, particularly the need for a geological survey as a necessary step in the selection of damsites in various cascade projects, were made back in the early 1950's in a technical and economic report. These requirements have been reiterated by the ministry and the institute on many subsequent occasions. In June 1980, the Ministry of Electric Power Industry also clearly made stipulations to the same effect, according to "Opinions Concerning Division of Design Procedures for the Construction of Large Hydropower Stations into Different Stages and the Tasks and Content of Each Stage (First Draft)." Our institute basically began following these stipulations in our work soon after its inception in the 1950's. After 1958, however, everything became chaotic, and the following problems have remained for a long time:

First, the quality of surveying is not up to the required standard. For many years, we have heard the suggestion that in river planning, it is unnecessary for geological work to be carried out on all cascades as long as on-the-spot inspection and several discussions by people in the departments concerned take place. As a result, some sites in certain river courses were hastily selected, usually without regular river planning or study, and approved by the higher authorities. Then large-scale prospecting for the stage of preliminary design is carried out. Sometimes, people first try to work according to the requirements of the planning stage, but later insist that since it is not easy to find a site and that moving the families of the geological prospecting teams is difficult, it would be better to continue their work at the site already selected instead of moving to a new location. Practice has proved that this method can only double the workload and reduce the fruits of labor. This is a case of "more haste, less speed" which does not help speed up hydropower development. For example, when our institute planned for the Daduhe in the past several years, after repeated surveys, we held that conditions were favorable at the cascades in Dagangshan. So some comrades began to favor the idea of doing some work there, even to the point of making the preliminary design. At a later stage, however, it was discovered that the geological structure of the cascades, the dam area and the hydrological conditions were more complicated than we had thought. As a result, it would be very difficult to accomplish our original plan to build a dam 200-300 meters high. For the Manai Cascade on the upper reaches, we had also thought of building a dam some 300 meters high to form a "dragon head" reservoir with a capacity of some 10 billion cubic meters upstream so that the guaranteed power generation of the 10 cascades downstream could be increased to more than 4 million kilowatts. After preliminary drilling exploration, however, it was discovered that the overlying strata of the riverbed was too thick. (A hole 125 meters deep was drilled and still bedrock could not be reached.) Thus we had to look for another damsite nearby for comparison, and we considered building the Bobugou Dam on the middle reaches of the Daduhe as a supplementary project (reservoir capacity of 4.72 billion cubic meters and installed capacity of 2.5 million kilowatts). In another instance, on the lower section of the Yalongjiang near Jinping, we tentatively worked out a plan for five-stage exploitation based on a small amount of data from surveys and prospecting. Our main hope was to build a reservoir regulated by a high dam on the lower reaches at Wali. However, because of transportation difficulties and our inadequate prospecting force, investigation of the three upper cascades cannot be arranged even now and the plan for five-stage exploitation has to be postponed indefinitely. In planning for the Jinshajiang, investigation of most of the cascades has not yet begun, and even planning for the lower section below the Dukou have not been completed. Yet some leaders have directed that certain sites be included in the preliminary design. Since these sites require a huge amount of engineering work and the geological conditions are poor, there will be many technical difficulties and it is hard to determine when this project can ever be started. Yet concentrated efforts are being made to work out the preliminary design. This will certainly affect the work of investigation and design for other sites which can be exploited in the near future. Whether such action is justifiable deserves serious study.

Long experience has shown that river planning and the first phase of engineering cannot be done well if, instead of carrying out the necessary geological surveys on the main cascades of a river, especially a large river, we rely on only a few inspections of work on only a few cascades. In fact, work on several principal rivers of Sichuan has been on and off and has been a subject of discussion for more than 20 years. Yet to date, no formal, relatively complete report on river planning has been compiled. As a result, there have been many changes in the selection of sites and repeated setbacks, causing not only the loss of good opportunities, but also great waste. We should conscientiously draw our lessons from this experience.

Second, there is a lack of objective and realistic research work on the method of river exploitation or cascade planning. For a long time the plans for river exploitation have been disrupted by certain ideological trends. For example, in the early 1950's, we overemphasized the need to follow the general planning for the Changjiang and to carry out flood prevention on the lower reaches. We also overemphasized the importance of full utilization of water resources, and thus arrangements were made for the building of large reservoirs with high dams on the Jialingjiang and Minjiang in Sichuan. In the late 1960's, the major three-line construction program stressed the need for preparedness against war, and in hydropower construction and we had to implement the policy of "mountains, decentralization and caves." Furthermore, Sichuan was influenced by the water conservation policy of giving priority to the use of motorized irrigation, and instead of building large reservoirs with high dams, we overstressed the merits of water pumping and underground plants. None of these plans suited the objective reality; instead, they brought damage to planning and designing for hydropower construction in Sichuan. Thus we were forced to do supplementary or remedial work later. From this experience, we have realized that the forms of river exploitation and the plans for cascades must be based on the natural and economic conditions of the rivers themselves, and that the measures carried out should suit the local conditions. We must not come to any decision until we have completed serious investigations, comparison and demonstrations.

Third, there is the question of river planning and comprehensive utilization. River water is an asset of the state and the people, and different departments and people from different quarters have different ideas about exploiting and utilizing them. In river planning, we should implement the principle of comprehensive utilization, and then, after economic comparisons, put forward a plan that calls for less investment, yields greater benefits and conforms to objective reality. We should all heed this question and thus work together in harmony. However, this was generally overlooked in the 1960's, and particularly in the 1970's. This mistake had a direct effect on the progress of river planning. The repeated appeals from our comrades regarding this matter have so far failed to attract the attention of the departments concerned or the high-level leadership. Let us take planning for the Jinshajiang for example. In a symposium held in Beijing in 1978 on the Jinshajiang, the participating comrades unanimously agreed that the comprehensive utilization of and planning for such a large river is an important and complicated matter. Thus the minutes of the symposium stressed that "in planning the exploitation of the Jinshajiang Valley, we should implement the principle of comprehensive utilization with power generation and flood prevention as the primary objectives, while developing navigation, log floating and irrigation at the same time." To facilitate the harmonious cooperation of the departments concerned, the "minutes" added that "to further ascertain the conditions for the exploitation of the Jinshajiang, to understand the requirements of various sectors of the national economy in the exploitation of this river, and to carry out further planning, survey and design work, it is suggested that the Ministry of Water Conservancy and Electric Power ask the State Planning Commission and the State Economic Commission to organize and take charge of a number of work teams, in which the ministries, commissions and provinces concerned will participate. These work teams should proceed to the Jinshajiang in May or June of the current year (namely, 1978) for a repeat on-the-spot survey." Since these measures have not been carried out, the planning for the Jinshajiang still cannot proceed under unified leadership. Nor have the departments concerned been able to jointly undertake this task. Since our institute's independent action in planning for the section from Dukou to Ipin did not produce the desired result, we once again approached the higher authorities in 1979 with the request that a unified leading body be formed of people from the departments and provinces concerned to carry out planning for the whole river and for its comprehensive utilization. We also requested that a staff office be established under this leading body to speed up the river planning. Later, the higher authorities said that since there were difficulties in carrying out such measures, we should first directly contact the units concerned in order to arrive at a common understanding, and that we should leave some leeway in the setup for cascades. At the same time, our institute was required to submit a planning report for that section of the river as soon as possible. In practice it will be difficult for the river planning to be successful if we work according to this directive, because we will not be able to meet the requirements of Document Gui [6016] No 56 issued in 1978 by the former Ministry of Water Conservancy and Electric Power concerning planning for the Jinshajiang, which points to the need to "implement the principle of comprehensive utilization of the river, to select a rational program of action and a procedure of exploitation, and then work out a preliminary design for future." Planning for the Daduhe, the Yalongjiang and other large rivers have also faced similar problems.

Fourth, the exploitation and utilization of water resources have been handicapped because we had no regulations to go by in dealing with such matters as compensation for inundated land and relocation of people. Most of the water power facilities already set up in Sichuan are in the form of power stations of the runoff type. If we take a long-range view of the situation, the repair and construction of some hydropower stations with regulated reservoirs is certainly necessary as a means of fully and rationally utilizing water resources, meeting the requirements of the power system, and bringing into play the flexibility of water power operation. However, in the absence of a unified ruling on compensation for inundated land and relocation of people, it will be difficult to proceed with the work of planning. This problem has already slowed down hydropower construction. The Baojusi Power Station of Sichuan, for example, has a suitable capacity (640 kilowatts) and is close to the load center. Its preliminary design has been approved and the state has included the project in the construction plan. The leadership and departments concerned discussed and studied the question of inundation many times, but in the end failed to find a solution to the problem of compensation for the inundated land and the relocation of people. Consequently, the project could not be started.

Sichuan has a large population and little land (approximately 1 mu per person), and we must handle the question of inundation with extra caution. Yet if we have to make full and rational use of water resources, the inundation of some land is inevitable. We must lose something before we can gain. We hope the departments concenred at the higher levels will find a solution soon to the problem of compensation for inundated land and relocation of people, by working out relevant regulations.

Fifth, electric power and system planning cannot keep pace with the requirements of river planning, and there is a general lack of harmony. There are large power stations along the large rivers in Sichuan and the southwest. The direction of power supply from the projects soon to be started and the scale of the supply involve a wide range of factors. The Ministry of Electric Power Industry and the state have many times envisioned the supply of electricity from the west to the east, or to eastern China or the central-south. In consideration of the national balance of energy resources and in the long-range view, such a vision is undoubtedly correct. However, since there is still not a concrete long-range plan, many problems in our specific jobs cannot be studied. For example, there are such questions as: When will electricity be transmitted from the west to the east? Where will it be transmitted? How much will be transmitted? Should there be a guaranteed amount or some seasonal variations? What are the relationships between the three southwestern provinces? And so on. We need to do some real work in these respects. If people simply raise a strategic and visionary slogan and are in a hurry to see some action, it is very difficult for the vision to materialize. Furthermore, since it is only a vision, it is impossible to take into serious consideration such problems as river planning, the direction of power supply from the first stage of work, and how to connect the power grids. Then there is the problem of coordination between river planning and long-range planning for the electric power system, and this problem deserves serious consideration.

2. The Question of Long-Range Planning for Hydropower

Respect for science, seeking truth from facts, and linking theory with reality--this is a correct ideological line nurtured and fostered by our party for a long time. Yet in practice, for a long time it has been disrupted and sabotaged. Following the antirightist struggle in the 1980's, leftist ideas began to develop, and during the 10 years of catastrophe, idealism and metaphysics ran wild and reached an unprecedented height. The leftist ideological line not only affected the party's general and specific policies but also permeated various aspects of economic construction. In the field of electric power industry and hydropower construction, the formulation of general and specific policies and long-range plans were seriously disturbed.

As shown in the energy policy: Formulation of policies for energy resources and electric power should be based first of all on the conditions of material resources. These policies should be far-sighted and the measures taken should be adapted to local conditions. However, the repeated setbacks to our energy and electric power principles and policies have resulted in the present energy crisis and power shortage, as most vividly shown in Sichuan. Around 1960, Sichuan enforced the policy of "stressing thermopower," which was a serious blow to hydropower development. Even then, the development of thermopower failed to make any headway. In the 1970's, we placed our "stake" on natural gas. However, instead of living up to our expectation, the development of natural gas even became a drag on coal development. The failure of hydropower, natural gas and coal to make headway has become a difficult problem of power shortage now and for the future.

As shown in long-range planning for hydropower development: A review of hydropower planning in Sichuan shows that our work was fairly practical and effective during the first 5-year plan. In striving for high targets during the Great Leap Forward, dozens of hydropower projects were simultaneously started, causing serious waste. In the mid-1960's, when national economic planning was readjusted, we carried out a great deal of study and investigation in coordination with the three-line construction requirements. In selecting sites for hydropower plants, we had to see that these sites were suitable for the requirements of the national economy and our technical level. The sites selected at Gongju, Yingxiuwan and Yuzixi were appropriate in scope, and the power plants were completed in the 1970's with remarkable success. The national economy was seriously disrupted during the "10 years of catastrophe" with disastrous results; yet, in spite of all difficulties, our institute leadership and the broad masses of workers and staff members managed to carry out planning for some small and medium-size rivers and site-selection at Xizang and Dukou. In the first 2 years after the downfall of the "gang of four," the 10-year plan embodied a leftist rash advance, calling for large bases and high targets, including the construction of 20 large hydropower stations begore 1985, and a total national installed capacity of 500 million kilowatts before the year 2000. The task of designing for the generation of 4,000-5,000 kilowatts out of the 150 million kilowatts of hydropower devolved on our institute, with the result that in the past several years we have had to work entirely on large rivers and large power stations. There are many problems with the practice of undertaking only large projects: 1) Heavy investments: according to the original planning, Sichuan will have to invest an estimated amount of more than 50 billion yuan in the next 20 years, averaging 2.5 billion yuan a year. 2) Long construction period: the construction of each power plant from scratch to the time of power generation requires approximately 10 years. 3) Technical complexity and difficulty: This applies to large stations of 1-10 million kilowatts. As we can see now, such planning is obviously divorced from reality.

In view of these problems, we have repeatedly voiced our views with the hope that instead of placing all our hopes on large stations, we will take our lessons from the good experiences of foreign countries and the many provinces and regions in our country so as to bring about a combination of large, small and medium-size projects; and that aside from the large power station at Ertan, we should actively speed up our planning for medium-size rivers and site selection in the near future. However, there is still no unified understanding on these views, because people are talking about the difficulty of moving homes, inadequate resources, or the problem of work division as excuses instead of taking positive action. Now, if we continue to procrastinate instead of adopting resolute measures immediately, we will miss the good opportunity afforded by the readjustment in the next several years, and as a result, neither the large nor the medium-size projects can be successful. Sichuan's hydropower development will be in a more passive position with even more serious consequences.

3. Several Views and Proposals

First, in both theory and practice the leading organs should attach great importance to the work of planning. Particularly in the very near future, we hope the leadership will devote more energy to general planning instead of being immersed in specific technical or vocational work, and thus overlooking the matters of strategic importance. First of all, the leading units should determine to eliminate the pernicious leftist influence. On the basis of summing up their experience, they should work out some necessary rules, regulations and laws, such as regulations for river planning, methods of work coordination in comprehensive utilization and apportionment of investments, rules to compensate for inundated land and relocation of people, and so forth. The leading departments should resolutely carry out the relevant decisions and, in case of any violation of rules and regulations, trace the responsibility even to the point of legal prosecution. In the case of river planning, for example, when planning is part of the process of capital construction and design, the higher authorities should relay the planning documents to the lower levels and exercise constant supervision and inspection. A planning report officially approved should be legally binding, and no department or individuals whatever should be able to change or disrupt it. Furthermore, the work of planning includes comprehensive local planning, electric power planning and river planning and involves many fields because of the many significant factors and different methods of coordination. Therefore, some advanced theory, such as systems engineering, and advanced computer technology should be employed for analysis and demonstration. It is suggested that the departments in charge at the higher levels should, after certain experimentation, raise the professional level, both theoretical and technical, of the planning personnel so as to create better conditions for the work of planning.

Second, in dealing with the work of planning for hydropower in Sichuan in the near future, the following suggestions are offered:

1. In river planning: Among the three large rivers--Jinshajiang, Yalongjian and Daduhe--work on the Jinshajiang can be temporarily halted in 1981 until the supplementary planning report on the Dukou-Ipin section is completed. Then in the following years, we should concentrate our efforts on completing the planning for the Daduhe (below Shuangjiangkou) and the Yalongjian (below Wali), and then submit a formal planning report. At the same time, we should quickly take up the work of planning for the upper reaches of the Minjiang and some of the better medium-size rivers, and select some sites for medium-size hydropower stations that can be completed fairly quickly.

2. In selecting power resources: At present, we should carefully study the question of a combination of large and medium-size projects and attempt only the possible. The scope of a power station should be commensurate with the system's development and the state's industrial and technological levels, and particular attention should be paid to the availability of funds and the results of investments. Hereafter, for either domestic investments or foreign funds, we should allow an annual interest of 7-8 percent, so that in 10 years the amount invested will be doubled. This matter deserves great attention. There are many sites suitable for large power stations in Sichuan. Since the state wants to develop hydropower, the construction of some large backbone power stations is necessary. Prospecting, design and scientific research for the Yalongjiang and Ertan stations should be continued so that they can be qualified for inclusion in the state plan. However, in view of the actual conditions in our country at present and the arduous and complex nature of large power stations, we should not attempt too much. It would be even more undesirable to concentrate our resources on large power stations. For some years to come, we should build more medium-size hydropwer stations (of slightly over 100,000, several tens of thousands, or slightly over 1 million kilowatts) which require less investments and shorter construction periods but yield faster returns. Our specific proposals are: 1) For those projects at Tongjiazi on the Daduhe, the two-stage project at Yuzixi and the three-stage project at Nanyahe, we should increase our investments and speed up their construction in order that they can be in operation as soon as possible. 2) Since the preliminary design for the Baojusi Power Station has already been approved and because it has an annually regulated reservoir and is close to the load center, work on it should be started as soon as possible. 3) The preliminary designs for the Pengshui Hydropower Station on the Wujiang and the Tongzilin Power Station on the Yalongjiang, and research on the exploitation of the upper reaches of the Minjiang should be expedited. 4) There are still some small and medium-size hydropower stations with fairly favorable conditions, such as the Longhe Cascades, the estuary of the Hezhouhe and the estuary of the Luojiang. Our institute and the units concerned in the province should be allowed to express their views on the construction. If they can meet the requirements, we should consider a joint undertaking by the ministry, the province and the region. This will arouse the enthusiasm of people in various quarters and promote the development of hydropower construction.

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SICHUAN COAL PRODUCTION CUT TO PERMIT NEW POLICIES TO BE IMPLEMENTED

Chengdu SICHUAN RIBAO in Chinese 15 Apr 81 pp 1, 2

[Article: "Speed Up the Pace of Readjustment, Increase Coal Output as Soon as Possible."

[Excerpt] Actively handling well the internal readjustment of the coal industry in order to coordinate and continuously increase coal production in the next several years, and concentrating on present production and maintaining a set production quota to assure a supply for basic coal demand for our people and the various branches of the national economy, are the urgent assignments of Sichuan's coal industry during the implementation of the readjustment policy of the national economy. Whether or not these assignments are accomplished will affect the overall situation of the national economy of our province.

Under the leadership of the Communist Party and with the efforts of the miners, Sichuan's coal industry has been successful both in production and construction. We have rebuilt many old enterprises and built a number of new key enterprises. All these enterprises and some small coal mines that are owned by the counties and the people's communes form a certain scale of productive capacity. This has made great contributions to the supply of coal for industrial and agricultural production and for the daily life of the people. For many years, however, many problems have existed in the coal industry due to the effects of "leftist" thought. Its major expressions are: emphasizing extraction while downgrading excavation; an imbalance between extraction and excavation; extracting rich deposits while ignoring poorer grades; an imbalance between extraction of higher seams and extraction of lower seams; stressing production and ignoring safety; lacking safety facilities; using incomplete sets of links in the production chain; putting production before the well-being of the masses; lacking welfare facilities, etc. Since the third plenary session of the Communist Party, Sichuan's coal industry organizations have implemented the national economic readjustment policy. We have fulfilled the national coal production plan. At the same time, we have made every effort to conduct the internal readjustment task. The serious disproportion between extraction and excavation in some coal mines has been changed. To sum up, however, the readjustment task is still a formidable one; imbalances and unsafe conditions have not been entirely corrected. We must, therefore, take a clear-headed approach and try in every possible way to handle well the internal readjustment of the coal industry. We must greatly speed up the readjustment and various consolidated tasks and strive to coordinate various internal relations within three to five years, guaranteeing that coal production will continuously increase in the days to come.

Coal is an important energy source. It provides almost 70 percent of our energy and occupies first place in Sichuan's energy structure and, therefore, affects all trades and professions and the lives of the people. We may say that whether or not the readjustment and the production of the coal industry will be handled well will directly affect the further readjustment of the national economy and the stability and unity of national politics. During the entire period of the national economic readjustment, coal production cannot slow down. We will try in every possible way to speed up the readjustment and to make every effort to increase coal output to fulfill the national plan. Now, some comrades lack a correct understanding of the readjustment policy, believing that readjustment means "slow down" or cutting production and decreasing output. They do not try their best to fulfill the plans that can be fulfilled through their efforts. It should be recognized that there are a lot of difficulties in the fulfillment of the readjustment and production assignment because the tasks are arduous. Nevertheless, the objective of bringing the issue out into the open is to let us keep a clear head and actively overcome the difficulties. We must depend on the wisdom and the strength of the masses and adopt various effective measures to overcome the difficulties. Some of Sichuan's major coal mines, such as Tianfu, Songzhao, Furong, and Jiayang, have achieved great successes both in readjustment and production and become our good models since they adopted such active steps. Naturally, for those mines that have a serious imbalance and are assigned very difficult readjustment tasks, it is necessary to arrange a lower production quota in order to let them speed up the readjustment. As a matter of fact, this year's national coal production arrangement has considered the factors of readjustment and allowed for unforeseen circumstances. Although we have not set high targets in production, we will not allow somebody to reject or to make no effort to fulfill some targets that can be realized. We should note that coal production has great potentialities. There are favorable factors for maintaining the present production quota and fulfilling this year's plan.

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COAL PRODUCTION IN FURONG MINE BUREAU OF SICHUAN PROVINCE TOPS PLAN

Chengdu SICHUAN RIBAO in Chinese 15 Apr 81 p 1

[Article by Peng Dongyuan [1756 2767 0337] and Wang Jiyuan [3076 4949 0337]: "Leading Cadres Go Right to the Front Line To Handle Readjustment and Production Tasks; Furong Mines Bureau Overfulfills First Quarter Coal Production Plan"]

[Text] The leading cadres at all levels of the Furong Mines Bureau have gone right to the front line of production, led the staff and workers to study and to implement the spirit of the Central Committee Work Conference, pooled their wisdom and strength to overcome difficulties, and brought about a continuous increase in raw coal output. In the first quarter of this year, raw coal output of the whole bureau overfulfilled the national plan by about 6.75 percent; the average daily output increased from 4,356 tons in January to 5,026 tons in March. This has given strong support to industrial and agricultural production, and to the supplies of coal needed daily by the people.

Among the coal mines under this bureau, most were built and put into production during the ten years of chaos, so irrational design, compounded by subsequent proportional imbalances between extraction and tunneling, resulted in fairly substantial production difficulties. At the beginning of the year, the coal output of whole bureau slumped. In order to put an end to this passive state of affairs, the leading cadres of the bureaus and the mines paid more attention to the front line of production, led the comrades from the production, technical, and safety departments in going down to the mines, getting together with the masses of staff and workers, studying the documents of the Central Committee Work Conference, researching and solving various ideological problems and key production problems, and organizing and conducting production activities. This year, the Shanmushu coal mine, in which production conditions are extremely difficult, increased its total drifting footage. Some of the staff and workers were afraid of the difficulties involved in carrying out the readjustments and completing the production tasks. The leading cadres of the bureau and the mine often went down to the grass-roots units, organized staff and workers to discuss current favorable situations, explained the important role of the coal industry in the national economy, and taught all staff and workers to work hard for the nation. At the same time, they investigated the situation down in the mines, strengthened the dispatch control, handled well the shift relief on the coal face, supplied equipment, fittings, and materials which were urgently needed in extraction and tunneling, and improved the production management and reward system. Spurred on by the leadership, all staff and workers of the mine have heightened their confidence and enhanced their morale. In the first quarter of this year, they not only overfulfilled the drifting and tunneling footages, but also overfulfilled the raw coal production plan. The Baijiao coal mine is a big mine with the "five dangers," i.e., water, fire, gas, ground pressure, and coal dust. A few of the cadres were overly cautious in their approach to production. Faced with this situation, the leading comrades of the bureau and the mine went down to mine areas, teams, groups, and shifts to help everyone detect hidden hazards, to strengthen rectification and reform efforts, to build safe facilities, and to build a sound safety responsibility system. As a result, in the first quarter of this year, this mine had no fatal accidents and reduced industrial injuries. At the same time, they overfulfilled the raw coal production plan.

Facing a situation in which ultra-left ideological influences had led to overemphasizing extraction and underemphasizing tunneling, with the result that there was an imbalance between them, the leading cadres at all levels of this bureau, during the course of joining the front lines of production, handled the readjustment tasks well and created good conditions for coal production. Based on on-the-spot mine investigations, they have reformed this year's readjustment plan, taken speeding up the drifting and tunneling footages as the current focal point of the work, and correspondingly added some facilities. The bureau, mine, and area have each assigned one chief cadre to oversee drifting and tunneling. They also augmented the technical staff and management cadres to handle the drifting and tunneling tasks and formed a working system in which a dispatching meeting of drifting and tunneling would be held in order to periodically check up the task. The chief management cadres personally organized and supervised the main projects concerning the coordination of the proportion between extraction and excavation. They also carried out four fixed method, i.e., fixed schedule, fixed shift time, fixed construction manpower, and fixed materials and equipments; therefore, manpower, materials, and finances have been assured. The first quarter of this year, the drifting and tunneling footage of this bureau has reached 12,893 meters. It has obviously promoted the coal production. Because the leading cadres of the Communist Party Committee of Xunchang coal mine conscientiously implemented the policy about "develop both extraction and excavation, and drifting should go ahead of rests," the coal output, the drifting footage, and the tunneling footage have all overfulfilled the plan, in which the footage of March has topped 1,000 meters and is the highest record since this mine was built.

Beginning from February this year, according to the reward policy of the higher authorities and the situation within the bureau, this bureau have changed the past reward method that gave basic awards to the production units, and apply a new method that gives awards depend on how much the production unit has overfulfilled the production target. At the same time, they also combined overfulfillment target, safety, and quality control together for the consideration for reward to all levels of cadres; therefore, the enthusiasm of staff and workers has been further aroused. Every staff and workers have made efforts to overfulfill the plan and to ensure safety. The readjustment steps have been accelerated, and the continuous growth of the coal production has been promoted.

9819
CSO: 4006/371

BRIEFS

JIANGSU HYDROELECTRIC POWER STATION--As of now, 172 small hydroelectric power stations have been built in Jiangsu's rural areas, capable of generating 62 million kw/hr of electricity per annum. Most of these hydroelectric power stations are scattered in Xuzhou, Huaiyin and Zhenjiang prefectures of the province. [OW041721 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 1 Aug 81]

QINGHAI RESERVOIR--Construction of (Qingjiazha) reservoir in Ledu County, south of the Huangshui River, started in January 1978 and finished at the end of July 1981. The capacity of the reservoir is 4.55 million cubic meters. The quality of the construction work is above state standards. [SK070140 Xining Qinghai Provincial Service in Mandarin 2330 GMT 4 Aug 81]

QINGHAI COMMENDS LOGISTICS COMPANY--Listeners: Twenty-four cadres and fighters of the fourth company under a certain vehicle regiment under the General Logistics Department stationed in our province bravely rescued miners at the (Gaoqian) colliery on 20 April 1981. This station introduced their deeds on 10 June. A certain section under the General Logistics Department recently convened a victory rally to commend (Qiu Jiahui) and 23 others for their heroic deeds. They were conferred certificates of merit and awards. A silk banner was awarded to the fourth company. (Chen Yi), deputy political commissar of the General Logistics Department, made a special trip to our province to attend the rally. A resolution adopted by the section under the General Logistics Department on launching a campaign to emulate Comrade (Qiu Jiahui) and the 23 others was read at the rally. [Text] [SK061328 Xining Qinghai Provincial Service in Mandarin 2330 GMT 5 Aug 81]

CSO: 4006/441

BRIEFS

GENERAL PACKAGING CORPORATION--Beijing, 3 Aug (XINHUA)--The China General Packaging Corporation has been established to help manage and guide packing and packaging operations throughout the nation, according to the State Economic Commission. The new Beijing-based corporation will be responsible for formulating and implementing principles and regulations for the industry, establishing long-term and annual development programs and improving industry techniques. It will provide consulting services and help train cadres and technical personnel. The corporation encourages packing and packaging enterprises and their auxiliaries, container manufacturers, paper, timber and other raw material supplies, to merge and streamline their operations and raise production efficiency. The corporation will be engaged in compensatory trade and joint ventures for the production of packaging facilities. [Text] [Beijing XINHUA in English 1233 GMT 3 Aug 81]

SICHUAN INDUSTRIAL PRODUCTION--Sichuan Province's total industrial output value in June was 8 percent more than in May. The province's textile industrial output in June was 4.5 percent greater than in May. The No 2 light industrial output in June was 6.4 percent up and industrial output of communes and brigades was 33.5 percent up. Output of bicycles and watches was 38.9 and 10.9 percent up respectively. The province's heavy industrial output in June was 9.6 percent more than in May. [HK030916 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 9 Jul 81]

CSO: 4006

FOREIGN TRADE

GUANGDONG FOREIGN TRADE INCREASES DURING FIRST HALF OF 1981

Guangzhou NANFANG RIBAO in Chinese 8 Jul 81 p 1

[Article by correspondents Jiang Defen [1203 1795 4248] and Luo Liangyong [5012 5328 3057]: "Gratifying Achievements of Guangdong in Foreign Trade--Foreign Exchange Earnings from Exports in First Half of 1981 Hit All Time High"]

[Text] Guangdong achieved gratifying results in foreign trade in the first half of 1981. Compared with the same period in 1980, the total value of procurement for foreign trade increased 10.1 percent, and the total amount of foreign exchange earnings from foreign trade increased by 28.8 percent. These are unprecedented records for the first half of any year. Guangzhou Municipality; Shantou, Huiyang, Foshan, Chaoxing and Zhanjiang Prefectures; Hainan Administrative Region; and Shenzhen and Juhai Municipalities have all fulfilled more than one half of their assigned quotas.

Since the Third Plenum, the adoption of flexible economic policies in the countryside has brought about a sustained development of agriculture and diversified economy, and thereby laid a material foundation for export. Thanks to the national economic readjustment, there are now steady supplies of light industrial, textile and handicraft goods.

The proportionate sharing of increased foreign exchange earnings as arranged by the central government for this province has greatly enhanced the enthusiasm of various departments at all levels in promoting foreign trade. Many areas in the province have shown increased production and obtained larger shares of foreign exchange earnings, which, in turn, could be used to further promote production and then foreign trade. In order to produce more readily marketable commodities which would bring in more foreign currency from export, the provincial government has appropriated more than $100 million out of its retained share to support the production and development of export commodities according to the policy of "supporting exports with imports." The foreign trade departments at various levels have actively supported the production of more than 100 commodities through processing imported raw materials and assembling imported parts, exchange of materials, negotiated prices, subsidies for selling at special prices, proportionate sharing of foreign exchange earnings and other flexible measures. There has been a sustained growth in such highly competitive commodities as drawn work, fishing nets, firecrackers and fireworks, corrugated paper, various types of furniture, and cotton cloth according to the tradition of "supporting exports with imports." The export value of the newly developed ceiling fans and peanut oil has respectively trebled and doubled that of the previous year.

Furthermore, all foreign trade enterprises have paid greater attention to the study and investigations of the world market in order that the exported commodities could be sold at good prices and thus bring about more foreign exchange earnings. According to a comparison of statistics on 10 principal commodities in the first half of 1981, the average selling price was increased by 15 percent over that of the same period in 1980. This increase means an increase of $40 million for the state in foreign exchange earnings.

9411
CSO: 4006/416

FOREIGN TRADE

CHINA SELLS CRANE SHIPS TO ROMANIA

Langfang CHUANBO SHIJIE [SHIP WORLD] in Chinese 1 Jul 81 p 2

[Article by correspondent Liu Dajun [0491 1129 6874]: "Four Crane Ships Exported to Romania by China Already Delivered"]

[Text] On the afternoon of 15 May, the well-lighted Heping Hall of Heping Hotel in Shanghai was the scene of a signing ceremony whereby the 50-ton crane ships exported by China to Romania were formally delivered. Responsible leaders of China National Machinery Import and Export Corporation, Shanghai Shipyard, Jiangnan Shipyard and the Ship-Inspection Bureau of China; and the engineering and technical personnel of the delivery-check group of Romania were present at the ceremony.

This was the first time that China exported crane ships to Romania. The exported fleet consists of four ships ordered by Romania and built by Jiangnan Shipyard. The main technical data are as follows:

Total length: 40.5 meters;
Length between two posts: 40 meters;
Model Width: 20 meters;
Maximum Width: 20.5 meters;
Model Depth: 3.4 meters;
Draught: 1.6 meters;
Displacement: 1 ton;
Type of crane: 356-degree turning;
Time for a full turn: 4 minutes;
Lifting strength: Main boom: 50 x 28 x 4.7 (ton x meter x meter/minute);
Auxiliary boom: 10 x 30.5 x 25 (ton x meter x meter/minute);
Hoisting height: Above water surface, 28 meters;
Below water surface, 12 meters;
Crew: 19 persons.

Each ship is equipped with many diesel generating units for both illumination and power. There are also cabins for single persons, two persons and four persons, in addition to kitchen, mess hall, broadcasting saloon, restrooms and other facilities of daily life.

These 50-ton crane ships are not automatically piloted. They were constructed according to the scope of our ZC steel ships, under the supervision of China Ship Inspection Bureau as entrusted by Romania. In the course of construction, Jiangnan Shipyard has demonstrated its high skill and great energy, and the fine quality of construction won favorable comments from the Romanian delivery-check group.

In the past several years, there have been rapid developments in Romania's foreign trade and shipping. Its large-scale oil prospecting equipment and petrochemical refinery equipment are particularly well-known. In view of the continued increase of export, this fleet of crane ships will play a positive role in speeding up loading and unloading at the harbors.

9411
CSO: 4006/416

BRIEFS

SHAANXI-GANSU-NINGXIA HIGHWAY--Lanzhou, 21 Jul (XINHUA)--After inspection by the state capital construction commission, the Yichuan-Lanzhou highway, the longest in China's loess plateau, was formally opened to traffic on 21 July. The 949.8-km highway starts in Shaanxi's Yichuan County, passes through Gansu's Qingyang and Heshui counties and Ningxia's Guyuan and Xiji counties and ends in Yongjing County in the vicinity of Lanzhou, Gansu. The highway has over 100 bridges and passes through 4 medium-sized tunnels. Started in 1972, the construction of the highway was stepped up after the downfall of the "gang of four." [OW261431 Beijing XINHUA Domestic Service in Chinese 1628 GMT 21 Jul 81]

CSO: 4006/444

GENERAL

TOWNSHIP OF BAIYUNHUSHI IN NEI MONGOL DESCRIBED

Beijing DILI ZHISHI [GEOGRAPHICAL KNOWLEDGE] in Chinese No 5, May 81 p 14

[Text] A new town, the township of Baiyunhushi, in New Mongol has risen in the hinterland of the Koerqin grasslands since the Tong-Huo railway (from Tongliao municipality to the Huolinho coal mine) was opened to traffic. With a population of more than 20,000 the township has an area of 7.5 square kilometers, with the Han Mountain in the north, the remaining range of Daxinganling, and the Hulin River in the south. It has a good environment and a beautiful landscape.

Baiyunhushi was formerly known as Heidamiao, which was built 240 years ago. In the age of feudal rule, when government and church were one, there were five temples with 500 lamas there. The temples were the most important within a radius of several hundred li.

In 1962, its name was changed to Baiyunhushi as the seat of the committee for Xieyouzhong banner. The people of various nationalities worked hard for more than 10 years to build the township. A 5-li asphalt road broad enough to accommodate four trucks runs east-west through the township and rows of cinemas, stores, banks and hotels line the streets. Government organs, schools and residential quarters are well laid out, and factories and workshops are spread throughout the township area. Attaching great importance to culture and education for minority nationals, the party and government have set up five primary schools, three middle schools and a teacher's college.

The Baiyunhushi railway station on the Tong-Huo line has taken shape and is now a hub of communications for goods and passengers. A 370-km high-tension power transmission line provides electricity to the agricultural and pastoral areas. Industries for making and repairing agricultural and stockbreeding machinery, producing dairy products and making shoes have sprung up. The former leather and skin cooperative, which could produce only harnesses in the past, is now a leather factory with more than 200 workers. Its high-grade products, such as gloves and leather suitcases, are well-known throughout the country and are sold overseas. The total value of the township's industrial output has risen from several hundred thousand yuan at the early stage to nearly 10 million yuan.

9780
CSO: 4006/369

TOWNSHIP OF DAHUSHAN IN LIAONING PROVINCE DESCRIBED

Beijing DILI ZHISHI [GEOGRAPHICAL KNOWLEDGE] in Chinese No 5, May 81 p 14

[Text] The township of Dahushan is situated in a locality 18 li south of Heishan County, Liaoning Province. North of the township is the Houdahushan, 142 meters above sealevel. It is only some 10 li from Height 101 east of the county seat at Heishan and is the gateway guarding Jinzhou, a place of strategic importance. In the center of the township is a hill, Hushenshan [Tiger Body Hill], which is surrounded by urban areas. The northern part of Hushenshan is known as Hutoushan [Tiger Head Hill]. Looking down from the top, the two hills look like a crouching tiger. At the foot of the Hushenshan is beautiful West Lake.

At about the time the Daheishan Fort was built in the Yuan Dynasty, Dahushan was inhabited, but there was no record of the place until the Ming Dynasty. The Heishan County annals record: "The locality 18 li south of the city was known as the Daheishan Fort in the early years of the Qing Dynasty. It is at the center of the Fengtian-Shanhaiguan railway and is the starting point of the Da-zheng railway and contains transportation facilities. There are a great many government offices there, business is thriving, and business firms are increasing in number. The prospect for its development is promising. It is the southeast gate of the county." At the dawn of liberation, it had a population of about 10,000 and only small handicraft workshops such as oil mills and vermicelli factories. It was not until the early sixties that some small enterprises were added. Industry has grown rapidly in recent years: paper mills, steel-rolling mills, refractory materials plants, and grain, oil and foodstuff processing plants have been built. The population has grown to 25,000.

Dahushan is the converging point of the Shenyang-Shanhaiguan and Dahushan-Zhengjiatun railways and a busy railway transport center. It is a hub for the exchange of goods with areas inside the Great Wall. Among the transportation facilities, bus service is maintained with outlying municipalities and counties.

9780
CSO: 4006/369

SECOND DAM TO BE BUILT AT CHANGJIANG GORGE

HK071258 Hong Kong WEN WEI PO in Chinese 6 Aug 81 p 1

[Long-distance call from WEN WEI PO correspondent Ou Ping-Chiang: "Second Dam to be Built at Xiling Gorge; Gezhouba Dam to Start Generating Electricity on 10 August"]

[Text] Yichang, 5 Aug--According to what was learned by this correspondent: with the completion of the Gezhouba Dam, preparations are under way for the construction of a second dam at a site at Xiling Gorge on the Changjiang River.

Gezhouba, China's largest water conservancy construction project, will start generating electricity on 10 August. Responsible persons of the State Planning Commission, vice ministers of the ministries of water conservancy and the electric power industry and the vice provincial governors of Hubei have already arrived in Yichang Municipality and they are ready to attend the ribbon-cutting ceremony for the official commencement of electricity generation. The Gezhouba Dam, which is situated at the mouth of the Changjiang River, has a total length of 2,561 meters across the river and is 71 meters high. It is China's largest water conservancy project and is of great benefit to shipping and electricity generation.

The first-stage construction project of the Gezhouba Dam was completed last May. The gates were opened to test the dam's capacity to flow water; and its shipping capacity was also tested last June. However, the dam was quite unexpectedly tested by a great flood of the Changjiang River early on the morning of 19 July. The flood was unprecedented over the past 100 years. At a speed of 72,000 cubic meters per second, the flood water rushed out from the three gorges and pounded at Gezhouba. The Gezhouba Dam victoriously withstood the test of the flood water.

The ceremony for the official generation of electric power by the Gezhouba Dam was originally scheduled for the beginning of last July. However, to resist the extraordinarily serious flood, it was postponed until 10 August. It is indeed a double happiness that the Gezhouba Dam officially commences electricity generation after winning a victory in fighting flood.

The total installed capacity of the two electric power stations of Gezhouba is 2.715 million kilowatts. They generate an average of 13.9 billion kilowatt-hours of electricity annually, which is equivalent to three times the electricity generated throughout the country during the initial period after liberation and is more than double the volume of electric power generated by the Liujiaxia hydroelectric power station, which was the largest in China. Through high-tension power transmission cables, the tremendous electric power is transmitted to the urban and rural areas of Hubei, Sichuan, Hunan and Henan. Over repeated trial operations and power transmission, the water turbogenerator sets have functioned normally and should be able to start productive operations on schedule.

This WEN WEI PO correspondent boarded a Changjiang passenger liner and arrived at Gezhouba through the three gorges at 7 pm on 5 August and noticed that the water level of the Changjiang River has already returned to its normal level. The water level of the Gezhouba Dam is 60 meters above sea level, some 10 meters below the top of the dam.

The Gezhouba water conservancy project is the largest water conservancy project for harnessing the Changjiang River. At present, the second-stage construction project has already started. It is expected to be completed by 1986.

The key water control project of the three gorges is the fundamental project for completely harnessing the calamities of the Changjiang and exploiting its water resources. The Gezhouba Dam is the first dam to cut across the river. The second dam to cut across the river will be built at a site at Sandouping at Xinling Gorge.

CSO: 4006/441

GUANGDONG, FUJIAN ENJOY GREATER AUTONOMY IN FOREIGN TRADE

Hong Kong WEN WEI PO in Chinese 29 Jun 81 p 1

[Article by correspondent Lan Jingzhong [5663 7231 0022] in Beijing: "Autonomy for Guangdong and Fujian To Be Further Expanded as a Means To Break Away From Old System and To Discover a New Road According to Decisions Made in the Special Zones Work Conference Held in Beijing--New Regulations on Demarcation of Special Zones and Construction of Airport Worked Out"]

[Text] While economic restructuring is in progress, Guangdong and Fujian, the first two provinces to implement special policies and adopt flexible measures, will enjoy greater local autonomy. These provinces will be more easily accessible to foreigners, and their policies will be even more flexible. A number of provisional specific regulations have been drafted to provide security and preferential treatment for investments by overseas Chinese and foreigners in the special economic zones of these provinces, according to information revealed by the Guangdong and Fujian Special Economic Zones Work Conference recently held by the State Council in Beijing.

This conference was presided over by Vice Premier Gu Mu [6253 3668] and attended by leading persons of both provinces including Ren Zhongyi [0117 0112 1138], Liu Tianfu [0491 3944 1133], Wu Nansheng [0702 0589 3932], Liang Xiang [2733 3276] and Ceng Dingshi [2582 1353 4358] of Guangdong; Xiang Nan [7309 0589], Ma Xingyuan [7456 5281 0337], Guo Chao [6753 6389], Zhang Yi [1728 6695] and Hou Linzhou [0186 2651 5297] of Fujian; responsible persons of various ministries, commissions and bureaus under the State Council and of various relevant departments in the provinces; and well-known Chinese economists including Xue Muqiao [5641 2550 0294], Xu Dixin [6079 3321 2450], Fan Ruoyu [5400 5387 1946], and Qian Junrui [6929 0193 3843], totaling more than 1,000 persons. The significance of this conference, held against a background of the strategic shifting of the focus in our economic work with a view to stressing the all-around importance of the central government's decision to implement special policies and adopt flexible measures in the two provinces, lies not only in giving full play to the superiority of these provinces and enabling them to become rich ahead of others, but also in the experiments of restructuring our national economy and exploring a new way of development.

The implementation of the central government's policy decision for the two provinces began in 1980. Its main contents are: an open-door policy for the provinces (meaning also the liberal use of overseas Chinese funds and foreign funds to import suitable advanced technology and methods of scientific management and the expansion of foreign trade in the provinces); the implementation of more flexible policies; and the grant of expanded local autonomy (including the decision-making power in economic, personnel and legislative affairs and the power of the enterprises to manage their own business). Outstanding success has been achieved since the implementation of this policy. In 1980, the two provinces underwent great developments in industry, agriculture and commodity economy. Their total volume of exports surpassed the best historical records (compared with 1980, these provinces' total exports increased by 32 and 47.2 percent respectively) and their retained shares of foreign exchange earnings increased by more than five times. However, it was held that in the course of implementing this decision policy, the influence from the "left" was not completely eliminated, and the mind was not sufficiently emancipated. Some authority which the central government should have delegated to the lower levels was not actually delegated, and the two provinces sometimes failed to do what they should do. Strictly speaking, it was neither "special" nor "flexible." Therefore, the conference particularly reiterated that while the whole country has been undergoing an economic restructuring, the orientation of the special policies and flexible measures for these two provinces remained unchanged. The conference called on the provinces to further emancipate their minds, boldly carry out their experiments and reforms, and continue their advance. In line with the spirit of keeping the doors of the provinces open more widely, implementing more flexible policies and granting greater decision-making power for the provinces, the conference formulated measures to promote reforms in the provinces so that their special policies could be truly special and their flexible measures could be truly flexible. These provinces will then be one step ahead of others in economic development. From what we have learned and according to the new regulations, the two provinces will have full power in handling such matters as planning, finance, banking and foreign trade for their own economic development provided the necessary centralization of power for the central government is guaranteed and the principles of an all-round balance are observed. In the system of planning, the province will occupy the dominant position; in financial matters, the system of responsibility will be enforced; and in economic relations with foreign countries, there will be greater power of decision-making for the provinces. The system of banking would be duly revised, and the power of local control over prices would also be appropriately expanded. Special consideration and more flexibility would be allowed for the market and the supply of commodities.

More Flexible Foreign Trade

The stipulations concerning economic relations with foreign countries and foreign trade can be summarized as follows: Aside from finished petroleum products, tungsten ores, and other items that are subject to limited distribution among foreign countries and to planned control at home, transactions and export of all other commodities produced in the provinces can be handled by the provinces themselves. These provinces and their organs in Hong Kong and Macao will handle all the exports to Hong Kong and Macao. The two provinces can also act as export agents for all localities, except for those goods handled exclusively by the Foreign Trade Corporation. As for imports, the provinces can approve all transactions except those for food, chemical fertilizers, foreign cigarettes and liquor which are subject to other consignment regulations. Methods for the control of payment abroad and delivery at home can be worked out by the provinces themselves. Measures for the importation of technology, joint ventures, processing and assembling materials and parts supplied by customers, compensatory trade, cooperative production, and foreign loans can all be determined by the provinces guided by relevant regulations of the central government and on the understanding that such measures will not disturb the state's overall balance.

Greater Local Power Over Personnel Matters

In accordance with the policy of delegating authority to the lower levels, the provinces will be given the necessary rights over personnel management and local legislation. Enlarged power over personnel matters means that aside from the leading body of the provincial government, the province can decide on the establishment of any structure below the provincial level and the staffing of these structures. The provinces are also permitted to recruit their required personnel from abroad or among the unemployed people at home. This power is of great significance in reforming the administrative and personnel systems and in raising work efficiency.

Another salient feature of this conference is the systematic and in-depth study and discussions on the significance, theory, system and methods of establishing special economic zones in our country. On the basis of a unified understanding, regulations were worked out to deal with various issues in setting up special zones, such as the special features and the type of special economic zones we should have, the reduction or exemption of taxes, the simplification of entry and exit procedures, labor wages, the market, domestic and foreign trades, currency and monetary control, the demarcation between special and nonspecial zones, planning for the special zones, construction of telecommunication facilities, airports and harbors, fund-raising for basic construction, legislation for the special zones, the system of guidance and control, the training of professional cadres, security measures for the special zones, and so forth.

Deliberations Over a Number of Specific Rules and Regulations for Special Zones

Accordingly, deliberations were carried out over the draft of specific regulations for the special zones. All these specific regulations embody a desire to safeguard investments and to give more preferential treatment to the investors in the form of flexible measures and simplified procedures for the effective administration of the special zones. While fully exercising our sovereign rights, we can also create better conditions and environments for investments. These regulations will be promulgated after due legislative process.

Implementing special policies, adopting flexible measures and setting up the special economic zones in the two provinces are innovations of China's new historical period, and new circumstances and new problems will be encountered in the process. Therefore, the responsible persons, particularly the policymakers, must have both courage and insight. While showing the mettle of innovators in breaking away from the old economic shackles and illogical "traditional" conventions, and in eliminating the "leftist" influences while exploring new methods, they should also seek truth from facts, be good at studying and investigating, and give full play to the role of experts and the brain trust, so that everyone will work together in harmony and advance steadily. The gratifying aspect of this conference is its great vitality serving as an inspiration for people to blaze new trails in the search for a brighter future for our country's economic construction.

Beijing, 24 June.

9411
CSO: 4006/416

END

JPRS 78774

18 August 1981

China Report

ECONOMIC AFFAIRS

No. 164

1980 Yearbook: Economic Sections

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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18 August 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 164

1980 YEARBOOK: ECONOMIC SECTIONS

Beijing and Shanghai ZHONGGUO BAIKE NIANJIAN 1980 [YEARBOOK OF THE GREAT ENCYCLOPEDIA OF CHINA, 1980] in Chinese Aug 1980

[The following are texts of selected sections on economic affairs in the ZHONGGUO BAIKE NIANJIAN 1980. For the section on agriculture see JPRS 78263, 10 June 1981, No 144 of CHINA REPORT: AGRICULTURE]

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GENERAL SITUATION OF NATIONAL ECONOMY OUTLINED

Beijing and Shanghai ZHONGGUO BAIKE NIANJIAN 1980 [YEARBOOK OF THE GREAT ENCYCLOPEDIA OF CHINA, 1980] in Chinese Aug 80 pp 53-56

[Article by Zhang Minliang [1728 2404 2733]]

[Text] Economy

The old China was a semi-feudal, semi-colonial nation whose national economy was extremely backward. After its founding, the new China embarked on large-scale economic construction, bringing about speedy advances in its industry, agriculture and the entire national economy. Ownership of the means of production in China is primarily of two types: socialist ownership by the whole people and ownership by socialist labor collectives.

The general policy of China in developing its national economy is to "take agriculture as the foundation and industry as the leading factor." On the basis of this policy, China has formulated its national economic plans for the development of its agriculture, light industry and heavy industry, in that order. In carrying out socialist construction, China has also adopted the policy of "maintaining independence, keeping the initiative in our own hands, practising self-reliance and hard struggle, and building up the country with industry and thrift," as well as paying attention to the simultaneous development of industry and agriculture, light and heavy industry, foreign and indigenous enterprises, and large and medium-to-small enterprises, according to the principle of walking on two legs.

In late 1978, at the Third Plenum of the 11th Party Congress, an important decision was made to shift the focus of work to the realization of the four modernizations and carry out the policy of readjustment, restructuring, consolidation and improvement. This brought about a change in the sluggish national economy. The central authorities also issued two documents on agriculture. The implementation of these two documents signified the application of the party policy in rural areas, and brought some initial prosperity to the rural economy. More than 9 million unemployed urban persons found jobs. Some workers had their wages readjusted. Greater atten- was paid to the development of the textile industry and light industry, and capital construction was curtailed to some extent. Some enterprises began to enjoy greater decision-making power on a trial basis. The people improved their living conditions. In 1979, the gross value of industrial and agricultural output increased to 617.5 billion yuan, overfulfilling the state plan by 1.5 percent and showing an 8.5 percent increase over 1978. The national income totaled 337 billion yuan, an increase of 7 percent over that of 1978, based on fixed prices.

The "readjustment, restructuring, consolidation and improvement" of the national economy. During the Great Cultural Revolution, the national economy was so badly sabotaged by Lin Biao and the "gang of four" that it was at the brink of collapse. After the "gang of four" was smashed, the economy began to recover rapidly. But although the situation was changing for the better, it was discovered there was a serious dislocation in national economy. For this reason, at the 1978 work conference of the Party Central Committee, the policy of readjustment, restructuring, consolidation and improvement was adopted.

Since the implementation of this policy in 1979, China has gradually readjusted its national economy, and some initial achievements have been seen.

Agricultural foundation strengthened. In 1979, the Party Central Committee issued two documents on rural problems to implement the party policy on rural areas. In the meantime, the state adopted many measures to improve agriculture. To begin with, it raised by about one-fourth the purchasing prices of 18 agricultural and subsidiary products, such as grains, cotton, oilseeds, hogs, poultry, and eggs. The increase in purchasing prices for output which exceeded the quota was even greater. The state also reduced or exempted the agricultural taxes for low-income rural communes and production brigades and teams as well as the industrial and commercial taxes for enterprises operated by communes and production brigades and teams. This allowed the peasants, the communes and production brigades and teams to increase their income by more than 9 billion yuan. In addition, the state increased its investments in agriculture from the 10.7 percent of its total investment in capital construction in 1978 to 14.0 percent in 1979.

Faster development in the textile and light industries. To readjust the proportionate development of the light and heavy industries, the state started in 1979 to give "special considerations" to the supply of fuel, motive power, raw materials and other supplies for the textile and light industries, and in addition provided financial support. In 1979, the state allocated much more capital for technical improvements in the textile and light industries than in 1978, and also increased the proportion of textile and light industrial investments in the state's capital construction plan. The banks also increased their loans to the textile and light industries. In addition, the state made available to the textile and light industries a certain amount of foreign exchange for importing raw materials and other supplies, and directed the heavy industry and military industry to produce light industrial products. Thanks to these measures, the light industry showed quick development in the latter part of 1979, there was an increase in textile and light industrial products, and market purchases and sales both improved.

Capital construction front being shortened. In 1979, the state took the job of shortening the capital construction front as an important measure in readjusting the national economy. It resolutely discontinued and postponed the projects which were premature or which were not urgently needed by the state. According to the plan in early 1979, 561 major projects were to be discontinued or postponed. Of these, thanks to a concerted effort, more than 330 have actually been discontinued or postponed.

Some industrial plants which were developed indiscriminately have been converted, amalgamated, closed or suspended. China now has more than 350,000 industrial enterprises. It is impossible to keep all of them adequately supplied with fuel, motive power, raw materials and other supplies. The various localities are now engaging in converting, amalgamating, closing and suspending those enterprises which were developed indiscriminately, which required the consumption of large quantities of raw materials or which suffered losses over a long period of time. According to incomplete statistics, more than 2,000 enterprises belonging to this category were converted, amalgamated, closed or suspended.

The state has improved the living conditions of the people in cities and towns by finding employment for the unemployed, raising the income of workers and building more living quarters for them.

[Article by Zhang Minliang [1728 2404 2733]]

Finance

Since the founding of the People's Republic of China, thanks to the continual development of industrial and agricultural production, the state finance has shown improvement year after year. Both income and expenditures have increased. They have largely been in balance, with a little surplus in income. The state has relied for its financial income mainly on the taxes and profits from state-operated enterprises, which account for over 90 percent of the total income of the state. The government formulates a state budget each year. As a basic state financial plan, it is an important part of the national economic plan. The state budget consists of the central budget and local budgets. The constitution of China provides that the state budget and local budgets are subject to the examination and approval of the people's congresses at the various levels. The state budget is controlled according to the principle of democratic centralism--it is placed under a unified leadership but under the control of authorities at different levels. The policy of "maintaining a balance between incomes and expenditure with a little surplus in income" is followed. The fiscal year runs from 1 January to 31 December.

State budgeted incomes include the incomes of enterprises and other business organizations, industrial and commercial taxes, salt tax, customs duties, agricultural taxes and other incomes. State budgeted expenditures include economic construction expenditures, sociocultural, educational, scientific, and public health expenditures, national defense expenditures, administrative expenditures, and others.

The 1978 state final accounting of incomes and expenditures shows that the total income amounted to 112.111 billion yuan and the total financial expenditure amounted to 111.093 billion yuan, showing a favorable balance of 1.018 billion yuan. Compared to 1977, financial income increased 28.2 percent, and expenditures 31.7 percent.

In 1979, the tasks of state finance were: On the basis of making a great effort to consolidate enterprises and develop production, to further tap potential, open new financial sources, and increase financial income. In light of the readjustment of the national economy, to make rational arrangements for various expenditures, strengthen agriculture and light industry, and strengthen the weaker links in the national economy such as the coal, electric power, oil, transportation and building materials industries. To strengthen cultural, educational, public health, and scientific undertakings. To strengthen national defense and war preparedness. To gradually improve the living conditions of the people. Consolidate financial work, do a good job in controlling financial income and expenditures, uphold the policy of using the amount of income to determine expenditures, and make an effort to strike a balance between income and expenditures. In a resolute, positive and sure-footed manner, embark on reforming the financial control system and the financial systems of enterprises to bring the enthusiasm of central and local enterprises and their workers into full play.

According to the draft 1979 state budget, the total state income was 112 billion yuan, and so was the total state expenditure, of which expenditures for capital construction amounted to 39 billion yuan, that of national defense, 20.23 billion yuan, and that of culture, education, public health, and scientific research 12.08 yuan.

Banking

Since the founding of the People's Republic of China, the Central People's Government has adopted a series of measures to take over the banking organizations of the bureaucratic capitalist system, abolish all the banking prerogatives of imperialism in China, forbid financial speculations, carry out socialist reform of private banks, unify the control and issuance of currency, replace the bogus Jinyuanquan currency with Renminbi, forbid the circulation of foreign currency, and establish a unified and stable socialist currency system and financial and banking system.

Renminbi was first circulated in China in December 1948. Following the basic stabilization of the financial situation in China, to improve and consolidate the currency system, the People's Bank of China started to issue the new Renminbi on 1 March 1955 to replace the old Renminbi which was in larger denominations. The exchange rate between the new and old people's currencies was one to 10,000.

The People's Bank of China is the state bank of the People's Republic of China. It was founded in December 1948. It serves as the central bank for credit loans, settling of accounts, and cash activities, and as the only organization to issue currency. In October 1954, the Construction Bank of China was established to handle appropriations for capital construction for the state. It has branches in the various provinces, municipalities and autonomous regions. The Bank of China was reorganized to specialize in foreign exchange, centralizing the handling of international accounts, international credit, foreign trade, credit, and the purchase and sale of foreign exchange, etc., for the entire country. In addition to these banks, there are also the Agricultural Bank of China, rural credit cooperatives and other credit organizations.

The credit system in China is characterized by the centralized control of credit by banks. All loans must be handled by banks, and all the loans must be issued according to plan and used as stipulated.

Since the founding of the new China, following the continual improvement in the livelihood of the people, the urban and rural areas have continually developed their savings business. Deposits received by the People's Bank are divided into two categories: public deposits and private deposits. All enterprises, agencies, organizations, military units, schools and collective economic units must deposit any cash which is over and above the amounts permitted to be kept on hand in banks. The urban and rural people may deposit their money in banks as personal savings, entirely on a voluntary basis. To promote savings, the Party and state have adopted a correct policy: private savings ownership is protected, savings deposits are voluntary, freedom of withdrawal is guaranteed, savings deposits will bear interest, and confidentiality is kept for savings deposit holders. Since the founding of new China, urban and rural savings deposits have grown continually. In 1979, savings deposits in cities and towns throughout China totaled 20.26 billion yuan, a 30.8 percent increase over 1978, and that in rural areas totaled 7.84 billion yuan, a 40.8 percent increase over 1978.

China has developed its insurance business to a certain extent also. The state instituted the People's Insurance Company of China with branches in many areas at the beginning of the liberation. It conducted extensive insurance business at home and abroad. Later, this business was suspended for a long time, until January 1980 when it began to recover. The policy of domestic insurance in China is to serve the interests of production and of the masses on the basis of voluntary application for insurance by the clients themselves.

[Article by Guo Hongli [6753 1347 7787]]

Industry

Industry in the old China was very backward, with only a few light industry and textile industries in the coastal cities. In the past 30 years since the founding of the new China, however, a relatively complete industrial network has largely been established. An industrial base of heavy and light industries was founded, including machine-building, metallurgical, coal, oil, chemical, electric power, electronic, textile and other industries. China now has more than 6,000 large and medium-size enterprises. In addition, the 50,000-odd rural communes in China have established more than a million small enterprises according to local conditions. During the period 1950 to 1978, China enjoyed an increase in total industrial production value of 13.5 percent each year. Its total industrial production value in 1979 amounted to 459.1 billion yuan, an 8.5 percent increase over 1978, and its light industrial production value amounted to 198 billion yuan, a 9.6 percent increase over 1978, surpassing the rate of increase in heavy industrial production value by 7.7 percent.

After the "gang of four" was smashed, China adopted the policy of readjustment, restructuring, consolidation and improvement in developing its industry and promoted a mass movement for increasing production, practicing economy, increasing income and cutting down expenditures. By 1979, China also adopted the policy of relying both on planning and market conditions in regulating its economy, with greater emphasis on planning. It curtailed some of its capital construction projects, strengthened its textile and light industries, and granted greater autonomy to enterprises, thereby greatly promoting the development of production.

Agriculture

Prior to the founding of the new China, our country's agricultural production was very backward. No progress was made in agriculture for a long time. With the founding of the new China, the Party and government paid great attention to the development of agricultural production, adopting the basic policy of agricultural collectivization, to be followed by mechanization and electrification. The land reform campaign spelled the end of the feudal exploitation type of land ownership. The state confiscated about 700 million mu of land from the landlords and rich peasants, and redistributed it to the more than 300 million peasants who had little or no land. After that, the peasants were directed onto the road to collectivization, organizing themselves into mutual-aid teams, primary cooperatives, advanced cooperatives and, by 1958, into people's communes. At present, China has more than 52,000 people's communes and 2,047 state farms.

China has adopted the following policy in developing its agriculture: Take food grains as the key link in the overall development of agriculture, suitably centralize the control of agricultural production while paying due attention to local factors, and promote at the same time the development of agricultural, forestry, animal husbandry, subsidiary and fishery production.

In 1962, following the promulgation of the "People's Commune Work Regulations (Draft)," the Chinese peasants greatly developed their work enthusiasm, quickly reversing the stagnant situation prevailing in the previous 3 years. Agricultural production was restored and developed. Nevertheless, during the period when Lin Biao and the "gang of four" were riding high, agricultural production development slowed down again. Some areas even suffered a reduction in agricultural production. After the Third Plenum of the 11th CCP Central Committee, the state implemented the two documents on agricultural development issued by the Party Central Committee and the party policy on rural areas, making a concerted effort to quickly develop agricultural production. Much attention was paid to the material well-being of the peasants. In 1979, the state raised the purchasing prices of 18 agricultural and subsidiary products, upheld the private plots for commune members, and permitted them to engage in household subsidiary production and trade in rural marketplaces, thereby bringing the socialist enthusiasm of the broad masses of peasants into full play. As a result, although a relatively serious natural calamity hit China in 1979, the peasants in most areas in China increased their agricultural production and income. The total agricultural production value in 1979 in China was 8.6 percent higher than that of 1978.

Commerce

China's commerce is a socialist commerce established on the basis of socialist public ownership. In this field of work, the state adopted the general policy of "developing the economy and assuring supplies." It organized the circulation of commodities in China in a manner to unite cities with rural areas, industry with agriculture, and producers with consumers.

Commerce in China is mostly state-operated both in cities and rural areas. It conducts more than 90 percent of the commodity retail business in China in terms of business volume. The state has administrative organizations as well as control and operational organs for the enterprises at every level. There is a commercial network covering all cities and towns and industrial, mining, and forest areas. There are supply and marketing cooperatives which have their own control and operational organizations. They are commercial units of the masses established on the basis of voluntary participation, democracy and mutual benefit. Following the development of the socialist revolution and construction and the increase in the accumulation of capital on the part of the supply and marketing cooperatives, these cooperatives have advanced from their previous collective ownership to ownership by the whole people.

The control of commodities is carried out according to the general policy of overall planning and administrative control at different levels. Price control is an integral part of the planned control by the state. The State Bureau of Commodity Prices handles the price control policy, regulates the general price level, and readjust commodity prices, seeing to it that they are in good balance. Under overall planning by the state, the retail prices of the major daily necessities in China have been stable in the main. On many occasions the state has reduced the prices of pharmaceutical products, brought closer the prices of industrial and agricultural products, raised the purchasing prices of agricultural and subsidiary products, and lowered the prices of industrial supplies for agriculture. The difference between industrial and agricultural products today is reduced by more than 40 percent as compared to that of 1952. Price differentials between different localities have been reduced, and the commodity prices in rural markets have also gone down somewhat.

Thanks to the increase in agricultural and industrial production and to the import of some consumer goods in suitable amounts, China enjoyed a brisk and active market in 1979. The total volume of agricultural and subsidiary products purchased by the state amounted to 58.68 billion yuan, exceeding that of 1978 by 27.6 percent. The actual increase amounted only to 4.5 percent, however, if the increase in purchasing prices is discounted. The total volume of industrial products purchased by the state amounted to 140.56 billion yuan, a 9.8 percent increase over 1978. The total volume of retail social commodities amounted to 175.25 billion yuan, a 14.7 percent increase over 1978.

[Article by Li Hongxiang [2621 1347 4382]]

Foreign Trade

After the founding of the People's Republic of China, the state formulated its foreign trade policy according to an overall plan. Arrangements for foreign trade were made according to the national economic plan, and foreign trade was conducted according to the policy of independence and self-determination.

China actively established trade relations with Third World countries on the basis of equality, mutual benefit, the exchange of goods needed by one another, respect to one another's sovereignty, and the needs and capabilities of the states concerned. By 1979, China had established trade relations with more than 130 states and regions of the Third World.

With regard to countries of the Second World, China actively developed trade with them on the basis of equality and mutual benefit, and exchanged its products with them for advanced technical equipment and other supplies needed by China for socialist construction. In 1979, the volume of trade between China and Japan exceeded US$6 billion. Following Japanese Premier Ohira's visit to China, Japan planned to extend a loan of 50 billion yen to China in 1979 to assist in the construction of six projects in China. It also decided to grant most favored nation status to China in customs duties beginning April 1980. In 1979, the total volume of trade between China and the European Common Market amounted to US$5 billion, an increase over 1978 of more than 50 percent.

Since the reestablishment of diplomatic relations between China and the United States on 1 January 1979, trade between the two countries has shown considerable development. In 1979, Sino-U.S. trade amounted to US$2.45 billion, showing an increase over that of 1978 by 147 percent. In 1979, U.S. Vice President Mondale came to China to sign an agreement, offering U.S. technical assistance in developing hydroelectric power in China. On 1 February 1980 when Sino-U.S. Trade Agreement began to take effect, the two countries recognized each other as a most favored nation.

[Article by Zhang Minliang [1728 2404 2733]]

Communications, Postal Service and Telecommunications

Railways. Since the liberation, China has quickly developed its railways. From 1952, China has built more than 30 trunk lines, including the Chengdu-Chongqing and Tianshui-Lanzhou railways. By 1979, China's railway mileage open to traffic was 1.3 times more than that at the time of the liberation, and the freight volume was 18 times greater. Beginning in 1952, China began to build its own steam locomotives. At present, there are more than 30 locomotive and rolling stock plants in China engaging in building steam locomotives, internal combustion locomotives, electric locomotives, large passenger cars, and new passenger car models. In 1979, the total freight volume on railways amounted to 1,094.95 million tons, showing an increase over that of 1978 by 1.9 percent. The total volume of cargo turnover on railways amounted to 558.8 billion ton-kilometers, a 4.8 percent increase over 1978, and the amount of passenger transportation on railways totaled 121.4 billion man-kilometers, an 11.3 percent increase over 1978.

Highways. On the eve of the liberation, there were 80,000 kilometers of highways in China open to traffic. These highways were characterized by their low standards and poor conditions. By the end of 1979, the total mileage of operational highways in China was 890,000 kilometers, more than 11 times that at the founding of the new China. In 1979, the total freight volume on highways amounted to 815.56 million tons, showing a decrease of 4.3 percent as compared to that of 1978; the total volume of goods transported on highways amounted to 26.8 billion ton-kilometers, showing a decrease of 2.2 percent. These decreases were caused by a reduction in business on the part of the transportation departments, as many industrial and commercial enterprises started to transport more goods by themselves. The amount of passenger transportation on highways totaled 60.3 billion man-kilometers, an increase of 15.7 percent over 1978.

Ocean shipping. In the past 30 years, the Chinese ocean shipping fleet has gradually developed from nothing to a major industry. By the end of 1979, the Chinese ocean shipping fleet was composed of more than 400 ships including bulk-load, general cargo, tankers, passenger ships, roll-on roll-off, and container ships totaling more than 7 million tons. They ply the waters of the three great oceans, eastward to Japan and Canada, the United States and Latin America across the Pacific; westward to South and West Asia, Africa and European countries through the Indian Ocean, the Suez, the Mediterranean, and the Atlantic Ocean, sometimes by way of the Cape of Good Hope; southward to Southeast Asia and Oceanian countries, and northward to Korea. The Chinese fleet has visited more than 100 countries and regions, and called on more than 400 ports.

Inland river shipping. In 1949, the Chinese inland river waterways totaled 73,600 kilometers, including 24,200 kilometers of motor vessel navigable waterways. By 1979, the inland river waterways had increased to more than 136,000 kilometers, including more than 79,000 kilometers of motor vessel navigable waterways. The amount of goods handled by inland river shipping accounts for one-fifth of the total amount of goods transported in China. Inland river shipping is one of the most inexpensive means of transportation in China.

Civil aviation. In December 1949, the new China established its Civil Aviation Bureau (now known as Civil Aviation Administration of China). By 1979, after 30 years of construction and development, it had established 158 air routes, linking more than 80 cities in China, totaling about 108,600 kilometers. There are direct flights from all provinces, municipalities and autonomous regions to Beijing. In addition, there are 15 international air routes, totaling 51,300 kilometers. At present, China has entered into aviation agreements with more than 30 countries, and established business or financial relations with more than 100 foreign airline companies. In 1979, the amount of air freight totaled 79,900 tons, a 25.2 percent increase over 1978, and the amount of goods shipped by air totaled 123,400 ton-kilometers, a 27.2 percent increase over 1978. The volume of passengers totaled 3.5 billion man-kilometers, a 25.3 percent increase over 1978.

Ports. Prior to the liberation, the largest ship that could be docked in China was 10,000 tons. After the liberation, China completed the Tianjin New Port (1952), the Zhanjiang Port (1956), the Dalian Nianyuwan Oil Port (for ships of 100,000-ton class), the Qinhuangdao Oil and Coal Wharf, and the Huangpu Oil and Ore Wharf. Since 1973, China has established 42 deep-water berths to accommodate ships of over 10,000 tons, and has expanded and renovated the Shanghai, Huangpu, Dalian, Qinhuangdao and Qingdao ports to improve their mechanized loading and unloading facilities, thus enhancing their ship loading and unloading capacity. In 1979, the coastal ports in China loaded and unloaded a total of 212.57 million tons of cargo, surpassing that of 1978 by 6 percent. At present, many ports are open to foreign trade shipping. The number of foreign ships calling on China's ports totals over 10,000 a year.

Bridges. The old China built very few bridges. There was no bridge spanning the 10,000-li Changjiang, and there was only one highway bridge across the Yellow River, built by a French engineer. At the time of the liberation, the stone-arch bridge at Zhaozhou, built more than 1,300 years ago, was still the bridge with the largest span in China. After liberation, bridge construction developed by leaps and bounds. More than 30 highway bridges were built across the Yellow River. By now, there are about 128,000 highway bridges in China, totaling more than 3.2 million meters. With the exception of some of the bridges in forest areas which were built with timber, over 90 percent of highway bridges in China are of permanent structure.

Postal and telecommunications services. China has greatly developed its postal and telecommunications services in the past 30 years. The postal and telecommunications network now covers all the urban and rural areas in China. Telecommunications is advancing from relatively primitive to more sophisticated operations. The postal service has also advanced from backward and clumsy manual labor to mechanization and automation. With the successful development of coaxial cable, 1,800-channel carrier-wave systems, 960 channel microwave telecommunications systems, and the successful study and installation of such telecommunications facilities as fascimile transmitters, data transmitters, automatic switchboards for long-distance telephone and Chinese character decoders, the Chinese postal and telecommunications services have taken on a new look.

Since 1969, China has established a microwave telecommunications network having 600 microwave electronic-tube channels and 960 transistor channels for transmitting black-and-white as well as color television programs, and also providing telephone services between Beijing and 26 provinces, municipalities and autonomous regions. In addition, newspaper facsimile transmission services have been established between Beijing and 9 other cities including Chengdu, and one-way facsimile transmission service has been established from Beijing to Guangzhou.

Chinese postal routes total 4,812,000 kilometers, of which 30 percent, or a little over 1.4 million kilometers, is covered by motorized service. At present, China has about 50,000 postal and telecommunications offices, of which about 30,000 are in rural areas. About 60 percent of the communes in China now have their own postal and telecommunications offices. Some 4.26 million kilometers of the postal routes are in rural areas. China's rural telephone lines total 1.8 million kilometers. Of the Chinese communes, 99.8 percent have direct postal service. Postal and telecommunications services have shown tremendous development in China. The total business volume in 1979 amounted to 1.255 billion yuan, surpassing that of 1978 by 7.7 percent. Specifically, the increase in the volume of postal business amounted to 8.6 percent, that of telegraph, 5.9 percent, and that of long-distance telephone, 10.8 percent.

China has established direct postal services with more than 110 countries and regions, and direct telecommunications services with 47 countries and regions. China now has three satellite earth stations to maintain contacts with many countries. A 480-channel submarine cable was installed between China and Japan, starting communications service on 25 October 1976. A 16-line radio telephone service has been established between Peking, Shanghai and Tokyo.

[Article by Zhang Minliang]

International Trade and Economic Cooperation

Upon its founding, the People's Republic of China immediately abolished all the imperialist prerogatives in China, regained control over its customs operations, and adopted a policy to control its foreign trade. The state formulated its foreign trade policy according to an overall plan, so that foreign trade was carried out according to the national economic plan, on the basis of maintaining independence, keeping the initiative in our own hands, and conducting foreign trade according to the basic principles of equality, mutual benefit, and the exchange of goods according to each other's needs. Just as pointed out by Mao Zedong, we should "rely mainly on our own efforts while making external assistance subsidiary." Accordingly, on the basis of relying mainly on our own efforts, we may import some necessary advanced technology and equipment to speed up the development of our national economy.

In 1964, on behalf of the Chinese Government, Premier Zhou Enlai announced the 8-point Chinese foreign aid principle as follows: (1) The Chinese Government offers foreign aid consistently on the basis of equality and mutual benefit. It has never taken such aid as one-sided favor, but considers it as a mutual thing. (2) In providing foreign aid, the Chinese Government strictly respects the sovereignty of the recipient country, and extends aid with no strings attached and without any demands for prerogatives. (3) The Chinese Government offers economic aid in the form of interest-free or low-interest loans. Repayments for such loans may be prolonged to reduce the burdens of the recipient countries. (4) In offering foreign aid, the Chinese Government does not aim at foreign dependence on China, but rather at helping the recipient countries step on the road to independence through their own efforts and through development of their economy independently. (5) The Chinese Government tries its utmost to confine the projects with which it helps the recipient countries to those which require small investments but yield fast results to enable these countries to increase their income and accumulate wealth. (6) The Chinese Government offers its equipment and supplies of the best quality at negotiated prices according to international market prices. If the equipment and supplies fall short of the specifications and quality agreed on, the Chinese Government guarantees their replacement. (7) In offering any type of technical aid, the Chinese Government assures that the recipient countries' personnel will fully master the technology required to benefit from such aid. (8) The experts sent to the recipient countries by the Chinese Government will receive the same material benefits as the specialists of the recipient country, and are not allowed any special requests or benefits.

China has actively developed its foreign trade according to its foreign trade policy. From its founding to 1979, China had established trade relations with more than 170 countries and regions, and had signed a trade agreement with the European Common Market.

Beginning in 1957, China has held Chinese export commodity Trade Fairs in Guangzhou each spring and autumn. By 1979, 46 such trade fairs had been held. The number of people participating in such fairs, including foreign friends, overseas Chinese, Taiwan compatriots living in foreign countries, and compatriots in Hong Kong and Macao has increased from the 1,200-odd people from a little over 20 countries and regions at the first fair to more than 24,000 from more than 100 countries and regions. The variety of goods on display and the volume of trade also showed tremendous increase. Since its founding to 1978, the New China held almost [illegible] economic and trade exhibitions in more than 90 countries in Asia, Africa, Europe, America and Oceania. In the meantime, it also accommodated more than 110 consolidated and specialized exhibitions in China by more than 20 foreign countries. In 1978, the first farm machine exhibition was held in China under the sponsorship of 12 countries. These activities greatly promoted the development of foreign trade and economic cooperation between China and other countries in the world. In his "Government Work Report" delivered to the Second Session of the Fifth National People's Congress in June 1979, Premier Hua Guofeng said that in the new Long March to realize the four modernizations, China needs "a great development in its foreign trade."

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ECONOMY, FINANCE, BANKING, TRADE REVIEWED

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[Text] China Economy

[Article by Wei Liqun [7614 4409 5028]]

Readjustment and Development of the Chinese National Economy

In early 1979, based on the development of the national economy and existing problems, the party and government decided that after shifting the focus of work in the nation to the realization of socialist modernization, concentrated efforts be made in the next 3 years to readjust, restructure, consolidate and improve the national economy. The readjustment calls for readjusting the proportionate development of the various branches of the national economy which was undermined by Lin Biao and the "gang of four," so that the national economy can be developed in a harmonious manner, and so that a rational ratio will be maintained between accumulation and consumption. The restructuring calls for restructuring the entire economic management system step by step to bring the superiority of the socialist system into full play. The consolidation calls for properly reorganizing existing enterprises, particularly those which are suffering from bad management, so that all the enterprises will be on the right track in all their operations. The improvement calls for substantially raising production, technological, and management levels.

Through the implementation of this policy, remarkable successes were achieved in 1979.

1. Agriculture was realistically strengthened. In the implementation of the two documents, i.e. "Decision of the CCP Central Committee on Certain Problems Concerning Speeding up the Development of Agriculture" and "Work Regulations Concerning Rural People's Communes (Trial Draft)," sincere efforts were made to carry out the Party policy on rural economy and raise the purchase prices of agricultural and subsidiary products to bring about unprecedented prosperity in the vast rural areas in China. The state spent about 10.8 billion yuan to raise the purchase prices of agricultural and subsidiary products. This upward readjustment in prices was the largest since the founding of the New China. In addition, the agricultural taxes

of some areas were reduced or exempted, and the business taxes of all enterprises operated by communes and production brigades and teams were exempted, costing the state over one billion yuan. In the meantime, the state increased its investments in agriculture, thereby increasing the proportion of agricultural investment in capital construction investment as compared to that of 1978, and both the central and local authorities spent more money on agriculture than before. Furthermore, all industries and trades also increased their support to agriculture. All these factors contributed to the development of tremendous enthusiasm in agriculture by the broad masses of peasants, thus bringing about an overall increase in agricultural production. In 1979, the total agricultural output value amounted to 158.4 billion yuan, an increase of 8.6 percent over that of 1978, a bumper harvest year. Grain production totaled 664.23 billion jin, an increase of 54.7 billion jin over that of 1978; cotton totaled 44.14 million piculs, an increase of more than 0.8 million piculs; oil seeds, 128.7 million piculs, an increase of 24.34 million piculs; and the number of live hogs, was 319.705 million, an increase of 18.415 million. The output of sheep, poultry, eggs, and silkworm cocoons also increased to varying degrees.

2. The proportional relationships within the industrial sector began to improve, and there were initial successes in the reorganization of enterprises. In 1979, the central and local authorities adopted many measures to speed up the development of the textile and light industries, such as increasing their investments, providing more bank loans, supplying fuel and power on a priority basis, and importing quantities of raw and processed materials. The rate of growth in the textile and light industries throughout the nation was 9.6 percent, surpassing the 7.7 percent growth of heavy industry. The growth of the chemical fertilizer industry and other industries in support of agriculture also picked up speed. Initial successes were achieved in the readjustment and consolidation of industrial enterprises. Incomplete statistics compiled in 21 provinces, municipalities, and autonomous regions show that they closed, suspended, merged and converted 3,600 enterprises which were characterized by high consumption of raw materials, had inferior products or products with low consumer demand, and operated at a loss over a long period of time. Thanks to these readjustments and consolidations, industrial production in China began to develop in a realistic and steady manner. In 1979, the gross value of industrial output in China amounted to 459.1 billion yuan, an increase over that of 1978 by 8.5 percent. The output of 89 of the 100 major industrial products overfulfilled state plans ahead of schedule. Steel production amounted to 34.48 million tons, an increase of 2.7 million tons over that of 1978; power generation, 281.95 billion kilowatt hours, an increase of 25.35 billion kilowatt hours; chemical fertilizer (calculated on the basis of 100 percent effective components) 10.654 million tons, an increase of 1.964 million tons; and cotton yarn, 2.63 million tons, an increase of 0.248 million tons. There was an overall improvement in the economic and technical indicators in industrial production. According to statistics, the quality indicators showed improvement in 30 major products in the metallurgical, coal, petroleum, chemical, building material, textile, and light industries. Ten of the 11 major power grids in China achieved a frequency stability rate of over 99 percent. In the steel industry, the production of five steel products in short supply in China, including small shaped-steel products, wire rods, thin plates, welded steel pipe and high-grade shaped steel, accounted for 61.6 percent of the total output of steel products, a 22 percent increase over 1978. In the machine building industry, enterprises of the First Ministry of Machine Building Industry fulfilled plans for the trial production of 856 new products. This was a 12.5 percent increase over 1978, and the best showing in more than 10 years.

Remarkable successes were achieved in energy conservation. In 1979, some 23 million tons of coal, more than 1.5 million tons of fuel oil, and more than 6 billion kilowatt hours of electricity were saved through conservation. Although the increase in coal, petroleum and hydroelectric power amounted only to 3 percent in 1979, the growth rate of industrial production as a whole exceeded 8.5 percent. Outstanding results were also achieved in the development of communications, transportation, postal and telecommunications services. State plans for railway and waterway freight volumes were overfulfilled.

3. The capital construction front was shortened, and the results of investments improved. In 1979, the proportionate distribution of investments was suitably readjusted, so that more investments were made in agriculture and the textile and light industries. At the same time, more investments were made in nonproductive construction projects, such as workers' housing, municipal public utilities, and cultural, educational and public health construction projects. This improved the relationship between "flesh" and "bones." The investments in nonproductive construction projects accounted for 27 percent of the total investments of the state, topping that of the past 20 years since 1958. In 1979, 348 large and medium-sized projects were suspended or postponed in China. This enabled the state to focus its limited financial and material resources more on key projects and urgent projects, thereby improving the results of its investments. In 1979, 128 large and medium-size projects were completed, 29 more than in 1978. The proportion of capital construction investment represented by new fixed assets rose from 74.3 percent in 1978 to 83.7 percent. Because of the reduction in capital construction investment, plus the suitable reduction in accumulated funds in other fields, the rate of accumulation (that is, the ratio of accumulated funds to national income) dropped a little from the 36.6 percent of 1978.

4. The supply of commodities increased substantially, and market conditions in both urban and rural areas became more active. In 1979, commercial departments purchased commodities totaling 199.24 billion yuan, a 14.5 percent increase over 1978. The retail volume of social commodities totaled 175.25 billion yuan, an increase of 14.7 percent over 1978, or a real increase of 12.4 percent if price changes are taken into account. This was the largest increase in 20 years. In many medium-to-large cities, pork was obtainable in abundant quantities, and the supply of other non-staple food items also improved. More everyday industrial products were supplied to rural areas.

5. Economic and technical exchanges with foreign countries were carried out in many forms, and import-export trade grew substantially. In 1979, the volume of foreign trade totaled 45.5 billion yuan, an increase of 28 percent over 1978, of which the volume of exports totaled 21.2 billion yuan, an increase of 26.3 percent. During 1979, new avenues were opened in obtaining foreign investments and importing foreign technology, enabling us to gain some experience in this field.

6. New developments were achieved in science, education, culture, public health and sports. In 1979, successes were achieved in 2,790 major scientific and technological research projects, and 42 inventions were approved by the state. In addition, basic theoretical research reached advanced international levels in certain fields. The total enrollment of students in institutions of higher learning reached 1.02 million, an increase over 1978 of 164,000 and the highest level

ever. The total enrollment of students taught through television amounted to 280,000, and that in factory-operated colleges and spare-time colleges, 580,000. There were also developments in the fields of culture, public health and sports.

7. Some improvements were achieved in urban and rural living standards. In 1979, each peasant averaged an income of 83.4 yuan from the collective, an increase of 9.4 yuan over 1978. During 1979, the number of unemployed youths and other personnel placed in jobs in cities and towns nationwide, and the graduates from colleges and vocational schools given assignments by the state came to 9.026 million. Beginning in November 1979, more than 40 percent of the workers in China had increases in their wage scales or readjustments in their wage categories. Even with the labor force expanding noticeably, there was still a substantial increase in the average pay of personnel and workers. In 1979, the average pay of personnel and workers in the employment of units under ownership of the whole people amounted to 705 yuan, an increase over 1978 of 61 yuan. Further, some 62.56 million square meters of new living quarters were built for personnel and workers. This was the most housing built in any year in China's history, and enabled 5 million people to move into new living quarters.

8. With regard to the economic management system, some studies and reforms were carried out. Thousands of different enterprises engaged in trial runs to expand their autonomy, in which they were allowed to retain a percentage of their profits, increase the rate of depreciation of their fixed assets, expand their production, and regulate their production mainly by planning but also by market conditions. In foreign trade, a plan was tried whereby the enterprises concerned could retain a portion of their foreign exchange, and in capital construction, funds were obtained by units from bank loans on trial basis rather than from allocations by the state. Although these reforms were preliminary and partial, they yielded remarkable results and provided useful experiences for carrying out overall reform in the future.

The national economic readjustment carried out in 1979 yielded good results in many fields. In some cases, the results were better than anticipated. Naturally, the readjustment of the national economy is an onerous and complex task, and there are many problems to be solved. For instance, the production plans for cotton, beets and aquatic products for 1979 were not fulfilled, the readjustment and reorganization of industrial enterprises were carried out too slowly, there was no marked change in the low yield of investments some of the projects which should have been suspended or postponed were still being built, the reform of economic management system just started was in need of further progress, some localities and units increased their commodity prices arbitrarily or in a disguised form and thereby increased the burden of the masses in their daily lives, and too many bonuses were issued on much too egalitarian a basis. The Party and government are adopting measures to sincerely solve these problems in order to do a good job in fulfilling the tasks concerning the readjustment, restructuring, consolidation and improvement of the national economy.

Gross Industrial and Agricultural Output Value in China
(in billion yuan)

Year	Gross ind. & agri. output value	Gross agricultural output value	Gross industrial output value	Within gross industrial output value: Light ind. output value	Within gross industrial output value: Heavy ind. output value
	(Calculated in terms of 1952 constant yuan)				
1949	46.6	32.6	14.0	10.3	3.7
1952	82.7	48.4	34.3	22.1	12.2
	(Calculated in terms of 1970 constant yuan)				
1978	569.0	145.9	423.1	180.6	242.5
1979	617.5	158.4	459.1	198.0	261.1

[Article by Xu Jingan [1776 2529 1344]]

Reform of the Planned Management System

The planned management system came into being gradually in the course of the First Five-Year Plan. This system was characterized by stress on a high degree of centralization and unified leadership of the national economy. Under it, plans concerning the output of major agricultural and industrial products, the size of capital construction investment and most of the projects, allocation of the major means of production, income and expenditures by central and local financial authorities, number of new workers and total wage expenditures, purchase price and allocation of major consumer goods, prices for major industrial and agricultural products, etc., were all decided by the state and passed on to the local authorities and enterprises in the form of directives. Following the development of the national economy, this system became more and more detrimental to the development of enthusiasm on the part of the workers of the various localities, and thus hindered the development of productive forces.

In 1958, the planning system underwent some major reform according to the principle of "unified planning and level-by-level management," granting greater economic management authority to the provinces, municipalities and autonomous regions. Under this reform, once the fulfillment of state-assigned tasks was assured, the local authorities had the power to make overall arrangements for local construction and production, regulate and utilize local supplies, and make use of local funds. At the same time, the various provinces, municipalities and autonomous regions were responsible for bringing about a comprehensive balance in the plans of central and local enterprises within their jurisdictions. Subsequently, more reforms on the planned management system were carried out in 1961, 1964 and 1970. However, post-1958 reforms dealt primarily with the division of power between central and local authorities, without making any important change in the relationship between the state and enterprises. The state still exercised centralized power and controlled enterprises in a stifling manner. Enterprises lacked the necessary autonomy. The state determined what and how much each enterprise would produce, supply it with materials for production according to an overall plan, purchase all its products through state-operated supply units and commercial units, collect almost all its profits, approve its rebuilding and expansion, and allocate its investment funds. Furthermore, in carrying out planned management, the state seldom adopted economic measures or took advantage of economic organizations to bring the market and the law of value into full play. Obviously, without radically changing this planned management system which relied mainly on administrative organizations and measures for control, and without changing the financial system of complete control over all income and expenditures of enterprises, or the system of monopoly purchase and sales of commodities, it was impossible for the national economy to develop continuously at a sustained high speed.

After the downfall of the "gang of four," the CCP Central Committee and the State Council placed the overall reform of the economic management system on their agenda. They proposed changes in the guiding principles of the economic management system, namely, a combination of planned regulation and coordinating the system of market regulation, with the former playing the dominant role and the latter being given full play. Accordingly, the State Economic Commission, the Ministry of Finance, and the various provinces, municipalities and autonomous regions selected a number of enterprises beginning in 1979, carry out expanded autonomy on a trial basis. At the same time to, some changes were made in certain aspects of the planned management system. For instance, as long as an enterprise could assure the fulfillment of the state plan and its goods supply contracts, it could engage in the production of products of popular demand with its remaining fuel, power and raw materials according to the needs for production, construction and the needs of the market, and if it had surplus productive capacity it was permitted to engage in cooperation with other enterprises and in processing products supplied by customers. As for goods circulation, in addition to the method in which goods were allocated by the state, an enterprise was permitted to purchase needed supplies through contracts or through the exchange of supplies with other enterprises. After fulfilling state-assigned plans and goods supply contracts, if an enterprise had surplus products or new products produced on trial basis, it was permitted to market them through its own sales department or through other commercial or supply units. In the field of distribution, an enterprise could retain a certain percentage of its profits according to the ratio set by the state and use it for developing production, improving collective welfare, and issuing bonuses to the workers and personnel. These measures were the initial steps toward the reform of the planned management system. They would be improved step by step in the course of experimentation, so that the planned management system would be more and more in conformation with the objective laws of economics.

[Article by Chen Shengchang [7115 0524 2490]]

The Financial and Economic Commission of the State Council Sponsored Large-scale Economic Problem Study Activities

In late June 1979, the Financial and Economic Commission of the State Council convened a meeting of the responsible members of financial and economic departments and economic research institutions of the central government to arrange for carrying out the largest economic study and research campaign since the founding of the New China. This campaign aimed at directing the comrades who were engaged in practical and theoretical work to join hands in carrying out an overall and detailed study of the economic situation in China and submit their views based on systematically organized data for the reference of related authorities in making decisions on important issues, to pave the way for doing a good job in readjusting the national economy and carrying out a total reform of the economic system. After the meeting, the participants organized themselves into four groups: the economic system reform study group, the economic structure study group, the foreign technology adoption group, and the economic theory and method study group. Each group had a number of investigation and study units. The various industrial communications, financial, trade, agricultural, forestry and water conservancy departments and the various commissions of the State Council also established economic study teams headed by their responsible members to investigate and study existing problems in their own units.

The economic system reform study group aimed at formulating an economic system reform plan which was suitable for China and whose methods were thoroughgoing and could be applied step by step. In 1979, that group held many symposiums in which the participants drafted their "preliminary views on a general concept for economic system reform." In late 1979, members of the group visited Shanghai, Beijing, Tianjin, Sichuan, Liaoning and many other places to solicit views on this general concept and carry out investigations and study. In the course of formulating the general concept, the members also studied the orientation of the economic system reform, its initial steps, its main contents, and certain theoretical problems, such as the limitation to the extent of autonomy to be granted enterprises, the authority and responsibility problem arising from the practice of autonomy, the reliance on planned vs market regulation, and the relationship between administrative and economic measures in carrying out economic management.

The economic structure study group started to make preparations in August 1979 for carrying out a large-scale economic study. It convened 16 meetings of various sizes to hear reports by each of the departments and commissions on their economic structures; the changes, present conditions and the advantages and shortcomings of these structures; and the necessary conditions and methods for reforming unsound economic structures. In addition, the group also sponsored more than 30 symposiums to discuss existing problems in the economic structure in China, the factors contributing to unsound economic structures, and the ideas to reform them. Through this course of study, the group realized that in studying the overall economic structure in China, greater attention should be paid to the relationships between agriculture, the light industry and heavy industry, and between accumulation and consumption, with particular attention to the work of analyzing industrial structures. In each province and municipality, attention should be paid to the ways and means to fully develop local potential in the national economic structure. On the basis of these preparations, the economic structure study group carried out economic investigations in Jiangsu, Shanghai, Sichuan, Heilongjiang, Liaoning, Guangdong and Shanxi, and came forward with 26 investigation reports. After that, the group embarked on the work of analyzing and summing up the history, the present conditions and the future of the Chinese economic structure. In 1980, members of the group will participate in the investigation and research work for formulating a long-term plan for the development of the Chinese national economy under the sponsorship of the State Planning Commission.

The foreign technology adoption study group first held meetings with members of industrial, communications, national defense, capital construction, agricultural, forestry, financial, and trade departments and the State Planning Commission and the State Scientific and Technological Commission to study their adoption of foreign technology. It also asked the foreign trade authorities to brief its members on Chinese export trade and the problems and prevailing conditions concerning the import of foreign technology. The study group drafted a questionnaire, covering problems concerning transnational corporations, foreign investments, joint ventures, the adoption of foreign technology, and the expansion of exports. It has written a number of study reports.

The economic theory and method study group was divided into two groups: the theory study group and the method study group. In 1979, they sponsored a series of seven forums on foreign economics. The theory study group also convened a series of symposiums with instructors of institutions of higher learning, economic research workers and economic department officials to study a number of important theoretical problems which had come up in their researches. In addition, it also sponsored 10 symposiums in 1979 on economic theoretical problems concerning urban collective ownership. In early January 1980, it convened at Shenyang the first national urban collective ownership economic theoretical symposium, and a rural collective ownership economic theoretical problem symposium was convened by it in October 1979. Beginning in November 1979, the theory study group started a biweekly symposium to discuss state ownership economic theoretical problems, which continued until the spring of 1980. The method study group sponsored a planning methodology symposium, and formed a statistical methodology team, an accounting methodology team and a technical economic methodology team to study problems in these fields.

[Article by Wang Yongyin [3769 3057 6892]]

State-operated Economy

The state-operated economy in China is a socialist economy under ownership of the whole people, occupying a leading position in the national economy of China. In 1949, the production value of state-operated industries accounted for 26.3 percent of the gross value of industrial output in China. The state-operated economy accounted for 97 percent of the output of steel in China, 92 percent of pig iron, 68 percent of raw coal, 58 percent of electric power, and 49 percent of cotton yarn. By 1950, the state-operated economy accounted for 6.9 percent of the total socialist commodity retail value. At the same time, the state opened a number of large-scale state farms in Xinjiang, Heilongjiang, Hainan Island and Zhanjiang Peninsula. The establishment of the state-operated economy was an important factor enabling the national economy of the New China to recover and take a turn for the better quickly. It constituted the material foundation for the successful completion of the socialist reform of agriculture, handicraft industry and capitalist industry and commerce. In the past 30 years, thanks to the gradual transformation of private industry and commerce to enterprises of public ownership and also thanks to the planned rebuilding and expansion of old enterprises and the erection of many new enterprises by the state, the state-operated economy has shown great development. In 1978, the fixed assets of state-operated enterprises were 17.6 times greater than in 1952. In 1979, the number of personnel and workers of units under the ownership of the whole people totaled 76.93 million, an increase of 8.6 times over that of 1949. The proportion of state-operated economy enterprises in the entire national economy continued to grow. By 1979, the output value of state-operated industry accounted for 81 percent of the gross value of industrial output in China, and the state-operated commerce retail value accounted for 82.7 percent of the total socialist commodity retail value in China. The financial income provided by state-operated economic enterprises increased from 33.4 percent of the total income of the state in 1950 to 86.1 percent in 1979.

Over a long period of time, due to the fact that the state controlled all the income and expenditures of enterprises and purchased and marketed all their products, and exercised too much, too detailed, and too rigid control over them, the enterprises had no authority to improve their production management, and there was no incentive for their personnel to improve economic results. To change this, the state decided in 1979 to adopt positive steps to reform the management system of state-operated enterprises. Essentially, the reform was to let enterprises enjoy greater autonomy in their production, marketing, financial affairs and labor management within the framework of the state plan, and allow them to retain a fixed percentage of their profits and adopt the bonus system, thereby linking the success or failure of the operations of the enterprises to the incomes of the enterprises and their personnel and workers. This reform was carried out among a number of the enterprises on trial basis with remarkable results in 1979.

[Article by Liang Xiufeng [4731 4423 1496] and Li Jianli [2621 1696 4539]]

Agricultural Collective Economy

The agricultural collective economy was generally formed and developed through the following stages: from mutual-aid teams to elementary agricultural producers' cooperatives to advanced agricultural producers' cooperatives and then to the people's communes. By the end of 1956, in the surging agricultural cooperative campaign, the agricultural economy in China had completed its transition from an individual economy to a collective economy, and by the end of 1958, the people's communalization was completed. In 1979, there were a little over 52,000 rural people's communes in China, embracing more than 170 million households composed of more than 800 million people, including more than 300 million laborers.

The agricultural collective economy in China developed through a course of gradual growth and improvement, and it occupies a very important position in the entire national agricultural economy. Large-scale capital construction was carried out in China after the completion of the transformation to agricultural cooperatives and communalization. The irrigated acreage in China increased from the 400-odd million mu in 1957 to 700 million mu in 1979. More and more farm machines were used. By 1979, the people's commune collective economy had almost 600,000 large and medium-sized tractors, more than 5 million motor-driven irrigation units, and more than 60,000 trucks. Some of the more advanced people's commune in the suburbs of large and medium-sized cities had basically achieved mechanized farming. Thanks to improvements in production conditions and in management, the people's commune collective economy made great strides, and with the development of agriculture, they could contribute more and more to the socialist construction of the state. In 1979, over 90 percent of the grain, cotton, oilseeds and other principal agricultural products purchased by the state were provided by the people's commune collective economy. Following the consolidation and development of the collective economy, members of the people's communes gradually improved their standards of living. In 1979, each commune member averaged 83.4 yuan in income from the collective to which he belonged.

The rural people's commune in China is a socialist economic organization under the collective ownership of the laboring masses engaging in agricultural, forestry, animal husbandry, subsidiary and fishery production, and combining agriculture with industry and commerce in its operations. The basic task of a rural people's commune is to follow the line, principles and policies of the party and government to continually consolidate and develop the socialist collective economy, centering on rural production and construction, and gradually improve and raise the material and cultural livelihood of the commune members on the basis of the development of production. In the meantime, the people's commune should supply more grain, industrial raw materials and other agricultural and subsidiary products in support of the socialist economic construction of the state.

The policy of agricultural production by the people's commune is to achieve overall development, taking food grain as the key link; develop production according to local conditions, have an appropriate degree of centralization, pay equal attention to the development of agricultural, forestry, animal husbandry, subsidiary and fishery production with emphasis on different areas of production in different regions. In food-grain producing areas, the main efforts should be devoted to grain production, with suitable arrangements for the production of economic crops as well as forestry, animal husbandry, subsidiary and fishery production. In forest areas, pastoral areas and fishing areas, the main efforts should be on forestry, animal husbandry and fishery production, respectively. Economic crop areas should engage mainly in the cultivation of economic crops. Suburban areas should devote their main efforts to the production of vegetables, fruits, livestock, poultry and aquatic products. While making great efforts to develop agricultural production, the people's commune collective economy should also develop, according to local resources and social needs, processing industry for agricultural and subsidiary products as well as the mining, construction, farm-machine, and transportation industries to advance the interests of agricultural production, the people's livelihood, large industries and export trade.

The people's commune collective economy practices the socialist principle of distribution, "from each according to his ability, and to each according to his work." As long as the development of the collective economy is not adversely affected, it is permissible for commune members to farm their small private plots and engage in household subsidiary production. The people's commune practices the three-level administrative system, i.e. the means of production are owned at the commune level, the production brigade level and the production team level, with the production team as the basic accounting unit. Under the premises that they uphold the socialist orientation and are guided by the state plan, the collective economic units of a people's commune have the authority to carry out their own operations, cultivate crops according to local and seasonal conditions, adopt measures for increasing production, determine their own management methods, distribute their own products and cash income, and reject the unwise directives of any leading organ or leading individual. All major issues involving a collective economic unit should be determined by its membership in general meetings in commune congresses.

[Article by Zhuang Qidong [5445 0796 2639]]

Urban Collective Ownership Economy

The urban collective ownership economy is an integral part of the Chinese socialist economy. It occupies an important position in the entire national economy, and is playing a more and more important role. In 1979, the total number of workers of the urban collective ownership economy accounted for 22.8 percent of the total number of workers in China, its number of industrial enterprises accounted for 28.1 percent of the total number of industrial enterprises in China, and its output value was 13.9 percent of the gross industrial output value in China. It accumulated some 10 billion yuan for the state, and its business volume accounted for a great percentage in the total retail sales volume and the total foreign trade volume in China. At present, the urban collective ownership economy deals mostly with industry, but also with construction, agriculture, forestry, animal husbandry, subsidiary production, fishery, communications, transportation, commerce, restaurants, service industry, culture, education, and public health. Its enterprises and business units are now distributed in all branches of the national economy.

The urban collective ownership economy has developed in China in the following four stages, giving rise to four basic types of economy.

In mid-1950s, in the course of the socialist reform of the handicraft industry, handicraft producer mutual-aid teams and cooperatives were established. By now, most of them have been developed into enterprises or cooperative plants under ownership of the whole people, becoming the mainstay of the second light industry in China.

In the late 1950s, the urban people started to establish neighborhood factories and production teams with funds raised by themselves. By the end of 1979, the total number of industrial enterprises under urban neighborhood collective ownership amounted to 36,412, with a total value of production of 7.87 billion yuan.

In the late 1960s, government organizations, educational institutions, PLA units, and industrial plants started to establish household factories operated by the dependents of their members. By the end of 1979, there were 6,766 such household factories, with a gross output value of 1.3 billion yuan.

In 1979, the educated young people and other urban people started to establish urban producer service cooperatives and other types of neighborhood enterprises. By the end of 1979, the number of personnel and workers of the enterprises under urban collective ownership totaled 22.735 million, the number of such enterprises totaled 99,679, with a gross output value of 63.72 billion yuan. Compared to that of 1978, the number of personnel and workers of enterprises under urban collective ownership showed an increase of 11.0 percent, and the gross output value of these enterprises showed an increase of 5.8 percent.

1979 was characterized by the coordination of the development of the urban collective ownership economy in with the work of finding jobs for the unemployed young people in urban areas. In 1979, the enterprises and business units under urban collective ownership nationwide employed 6,308,000 or 75 percent, of the unemployed young people (of whom 2,090,000 were temporary employees) in urban areas.

In 1979, the number of commercial units, restaurants and service units and their personnel and workers showed tremendous increases. This greatly improved the living conditions of the urban people and changed the irrational structure of the urban economy in China. By the end of 1979, the number of personnel and workers of retail shops, restaurants and service units under urban collective ownership in China totaled 2,594,000, a 22.8 percent increase over 1978.

In 1979, the urban collective ownership economy played an important role in advancing the interests of foreign trade. The foreign exchange earned from the export of products of the second light industry produced mainly by the industrial enterprises under urban collective ownership totaled US$2.35 billion, a 40.7 percent increase over 1978.

At present, the CCP Central Committee is embarking on formulating policy provisions governing urban collective ownership industries to facilitate greater and faster development of the urban collective ownership economy in the 1980's.

[Article by Liang Xiufeng [4731 4423 1496] and Li Jianli [2621 1696 4539]]

Rural Commune Household Subsidiary Production

Rural commune household subsidiary production is a type of small-scale production engaged in by rural people's commune members after fulfilling their collective labor assignments. This type of production is done by such members during their spare time and during the slack season in agricultural production, tapping the labor potential of their households, taking full advantage of their individual skills, and using the means of production belonging to the collective or themselves. This kind of production is subordinate to the collective economy and complementary to the socialist economy. It also has some of the characteristics of an individual economy and is an important aspect of the economic activities of the commune households.

The party and government has encouraged and supported the household subsidiary production by commune members, according to their long-term economic policy. At the Third Plenum of the 11th CCP Central Committee, it was approved in principle the "Rural People's Commune Work Regulations (Trial Draft)" which provides that, "The household subsidiary production of people's commune members is a necessary supplement to the socialist economy. As long as the development of the collective economy is not adversely affected, the commune members have the right to engage in household subsidiary production without unreasonable interference from any unit or individual." The commune member household subsidiary production is mainly done in the following ways: (1) Cultivate the private plots assigned by the collective (The total acreage of private plots generally accounts for from 5 to 7 percent of the cultivated acreage of the production team concerned.) In pastoral and mountainous areas, some private animals are allowed. (2) Raise such livestock or poultry as pigs, sheep, rabbits, chickens, ducks, and geese. Where practical, commune households may also raise milk cows or beef cattle. (3) Engage in such subsidiary production as matting, embroidery, wild herb collection, fishery, hunting, sericulture and bee-keeping. (4) Raise fruit trees and bamboo around homes.

With agricultural production in China still not at a high level, the commune household subsidiary production can play an important role toward developing the rural economy and increasing the income of commune members. It is beneficial to the development of agricultural production, accounting for one-fifth of the total value of agricultural production in China. It is beneficial to increasing the living standards of the commune members, accounting for one-fourth of the net income of the commune members. It is beneficial to the socialist economic construction of the state, accounting for 90 percent of the pigs, poultry, eggs and other animal by-products purchased by the state. It is beneficial to the rural economy, providing most of the commodities on sale at rural marketplaces and fairs. It is also beneficial to the livelihood of the commune members, enabling the commune members to become self-supporting in livelihood. From this it can be seen that the active development of commune household subsidiary production in the meantime with the development of the collective economy will benefit the state, the collectives and the commune members alike. For some time to come, commune household subsidiary production will most assuredly continue to develop along with the development of the collective economy, although some changes may occur with regard to the makeup of commune household subsidiary production and its place in the rural economy.

[Article by Liu Hong [0491 3163]]

Shenzhen and Zhuhai Special Export Zones

Shenzhen and Zhuhai municipalities are adjacent to Hong Kong and Macao, giving them many advantages in producing exportable products, processing products supplied by customers, and engaging in assembling items. The Chinese government decided to establish Shenzhen and Zhuhai as two special export zones on a trial basis, hoping to develop these two municipalities, beginning in 1979, into advanced agricultural-industrial export commodity producing bases in 3 to 5 years, and into attractive sight-seeing spots for tourists from Hong Kong and Macao. The special export zones are controlled under the premise of upholding Chinese sovereignty, enforcing Chinese laws and decrees, practicing Chinese foreign exchange and customs control, so that a number of special policies and flexible measures can be applied. In these special zones, it is permissible for overseas Chinese, Hong Kong and Macao merchants, and foreign industrialists and merchants to make investments and establish plants. It is also permissible for them to establish joint ventures to operate enterprises or tourist facilities. Foreign investments are under the protection of Chinese law. The profits of foreign investments may be remitted to foreign countries according to established rules and regulations, after all taxes are paid. A system of preferential tariffs is applied to the imported goods and exported commodities for and from the special zones. During the period 1979 to 1981, the taxes and profits obtained in the special zones will not be turned over to the state, but used to repay loans and to develop the various undertakings there. To do a good job in establishing Shenzhen and Zhuhai special zones, Guangdong authorities are doing the following: (1) formulating specific management rules and regulations governing the special export zones and (2) formulating the overall construction plans for the two municipalities, including the establishment of bases for exporting fresh and live products, and the construction of processing enterprises for export, hotels, restaurants, department stores, municipal highway facilities, and electric power stations. At present, some of the construction projects such as the Shekou industrial area construction project at Shenzhen have already been started.

Finance

[Article by Li Hai [2621 3189] and Wang Chengyao [3769 6134 1031]]

The 1978 National Final Accounting and 1979 National Budget of China

The 1978 national final accounting of China showed that in 1978 the annual financial income was 112.111 billion yuan, and annual financial expenditure 111.093 billion yuan, with a favorable balance of 1.018 billion yuan, thereby achieving the goal of striking a balance, with a small surplus. Compared to that of 1977, the financial income showed an increase of 28.2 percent, and the financial expenditures, 31.7 percent. Thanks to the efforts made in 1977 and 1978, the financial situation in China has changed from a state of stagnation and decline during the period when the "gang of four" was riding high, to a state of substantial increase in income; and from a state of difficulty and deterioration to a state of continual growth in fiscal resources, basically meeting the needs for the development of construction. This was a general reflection of the rapid recovery of our national finance and economy.

The substantial increase in financial income in 1978 was achieved as a result of the quick recovery and development of agricultural and industrial production, and the fact that relentless efforts were made to consolidate the enterprises and bring about profits instead of losses in their business operations. Of the total income, that from industrial and commercial taxes amounted to 45.1 billion yuan, an increase of 12.6 percent over that of 1977, and that from state-operated industrial enterprises 44.0 billion yuan, an increase of 35 percent. Deficits in industrial, communications, commercial, and agricultural enterprises were reduced by 2.6 billion yuan in 1977, and by another 3.25 billion yuan in 1978.

1978 Major Expenditures

Item	Expenditures (billion yuan)	Increase over that of 1977
Capital construction allocations	45.192	50.2%
Capital for development of potential and reform of enterprises, floating capital, geological prospecting expenditures, and industrial, communications, and commercial expenditures	16.778	22.6%
Expenditures for people's communes and agricultural expenditures	7.695	51.8%
Cultural, educational, public health, and scientific research expenditures	11.266	24.9%
National defense and war preparedness expenditures	16.784	12.6%
Administrative and management expenditures	4.908	13.3%

The increase in financial expenditures promoted the development of production, construction and other undertakings, and the improvement of the living conditions of the urban and rural people. Throughout the country, some 40 percent of the personnel and workers enjoyed increases in their wage grades, and an additional 20 percent enjoyed increases in pay to different degrees. In addition, a large number of personnel and workers had bonuses. By the end of 1978, as a result of wage readjustments, the personnel and workers in China enjoyed a total increase in pay of 2.75 billion yuan. The peasants enjoyed a total increase in income, from the distribution of income by their collectives, of 13.7 percent.

The 1979 national budget was adopted at the Second Session of the Fifth National People's Congress held on 1 July 1979. Total income and total expenditures were both 112.0 billion yuan, striking a perfect balance.

The total budgetary income for 1979 was at the same level as that in the national final accounting for 1978. This was because the 1979 income had already had deducted from it all the factors which would adversely affect it, such as the increase in the purchasing prices of agricultural and subsidiary products, the readjustment of the wages of some workers, and the reduction and exemption of some agricultural taxes. Also deducted was the capital needed to expand employment and implement the enterprise reserve fund system on a trial basis. All these factors amounted to a reduction in income of 16.6 billion yuan. If calculated on the basis of 1978 specifications, the annual income of 1979 should be 128.6 billion yuan, a 14.7 percent increase over 1978.

1979 Major Expenditures

Items	Expenditures (billion yuan)
Capital construction allocations	39.00
Expenditures for supporting people's communes and other agricultural undertakings	7.05
Capital for developing potential and reforming enterprises, and for trial production of new products	5.60
Additional allocations of floating capital for enterprises and bank credit funds	4.90
Cultural, educational, public health and scientific research expenditures	12.08
National defense and war preparedness expenditures	20.23
Foreign aid expenditures	1.00
National reserve funds	1.60

Financial income and expenditures for 1979 were arranged according to the policy, tasks and demands of readjusting the national economy, primarily:

1. Readjust the ratio between accumulation and consumption, and shorten the capital construction front. The proportion of allocations for capital construction in the budget was reduced from 40.7 percent in 1978 to 34.8 percent in 1979. At the same time, on the basis of developing production, the wages of some personnel and workers would be readjusted, the scope of employment expanded, the purchasing prices for agricultural and subsidiary products increased and the living standards of the people improved.

2. Readjust the proportionate relationships among agriculture, light industry and heavy industry, and strengthen the support for agriculture. In the field of capital construction investment, the ratio of investment in agriculture was increased from 10.7 percent in 1978 to 14 percent. This investment, plus the other items such as expenditures for supporting the rural people's communes, funds for agricultural undertakings, expenditures on rural areas disbursed from the floating funds of enterprises and from social relief funds, agricultural loans from banks, and the reduction in state income caused by the increases in the purchase prices of agricultural and subsidiary products and by the reduction and exemption of rural taxes, came to something over 24 billion yuan which was invested by the state in the development of agriculture in 1979. This high figure was unparalleled since the founding of the New China.

3. Concentrate industrial investments on the textile and light industries, the fuel and power industry, the building materials industry, and the communications and transportation industry. In 1979, the ratio of investment in the textile and light industries increased from 5.4 percent in 1978 to 5.8 percent. In addition, some capital and foreign exchange was allocated as loans for the adoption of new technical measures in support of the development of the textile and light industry. Furthermore, ample investments in the fuel and power industry and the communications and transportation industry were assured.

[Article by Li Cheng [7812 1004]]

The Reform of the Financial System

For improving the readjustment of the national economy, a trial reform of the financial system was carried out in 1979. On 13 July 1979, the State Council promulgated five documents on the reform of the management system over state-operated industrial enterprises. In these documents, the following concerned the reform of the financial systems between the state and state-operated industrial enterprises:

1. Enterprises may now retain a certain percentage of their profits. This is a change from the practice of the enterprises getting their operational funds from the state on the basis of the total wages of their personnel and workers, and is a system directly associating the degree of success in operations and the development of production with the material well being of the personnel and workers. Under this system, the enterprises are permitted to retain a percentage of their profits based on their trades and their actual conditions. The enterprises may

use the profits retained by them as funds for the development of production, for the improvement of the collective welfare of their personnel and workers, and for issuing bonuses.

2. The depreciation rate of fixed assets has been gradually increased and the utilization of funds set aside for such depreciation has been liberalized. It is permitted to gradually increase the rate of depreciation to a rational proportion on the basis of profit increases. A larger portion of the funds set aside for depreciation is controlled by the enterprises themselves, and a smaller portion by the supervisory organizations concerned. Unused depreciation funds should be deposited in banks under a special account. The enterprises may use their bank deposits from depreciation funds and from their retained profits as collateral to get loans from banks to meet the needs for tapping potential and carrying out renovations or reform when necessary.

3. A system of compensation for the use of fixed assets has been adopted. Enterprises must pay a fixed-assets tax to the state according to the fixed assets in their use. These fixed assets may be sold or rented by the enterprises, but the proceeds obtained therefrom must be used for purchasing other necessary fixed assets.

4. A credit system for meeting all the needs for floating funds has been adopted. Enterprises get loans from banks to meet all their needs for floating funds. With regard to fixed funds, they should be authorized by the financial authorities in conjunction with the supervisory organizations concerned, and be obtained as loans from banks at low interest from allocations made by state finance. With regard to the above-quota funds needed by enterprises for seasonal use, they should be met with loans from banks at medium interest. Bank loans to enterprises for enabling them to overstock capital should be extended at high interest.

The various provinces, municipalities and autonomous regions and certain departments of the central government may select a small number of industrial and communications enterprises to put into practice the above measures on a trial basis, before applying them actively and steadily on a larger scale when sufficient experience is gained. In the case of the localities and departments which have already put into new systems of their own on a trial basis, they should all reorient their systems according to what is stipulated in the five documents issued by the State Council.

In 1979, the State Council also issued "Provisional Regulations Governing Capital Construction Loans," stipulating that capital construction funds should be met with loans from construction banks rather than from allocations from state finance. This will encourage the loan-receiving units to arrange their construction projects more carefully and carry them out more cost consciously to speed up their construction programs.

With regard to state farms, the state adopted the system of total financial responsibility to strengthen economic accounting, improve management, and give full play to economic organizations and measures.

In 1979, the state studied and made arrangements for the reform of the financial system between central and local authorities. In most areas in China, the system of "balancing expenditures against incomes, and sharing the total" was continued. To encourage the local authorities to overfulfill their tasks, it was stipulated that with regard to the overfulfilled portion, the percentage to be shared by the local authorities concerned would be raised to 50 percent if their regular share was 30 percent, and be raised by an additional 10 percent if their regular share was 50 percent or more. In Jiangsu Province, the system of "balancing expenditures against incomes and sharing the total at a fixed ratio to be maintained for 3 years" was continued on a trial basis. In minority autonomous areas, the existing financial system for minority autonomous areas is still in effect.

[Article by Ding Yi [0002 0044]]

Commune Finance System in Trial Practice

The commune finance system is an integral part of the local financial system of the state. It embodies the distribution relationship of state finance within the framework of the people's commune, and takes part in the distribution and redistribution of the commune collective economy. The establishment of the commune finance system is a kind of reform for improving the rural basic-level financial management system.

According to the prevailing financial system, the communes in most localities are not charged with the responsibility of handling the financial income of the state nor of managing the various expenditures. They are responsible only for receiving and reporting their own administrative expenditures, exercising no financial power themselves. Following the rapid development of agricultural, forestry, animal husbandry, subsidiary and fishery production and that of the enterprises and business units of the people's communes, the state has increased its financial income and expenditures from year to year in dealing with the commune collective economy. At present, of county-level income and expenditures, 50 percent of the budgeted income and from 50 to 70 percent of the expenditures, including all administrative, cultural, educational and public health expenditures and an overwhelming portion of the capital expended in support of agriculture are transacted at the commune level. In localities where the commune finance system has been established, the local authorities must care not only for the budgetary income and expenditures of the state within the framework of communes, but also for the financial work of communes and commune-operated enterprises and undertakings. Generally speaking, these local authorities have adopted the system of "placing the commune finance under a unified leadership, combining vertical control with lateral control, and combined management of income and expenditures." In this way, the various expenditures which used to be allocated from county-level supervisory departments which exercised full control are now placed under the joint control of the county and commune authorities. The commune-level financial cadres and tax collectors who used to handle only the collection of taxes are now handling both the taxes and the profits, and both the income and expenditures. In this way a commune is able to make overall arrangements for all its budgeted income and expenditures and make the best use of all its funds, including the funds it has raised on its own, bank loans, and funds allocated by the state in support of agriculture.

The trial establishment of the commune finance system has gone through a course of developing from individual points to whole areas. The commune finance system was first established at Luohan Commune of Huangpi County of Hubei Province in 1970, then at Qingshiling Commune of Gai County of Liaoning Province in 1972, and then at Mazhao Commune of Zhouzhi County of Shaanxi Province in 1973. In December 1977, the Ministry of Finance convened at Huangpi County of Hubei Province a 10-Province Commune Financial Work Report Meeting to sum up and exchange experiences, and discuss and study the tasks, systems and structures of the commune finance arrangement. By 1979, the commune finance system was established on a trial basis in 19 provinces and autonomous regions, of which Hubei, Liaoning, Shaanxi, Hunan, Jiangxi and Jilin had the commune finance system established province-wide.

[Article by Wang Chengyao [3769 6134 1031]]

1979 Tax Revenue

China's tax revenue in 1979 was quite good. Although the state reduced to a further extent its rural taxes and reduced and exempted some other taxes in substantial amounts in 1979, the actual income from taxes still overfulfilled the state plan. With the exception of some individual taxes, the income from all taxes increased to varying degrees over that of 1978.

Tax revenue in 1979 accounted for one-half of the total budgeted state income. Of the total tax revenue, industrial and commercial taxes accounted for 78.5 percent, industrial and commercial income taxes 8.3 percent, customs duty 5.5 percent, agricultural (animal husbandry) taxes 5.4 percent, and from salt tax 1.8 percent. Various other industrial and commercial taxes, such as slaughter taxes, license taxes, real estate taxes, livestock trade taxes, and marketplace taxes amounted to an aggregate 0.5 percent.

Almost all the taxes in 1979 were paid via the socialist economy. Commercial, industrial, and other taxes paid by state-run enterprises accounted for 76 percent of all commercial, industrial, and other tax revenue, and of this, commercial and industrial taxes accounted for 84 percent of all commercial and industrial tax revenue. Commercial, industrial, and other taxes paid by the collective economy accounted for 23.4 percent of all commercial, industrial, and other tax revenue, and of this, the commercial and industrial taxes accounted for 15.7 percent of all commercial and industrial tax revenue.

[Article by Wang Chengyao [3769 6134 1031]]

Taxation System Reform

In the 30 years since the founding of the New China, the taxation system has undergone four major reforms. The first reform occurred in 1950 when the tax administration was unified under a new taxation system. At that time, there were fourteen taxes under the national unified taxation system. The state adopted a multiple taxation system where "many taxes were levied many times." As a result, industrial and commercial enterprises had to pay taxes at various production and marketing stages, and some of these taxes were levied repeatedly. The second reform was carried out in 1953, according to the principle of "simplying the taxation system while guaranteeing the tax revenues." Under this system, while the total amount of taxes remained basically the same, many taxes were combined and the tax levying measures were simplified. At the third reform carried out in 1958, the industrial and commercial taxes were further reformed. With little or no change in the tax burden as a whole, more taxes were combined, and the taxation rates and levying methods were simplified. In this reform, the industrial and commercial combined tax, the surtaxes, the urban realty taxes, the vehicle and vessel license taxes, and slaughter taxes were all combined into one single tax--the industrial and commercial tax. Under this system, state-operated enterprises were required to pay only one tax--the industrial and commercial tax (or salt tax)--and collective enterprises were required to pay only the industrial and commercial tax and the industrial and commercial income tax.

At the 1979 National Financial Conference and the National Taxation Conference, it was held that this overly simplified taxation system and the unified levying method were incompatible with production operations, cost control, economic responsibility and cost-effectiveness of the enterprises, nor with the complex economic conditions, making it difficult to bring the role of taxation as an economic lever into full play, and adversely affecting the development of foreign trade and the economic reform in China. For this reason, it was necessary to carry out a major reform of the taxation system. This reform was based on the principle of "developing the economy and assuring supplies," following objective economic laws, broadening the taxation avenue, and relying on taxation to regulate the incomes of enterprises. This would enable taxation to act as a lever in regulating the economy. In setting up a taxation system, it was necessary not only to study the existing taxes from an overall viewpoint, readjust them and make new laws accordingly, but also to revive some old taxes. In addition, some new taxes were adopted according to actual needs, so as to have taxes designed for different purposes which could complement one another while also playing their unique roles.

Tax reform is a task involving a wide field and is strongly policy oriented. It can only be carried out in order of relative importance and within our subjective capabilities, in coordination with the reform of the entire economic and financial system, by stages and in groups. The following is an important tax reform being carried out on a trial basis: On 13 July 1979, the State Council issued a decree to levy a fixed-assets tax on state-operated industrial and communications enterprises, requiring compensation from these enterprises for their fixed assets. This aimed at requiring the enterprises to shoulder necessary economic responsibilities and promote the usefulness of their fixed assets. This tax is levied on the basis of the original value of the fixed assets concerned, amounting to from 0.2 to 0.5 percent each month, according to different trades. In certain cases, this tax might be reduced, exempted, or doubled, as the situation calls for. Before the formal promulgation by the state of the fixed-assets tax law for state-operated enterprises, this tax is to be levied provisionally as a fixed-assets utilization tax among state-operated enterprises which have been granted greater autonomy on a trial basis. Wider application of this tax is to be carried out after sufficient experience is gained.

[Article by Wang Chengyao [3769 6134 1031]]

Tax Reductions and Exemptions to Promote the Development of the Collective Economy

In the past 2 years, the state has adopted a series of measures to reduce and exempt taxes to promote the development of the collective economy. One of the important measures was adopted in 1978 when the State Council approved and promulgated the "Report on the Question of Reducing Rural Taxes" by the Ministry of Finance.

Beginning in 1979, taxes on the rural collective economy were further reduced. The following were the main points:

1. With regard to industrial and commercial taxes, in the case of new commune or brigade enterprises which would have difficulty paying taxes during the early stages of their operations, the exemption of their industrial and commercial taxes would be extended from the 1 to 2 years as provided by the old regulations to from 2 to 3 years. This did not apply to such high-tax goods as tobacco, liquor, and cotton yarn. The minimum tax level was raised from the original 600 yuan to 3,000 yuan, with no tax levied on income under this and 20 percent tax on income above that limit. In minority areas where a four-tiered, progressive industrial and commercial tax was levied on a trial basis, the minimum tax level was also raised to 3,000 yuan. For enterprises operated by communes and production brigades and teams in frontier counties and minority national autonomous countries and banner, the period of tax exemption was extended to 5 years, beginning 1979. Old revolutionary bases (such as Northern Shaanxi) still suffering from economic difficulty and in which commune and brigade enterprises needed exemptions from industrial and commercial income taxes could report their cases to the State Council for approval.

2. With regard to agricultural taxes, for all production teams in low-yield areas where the average per capita grain ration was below the minimum level, agricultural taxes were to be exempted. With regard to the minimum agricultural income for taxation, each province, municipality and autonomous region should adopt its own standard on the basis of giving due consideration to the interests of the state, the collectives and the individuals, and according to the grain ration standards set by the state and other related rules and regulations, subject to the approval of the State Council. Reductions in or exemptions from taxes as required by minimum tax levels, after approval by the State Council, should be implemented level by level in those units needing such exemptions. No unit may be excluded. Otherwise, these localities would be taken as violating financial and economic discipline.

The implementation of the new rules and regulations governing the reduction and exemption of taxes will benefit the rural areas in China by a total of more than one billion yuan. This would be a great help to the work of promoting the development of enterprises operated by communes and production brigades and teams, consolidating the rural collective economy, speeding up the modernization of agriculture, promoting agricultural development and improving the living standards of the peasants.

In addition, the state also adopted some new regulations governing the reduction and exemption of taxes in the urban collective economy, taking into consideration the interests of the state, the collectives and the individuals. For instance, to help the employment of educated urban youths, all new collective enterprises will be exempted from income tax for a year from the first month of their productive operations. Enterprises still in difficulty after one year will be given further consideration. (In rural areas, all the farms and teams which were set up for the sole purpose of finding employment for the educated youths will be exempted from industrial and commercial taxes and industrial and commercial income taxes for the period from 1979 to 1985, whether or not they were newly established.) With regard to cooperative stores, surtaxes were abolished beginning in 1979. To advance the welfare of the personnel and workers of collective enterprises, it was stipulated that the handicraft, communications and transportation enterprises were allowed to set aside all their retirement funds for their personnel and workers before their income taxes were levied, instead of allowing them to set aside only a portion of their retirement funds before income taxes were levied. With regard to the retirement funds, funeral and burial funds, pensions for qualified personnel and subsidies for personnel and workers in difficulty, the cooperative stores were allowed, beginning in 1979, to set aside such funds from their income before their income taxes were levied, instead of taking them from their public welfare funds. Furthermore, the cooperative stores were allowed to set aside 7.5 percent of their total monthly wages to meet medical and welfare expenses for their members. All these measures resulted in income tax reductions. In addition, other tax reductions and exemptions were authorized to encourage collective economic units to make fuller use of their resources, treat their various wastes, and turn wastes into useful products.

[Article by Wang Chengyao [3769 6134 1031]]

The National Taxation Work Conference

The 1979 National Taxation Work Conference was held in Chengdu, Sichuan Province, in May 1979. Its mission was to carry out the spirit of the Third Plenum of the 11th CCP Central Committee through studying, given the shift in the party's work focus, what corresponding tactical shifts should be carried out in tax collection work in the new historical period, and how to comply with objective economic laws and give full play to the role of taxation in realizing socialism's modernization. The conference had a far-reaching and thorough discussion of the role of taxation as an economic lever in the new period. It was held that during the new period of national construction, taxation would play an important role as an economic lever in the economic life of the nation, helping to support the various economic policies, regulate production and consumption, and promote the planned and proportionate high-speed development of the national economy. It has an important role in encouraging enterprises to strengthen their economic accounting and improve economic results and management levels. It can help to carry out the principle of equality and mutual benefit in foreign trade and safeguard national sovereignty and economic interests. It can help to systematize the financial income of the state and supply funds for speeding up the realization of the four modernizations. It was realized that there were contradictions between the prevailing taxation system and the economic situation, and it was necessary in the course of readjusting, restructuring, consolidating and improving the national economy to carry out careful study and formulate overall plans to reform the taxation system, in order to establish a new taxation system meeting the demands of the new period. It was stressed at the conference that the taxation policy should strictly be carried out, stronger supervision should be exercised in the collection of taxes, all laws should be enforced and all law-breaking activities should be investigated to resolutely safeguard the financial income of the state and close all loopholes. We should also fulfill the general goal of "developing the economy and assuring supplies," promote production in every way possible, develop new financial resources and increase the financial income of the state.

[Article by Wu Ruizhang [0702 3843 4545]]

Banking

The Four Changes and Eight Reforms in Banking

In February 1979, the People's Bank of China convened a conference in Beijing of the directors of all branches of the bank to study how to shift the focus of banking work to help bring about socialism's modernization of the state according to the guidelines of the Third Plenum of the 11th CCP Central Committee. It was stressed at the conference to observe objective economic laws and carry out the "four changes" in banking work as follows: (1) Change the practice of running things by purely administrative means to using economic methods to manage the economy and the banks, (2) change the practice of paying insufficient attention to capital management to paying more attention to the proper utilization of capital, on the basis of increasing capital resources, (3) change the practice of making loans simply according to production plans and commodity circulation plans to making loans according to the production and marketing contracts of enterprises in keeping with state plans, and (4) change the practice of requiring all banks in China to operate in the same style to requiring the banks at all levels to be managed as enterprises and strictly adopt the economic accounting system. The conference discussed and decided on the following important measures:

1. Appropriately raise the rate of interest in savings deposits, open more categories of savings accounts, and make great efforts to promote the increase of savings deposits in urban and rural areas to raise more funds for the four modernizations.

2. Bank loans are to be extended on a selective basis according to the degrees of success achieved by the enterprises in fulfilling state plans, carrying out economic contracts, conducting their operations, and maintaining their credit.

3. Restore and establish specialized banks and companies. Restore the Agricultural Bank of China as a bank directly subordinate to the State Council under the control of the People's Bank of China, to strengthen agricultural credit work and support the development of agriculture. To strengthen foreign exchange work, it is suggested to reassign the Bank of China as an organ directly subordinate to the State Council under the control of the People's Bank of China. To strengthen printing work, it was decided to set up a general printing company. Branches of the insurance company are gradually being established at all localities of the People's Bank of China in the various provinces, municipalities and autonomous regions and at important ports, according to the expanding needs of banking operations. Domestic insurance is being restored step by step.

4. To assist in solving problems overlooked by state plans, the banks may, with certain limitations and under certain conditions, extend short term and intermediate term loans to enterprises under the ownership of the whole people to engage in the construction of small hydroelectric and thermal power plants or to purchase equipment to enable them to do a good job in developing their potential and carrying out renovations and reforms.

5. Change the practice of extending and recalling all loans only by the main office of the People's Bank of China, and grant greater authority and responsibility to subordinate banks in raising and using credit funds. In the planned control of

loans, the system of "overall planning, level-to-level control, associating deposits with loans, and controlling balances" is being adopted on a trial basis, i.e., for the main office of the People's Bank of China to set the amount of balance between credit income and expenditure to be kept by its branches in the various provinces, municipalities and autonomous regions according to the credit plan authorized by the state. Under conditions where their banking deposit plans are fulfilled and the aforementioned balance is kept within the set limit, the various branches of the People's Bank of China may extend more credit if they have more deposits or if they can speed up the turnover of credit funds.

6. The banks should carry out their operations as enterprises and carry out strict economic accounting. All banks subordinate to the provincial, municipal and autonomous regional branches of the People's Bank of China and all specialized banks and companies should apply for the authorization of their funds according to established standards and rules and regulations, and manage their operations and treat themselves as enterprises. Fund transactions between banks must not be done without computing due interest.

7. Restore and establish banking research institutes to strengthen banking research work. The various provincial, municipal and autonomous regional branches of the People's Bank of China should pay due attention to the establishment of banking research institutes manned by the necessary research personnel.

8. Change the banking cadre management system and intensify the training of cadres. Change the banking cadre management system to the system of placing cadre management under the dual leadership of the bank and local authorities, with greater emphasis on the bank leadership. A major effort should be made to do a good job in operating banking institutions and secondary vocational banking schools, and strengthen the education and training of cadres at their posts, so that a great number of knowledgeable economics and banking experts can quickly be trained in a planned manner.

With the approval of the State Council, the above reform measures were put into practice, or practiced on a trial basis in 1979.

[Article by Xiao Ruqin [5135 3067 0530]]

Reinstating Agricultural Bank of China

The CCP Central Committee and the State Council decided to reinstate the China Agricultural Bank to strengthen management of agricultural funds to develop rural banking service, to develop agricultural production rapidly and to realize the four modernizations.

On 23 February 1979, the State Council issued the "Notice on Reinstatement of the China Agricultural Bank." In this notice, it was stated that the main tasks of the China Agricultural Bank are to assume overall control of the funds for agriculture, handle rural credit, assume leadership over rural credit cooperatives, and develop rural banking services. The following are the businesses it handles:
(1) Study, allocate, distribute and supervise the use of the funds assigned by the Ministry of Finance for agriculture, the deposits made by commercial departments for purchases, the agricultural loans extended by banks and credit cooperatives, and the funds for agriculture raised by operational departments themselves.

(2) Agricultural banks and credit cooperatives handle the deposits and loans for rural people's communes, production brigades and teams, enterprises operated by communes and production brigades and teams, state-operated agricultural enterprises, agricultural-industrial-commercial combined enterprises, and supply and marketing cooperatives. (3) Credit cooperatives are collective banking units as well as the basic-level units of agricultural banks. The credit cooperatives handle the deposits and loans for the basic accounting units of the rural people's communes, the enterprises operated by communes and production brigades and teams, and individual commune members. Agricultural banks handle the deposits, loans, urban-rural accounting and cash management for state organizations, associations, schools, enterprises and business units in rural areas. (4) Give assistance to basic accounting units of rural people's communes in their accounting work, and to communes and production brigades and teams in handling their funds in a way to their best advantage.

The Agricultural Bank of China has branches at different levels. The main office at the ministry level is directly subordinate to the State Council, and is under the control of the People's Bank of China. It has provincial, municipal and autonomous regional branches, prefectural main sub-branches, county sub-branches, and business offices in administrative units below the county level. The agricultural banks assume overall leadership over the credit cooperatives established in rural people's communes and the credit service offices established in production brigades. The Agricultural Bank of China has more than 27,000 branches and sub-branches throughout the country, employing more than 230,000 personnel and workers. There are more than 59,000 credit cooperatives employing more than 260,000 full-time cadres, and more than 350,000 credit service offices employing more than 360,000 part-time personnel. These units form a comprehensive rural banking network.

In September 1979, the Agricultural Bank of China convened its first national conference of branch directors since its reinstatement to discuss the following issues: Agricultural credit funds should be increased progressively to help in the development of agricultural modernization; Agricultural credit funds should be used mainly to assist communes and production brigades to develop commodity production, diversified economy and enterprises, to continually improve their financial positions; Agricultural credit funds should be placed under tighter management; the credit fund management system of communes and production brigades should be reformed; and efforts should be made to bring into full play the role of agricultural loans to promote and supervise the development of agricultural production. At the conference, it was requested that the agricultural banks at all levels should, in disbursing agricultural loans, adhere to the principles of "taking food grain as the key link, achieving over 11 development, taking local factors into consideration, and concentrating the use of funds appropriately," and "simultaneously developing agricultural, forestry, animal husbandry, subsidiary and fishery production," and give great support to communes and production brigades to quickly develop commodity production. Poor communes and production brigades should be assisted in adopting means to increase their production and income, to open more avenues for increasing financial resources, and to improve their status through the development of production. But credit cannot be used as relief funds. Efforts should be made to overcome the erroneous view that abundance reflects capitalism and poverty socialism, and that it is wrong to extend loans to rich production brigades and correct to extend loans to poor production brigades. In summing up the historical experiences in the management and utilization of agricultural credit in the 30 years since the founding of the nation, the conference stressed the importance of upholding the fundamental principle of "recalling loans upon maturity" in agricultural credit management on the part of agricultural banks. In particular, cases where the borrowers encountered difficulty in repaying their loans, the repayment date may be postponed, but the repayment itself must not be exempted, because it is in violation of socialist economic principles and the established credit rules and regulations.

[Article by Xiao Ruqin [5135 3067 0530]]

Reform of the Credit Management for Rural Communes and Production Brigades

In the past, the banks' management methods for credit funds to communes and production brigades were basically controlled by the main office of the banks. Under that practice, the village deposits received by all local banks were handed over to the main office, and the agricultural credit from the main office was issued through banks at the different levels in a controlled manner according to set standards. Although this practice enabled the bank to maintain good balance in agricultural credit, it was not conducive to the development of enthusiasm on the part of the central and local authorities concerned.

To fully develop local enthusiasm to raise funds and manage them properly at each level, combining authority and responsibility and coordinating deposits, loans, and collections to better support the overall promotion of agricultural production and progressively realize agricultural modernization, the Agricultural Bank of China decided that beginning 1980 a credit management system in the communes and brigades of "linking deposits to loans to assume a balance" be implemented under a state unified system of planning and policy. This management system calls for the main office of the Agricultural Bank of China to set a balance between total deposits and total loans allowed for each provincial, municipal and autonomous regional branch corresponding to its year-end balance. Those with deposits exceeding loans would be required to forward a set amount of funds to the main office, and those with loans exceeding deposits would be supplied with a set amount of funds to meet their needs for the loans extended. After these standards are set, the various branches will be allowed to make use of the surplus funds they obtain from absorbing more deposits or recalling more loans than needed for meeting the set standards. The main office of the Agricultural Bank of China will allow each branch to keep a given amount of cash to be used as a contingency fund. This new credit management system for communes and production brigades has been put into trial practice among the provincial, municipal and autonomous regional branches of the bank beginning 1980.

[Article by Wu Shenqi [0702 3947 3217]]

Banks Extend Credit Selectively To Reward Excellence

The People's Bank of China extends loans to industrial and commercial enterprises selectively, assisting those with superior performance. For a bank to regulate the economy with economic methods in carrying out its credit work, this is a necessary measure. It marks a change from the practice in the past where credit was granted without questioning the quality of operations and the marketing conditions of the enterprises concerned. This measure will enable credit to act as an economic lever to change the situation where the enterprises cared little about the economic yields of their operations, to the advantage of the readjustment and development of the national economy.

This practice of discriminatory assistance is done in the following manner: 1) Discrimination in trades. In the readjustment of the national economy, more favorable loan considerations should be given to the light and textile industries and the energy industry. Some restrictions should be imposed in granting loans to the machine-building and other industries. This will curtail the production of products in abundant supply to promote the production of products in short supply and so divert financial and material resources of the state to the production of products more urgently needed by the state and the people; 2) Discrimination in enterprises according to the quality of operations. Banks at the various localities will classify enterprises through careful study on the basis of local conditions into three categories, good, average and poor, according to the following criteria: their fulfillment of state plans, their fulfillment of contracts, their operational situation and their credit. Favorable considerations will be given to the enterprises of the first category, so that loans are extended to them on a priority basis. Enterprises of the second category should be assisted in developing their potential to qualify for loans in appropriate amounts. With regard to the enterprises of the third category, more restrictions should be imposed on their loans to promote their readjustment and improvement; and, 3) Discrimination in enterprises according to their products. Favorable consideration should be given to enterprises whose products are of good quality and in demand on the market. Restrictions should be imposed on enterprises whose products are of poor quality and unpopular on the market.

Based on these principles of selective assistance, in 1979, the People's Bank of China started to grant medium- and short-term loans for the procurement of equipment to enable the enterprises to develop their potential and carry out renovation and reform. This type of loan aims mainly at giving support to the textile and light industrial enterprises and enterprises engaged in the production of products in short supply, particularly those whose products are of good quality and whose supply of raw materials and energy are assured, and those noted for quick and abundant returns on their investments and their quick accumulation of funds and foreign exchange. Although this type of loan is not substantial and has been started relatively recently, it has yielded marked results in assisting enterprises in carrying out technical renovations and developing their potential, and has therefore won the appreciation and welcome of the enterprises and the departments concerned.

[Article by Hou Zhunhua [0186 0193 5478]]

State Funds Give Way to Bank Loans for Capital Construction Investments

In August 1979, the State Council approved the "Report on the Trial Method of Using Loans to Carry Out Capital Construction" and the "Trial Regulations Governing Loans for Capital Construction" submitted by the State Planning Commission, the State Capital Construction Commission and the Ministry of Finance, and decided to use loans for capital construction on a trial basis.

It was a major reform in the capital construction management system to shift from the allocation of funds by the state to the extension of loans by banks for capital construction. It had long been standard practice for the state to allocate non-compensatory funds to the construction units for capital construction. Following the shift from state funds to bank loans, the capital construction investments were made in the form of repayable loans. This was more in keeping with the principle of regulating the economy according to economic laws. Under the guidance of state plans, greater roles were played by economic organizations and economic means.

Capital construction loans must be repaid by the borrowers themselves. A borrower must be an industrial, communications, transportation, farm, animal husbandry, aquatic production, commercial, or tourist unit with independent accounts and capable of meeting the repayments. With regard to the administrative units, non-profit units and projects required by state plans, their expenditures are still to be met with state allocations.

To qualify for loans, a unit engaged in capital construction must have approved plans and preliminary designs which are included in intermediate- and long-term construction plans and in the annual construction plan. A unit engaged in production must be screened by a bank to see if the products are in popular demand on the market, the workers have mastered the technology concerned, and the conditions for production and construction have been met satisfactorily.

To assure the continuation of capital construction loans on a trial basis, and to encourage borrowing units to go into production on or ahead of schedule, the loan regulations stipulate that, for projects with loan contracts already signed and which have begun construction, the planning and management departments must arrange the capital construction plans in subsequent years in keeping with the loan contracts and in keeping with the degree of progress of the construction, thereby ensuring its continuation. Supply authorities must assure the supply of equipment, materials and goods. After an enterprise is completed and goes into production, during the period of loan repayment, the enterprise may keep all fixed assets depreciation funds and profits to repay the loan. Enterprises which have been completed ahead of schedule and which have their loans repaid ahead of schedule, may retain all the funds earmarked for repaying loans to develop production or improve the welfare of the personnel and workers during the period originally set for loan repayment. In the case of enterprises which are unable to make the loan repayment according to schedule, the loans should be repaid from their funds set aside for renovation and reconstruction. They cannot meet loan payments at the expense of production or profits.

Upon receipt of the notice from the State Council, Shanghai, Jilin, Henan and Jiangsu started to implement this system on a trial basis among some construction units in 1979. By March 1980, some 150 projects were shifted from state allocations to bank loans. These projects were distributed in Shanghai, Jilin, Henan, Hubei, Fujian, Zhejiang, Ningxia, Hebei and Liaoning. Some of them were under the direct jurisdiction of the Ministry of Water Conservancy and Power and the Ministry of Textile Industry.

The experiences gained in these projects showed that the practice of shifting from state allocations to bank loans has readjusted the economic relationship between the state and the enterprises in the utilization of investments, established an organic relationship between economic responsibility, economic power and economic benefits, brought into full play the work enthusiasm of the enterprises and their personnel and workers, encouraged borrowers to make detailed calculations of the economic yield, select the construction projects, carry out the construction most economically, and speed up the progress of construction to bring in their economic yields as early as possible.

[Article by Chen Quangeng [7115 0356 1649]]

State Foreign Exchange Control Bureau Established

The State Foreign Exchange Control Bureau (abbreviated FEB) was established on 13 March 1979. This bureau and its branches are organs of the People's Republic of China in charge of the control of foreign exchange.

The following are the duties of the FEB: To formulate detailed rules and regulations governing the control of foreign exchange, publish the rates of exchange between the RMB and foreign currencies, assume overall control of foreign exchange funds, formulate the overall plan for foreign exchange incomes and expenditures and keep them largely in balance, and examine and supervise foreign exchange incomes and expenditures whether or not they are incurred in foreign trade.

The FEB is directly subordinate to the State Council, under the control of the People's Bank of China. Its main office is in Beijing, with branches in a majority of the provinces, municipalities and autonomous regions. These branches are under the leadership of the main office in their business operations. In localities where no branches of the FEB are available, the People's Bank of China is authorized to handle foreign exchange affairs.

[Article by Chen Quangeng [7115 0356 1649]]

The Bank of China Expands Its Operations

The Bank of China specializes in foreign exchange and the handling of all kinds of foreign exchange businesses for the People's Republic of China.

Following the continuous development of China's foreign trade and international activities, the Bank of China has rapidly expanded its operations and increased its international accounting tasks. To meet the requirements of the new period and to shift the focus of work to socialist construction, the State Council on 13 March 1979 made the Bank of China an organ directly subordinate to the State Council, under the control of the People's Bank of China, and authorized the Bank and its branches, sub-branches, and local offices to increase their personnel.

The following are the tasks within the scope of operations of the Bank of China: To manage the foreign exchange buying and selling of all currencies; to manage the international accounting of foreign exchange, whether or not it involves foreign trade; to make foreign exchange loans in foreign trade in a planned manner; to handle deposits in foreign currencies and foreign deposits in people's currency, to handle remittances from overseas Chinese in foreign countries to China according to state policy governing such remittances; to handle international remittances, issue and cash foreign exchange certificates and traveler's checks, conduct credit investigation and information tasks; and to handle other tasks included in the operations of an international bank.

The Bank of China in the various localities may be entrusted by Chinese citizens to carry out non-trade transactions abroad, such as the sale, exchange and purchase of foreign stocks. It may receive dividends, transferring back to China foreign deposits and interests, sell their properties in foreign countries, and handle the inheriting of properties in foreign countries.

The main office of the Bank of China is in Beijing. It has 81 branches, sub-branches and offices in port cities and frontier areas, including 34 branches, 35 sub-branches and 12 offices. More will be established in the future. There is one branch in Hong Kong. In foreign countries, it now has a London branch and a Luxemburg branch in Europe, and a Singapore branch and a Tokyo office in Asia. It will establish more branches and offices in major world banking centers in the future. The Bank of China has established business relations with the banks of many foreign countries. By the end of 1979, it had business relations with 2,534 branches of 948 banks of 142 countries and regions in the world.

[Article by Wang Shoumin [3769 1343 3046]]

Overseas Chinese Remittances and Related State Policy

The work of handling remittances from Overseas Chinese constitutes an important part of the policy "making it easy to make remittances from foreign countries to advance the interests of Overseas Chinese." These remittances are one of the main sources of non-trade foreign exchange, playing a positive role in developing production in the native counties of the Overseas Chinese, improving the livelihood of their dependents, bringing about the four modernizations in these counties, and providing foreign exchange funds for the state.

In the past, because of the serious intervention and sabotage of Lin Biao and the "gang of four" against the state policy concerning Overseas Chinese, remittances from the Overseas Chinese were undermined. Lin Biao and the "gang of four" widely spread the fallacies such as "remittances from Overseas Chinese are useless," "remittances from Overseas Chinese are dangerous," "remittances from Overseas Chinese are as corrosive as sulphuric acid," and "socialism can be built without any remittance from Overseas Chinese." They viciously attacked the families receiving remittances from relatives overseas, and even went so far as to withhold and confiscate such remittances. This interrupted the association between Overseas Chinese and their dependents in China. In some cases, the interruption still prevails today.

After the "gang of four" was smashed, the State Council reiterated its policy to safeguard remittances from Overseas Chinese, acknowledging the right of the recipients to hold and use such remittances. Today, the volume of these remittances has rapidly increased. To improve the livelihood of the dependents of the Overseas Chinese, beginning April 1978 the state restored the supply of materials to be purchased with remittances from Overseas Chinese. Many stores were established in the various localities to sell grain, edible oil, non-staple food items and daily necessity manufactured goods to foreign remittance holders on the basis of the foreign remittance coupons they had. The overseas Chinese dependents were allowed to buy 30 yuan's worth of commodities (10 yuan worth of grain, edible oil and non-staple food items and 20 yuan worth of industrial products) upon surrendering a 100-yuan foreign remittance coupon. In addition, the overseas Chinese were encouraged to send money to their dependents to build living quarters, allowing them to buy construction materials or buy houses with the remittances.

[Article by Zhu Yixin [2612 0034 0207]]

RMB Traveler's Checks and Foreign Exchange Cashier's Offices

Traveler's checks--To meet the needs of Overseas Chinese and compatriots from Hong Kong and Macao who returned to China to see their relatives and friends and the needs for the development of tourism in China, beginning 20 January 1978 the Bank of China started to sell RMB traveler's checks in the denominations of 50 and 100 yuan. These checks are honored within the first 6 months of issuance. In case of their being lost or stolen, the buyers may apply for reimbursement according to established rules and regulations. Unused and expired travelers' checks may be cashed in at the issuing banks.

The RMB traveler's checks are obtainable at the Bank of China in Hong Kong and Singapore and at the following banks in Hong Kong and Macao: Jiaotong, Xinhua, Jincheng, Zhejiang Xingye, Guohua, Guangdong, Zhongnan, Yanye, Nanyang Shangye, Baosheng, Huaqiao Shangye, Jiyou, Nantong and their branches. In China, the traveler's checks are obtainable at the business department of the main office of the Bank of China and its branches in Beijing, Shanghai, Tianjin, and Guangzhou.

RMB traveler's checks may be cashed only in China. They may be cashed at the Bank of China, its various branches, and its authorized agents. By March 1980, more than 1,080 branches, sub-branches and authorized agents of the Bank of China were in operation throughout the country to cash RMB traveler's checks. To the delight of foreign visitors, Overseas Chinese, and the compatriots from Hong Kong and Macao, large numbers of stores, hotels, restaurants, airports, train stations, bus stations, and sea and river ports now accept RMB traveler's checks.

Foreign Exchange Cashier's Offices--There are three classes of foreign exchange cashier's offices to cash foreign currencies, foreign currency notes, RMB traveler's checks. Class 1 may cash foreign currencies, foreign currency notes and RMB traveler's checks; class 2 may cash foreign currencies and RMB traveler's checks; and class 3 RMB traveler's checks only.

[Article by Chen Quangeng [7115 0356 1649]]

RMB Foreign Exchange Rates

The foreign exchange rates of the RMB are set by the State Foreign Exchange Control Bureau, published by the Bank of China and reported daily by the XINHUA News Agency in Chinese, English and French.

The foreign exchange rates of the RMB are set according to the principles of independence, equality and mutual benefit, beneficial to the development of the national economy and foreign trade and to the work of upholding the value of the RMB.

With regard to the foreign exchange rates of the RMB, there are the buying prices and selling prices. The buying prices are the prices paid by the bank in buying the foreign currencies, and the selling prices are the prices of the foreign currencies being sold by the bank. The median prices are the prices derived by adding the buying and selling prices concerned and dividing the resultant figure by two.

Since 1973, when the capitalist nations adopted floating exchange rates, the exchange rates of their currencies have fluctuated frequently according to the market supply and demand of their currencies. To avoid the adverse effect of the economic depression of capitalist nations, maintain the stability of RMB, and keep the exchange rates of the RMB on a rational level, it was decided to readjust periodically the exchange rates of the RMB. In 1979, there were published exchange rates between the RMB and 26 foreign currencies. During that year, the exchange rates of the RMB against these foreign currencies have generally risen to different degrees, as shown in the following table:

1 人民币外汇牌价

2 国家外汇管理总局　　3 单位：人民币元

4 外币名称	5 外币单位	6 1979年年初			7 1979年年底			8 年底比年初增减%
		9 买价	10 卖价	11 中间价	9 买价	10 卖价	11 中间价	
12 澳大利亚元	100	182.68	183.60	183.14	166.30	167.14	166.72	−8.97
13 奥地利先令	100	11.76	11.82	11.79	12.09	12.15	12.12	+2.80
14 比利时法郎	10,000	546.72	549.46	548.09	532.83	535.51	534.17	−2.54
15 加拿大元	100	133.17	133.83	133.50	127.28	127.92	127.60	−4.20
16 丹麦克朗	100	30.88	31.04	30.96	27.87	28.01	27.94	−9.75
17 西德马克	100	85.96	86.40	86.18	86.15	86.59	86.37	+0.22
18 芬兰马克	100	41.68	41.88	41.78	40.06	40.26	40.16	−3.88
19 法国法郎	100	37.49	37.67	37.58	36.85	37.03	36.94	−1.70
20 加纳塞地	100	59.49	59.79	59.64	54.71	54.99	54.85	−8.03
21 几内亚西里	100	8.37	8.41	8.39	8.00	8.04	8.02	−4.41
22 伊朗里亚尔	10,000	231.74	232.90	232.32	210.44	211.50	210.97	−9.19
23 意大利里拉	10,000	18.90	19.00	18.95	18.40	18.50	18.45	−2.64
24 日元	100,000	811.14	815.20	813.17	620.69	623.81	622.25	−23.48
25 马里法郎	10,000	36.97	37.15	37.06	36.85	37.03	36.94	−0.32
26 马来西亚元	100	70.92	71.28	71.10	69.42	69.76	69.59	−2.12
27 荷兰盾	100	79.70	80.10	79.90	78.12	78.52	78.32	−1.98
28 挪威克朗	100	31.63	31.79	31.71	30.05	30.21	30.13	−4.98
29 巴基斯坦卢比	100	16.53	16.61	16.57	15.20	15.28	15.24	−8.03
30 塞拉利昂利昂	100	151.69	152.45	152.07	143.23	143.95	143.59	−5.58
31 新加坡元	100	72.53	72.89	72.71	69.61	69.95	69.78	−4.03
32 瑞典克朗	100	36.71	36.89	36.80	36.00	36.18	36.09	−1.93
33 瑞士法郎	100	97.67	98.15	97.91	93.49	93.95	93.72	−4.28
34 坦桑尼亚先令	100	23.21	23.33	23.27	18.15	18.25	18.20	−21.79
35 英镑	100	318.47	320.07	319.27	333.43	335.11	334.27	+4.70
36 美元	100	157.32	158.10	157.71	149.25	149.99	149.62	−5.13
37 港元	100	33.58	33.74	33.66	30.41	30.57	30.49	−9.42

Legend:

1. Foreign exchange rates for RMB
2. State Foreign Exchange Control Bureau
3. Unit: RMB
4. Foreign currencies
5. Foreign currency units
6. 1 January 1979
7. 31 December 1979
8. Percentage change in exchange rate
9. buying value
10. selling value
11. Median value
12. Australian Dollar
13. Austrian Schilling
14. Belgian Franc
15. Canadian Dollar
16. Danish Krone
17. West German Deutsche Mark
18. Finnish Markka
19. French Franc
20. Ghanan Cedi
21. Guinean Syli
22. Iranian Rial
23. Italian Lira
24. Japanese Yen
25. Mali Franc
26. Malaysian Ringgit
27. Dutch Guilder
28. Norwegian Krone
29. Pakistan Rupee
30. Sierra Leone Leone
31. Singapore Dollar
32. Swedish Krona
33. Swiss Franc
34. Tanzanian Shilling
35. British Pound Sterling
36. U.S. Dollar
37. Hong Kong Dollar

[Article by Ji Heng [7382 5683]]

Sino-U.S. Agreement on Settlement of Asset Claims

In 1950, following the outbreak of the war of aggression against Korea by the United States, the United States imposed embargo against China and, on 17 December 1950, froze all the assets in the United States belonging to Chinese government organizations, banks, enterprises, business units, associations and individuals. On 28 December 1950, China adopted the same measures against U.S. properties in China and froze U.S. banking deposits in China.

In the course of normalizing relations between the two countries, both sides started to submit demands since 1972 on its assets held by the other side. To develop bilateral economic and trade relations on the basis of equality and mutual benefit and in the spirit of the Joint Communique on the Establishment of Diplomatic Relations Between China and the United States, the two sides conducted negotiations on this matter. On 11 May 1979, the Chinese and U.S. governments signed an agreement on the settlement of asset claims. The agreement stipulated that the Chinese Government would pay by installments a total of US$80.5 million to the U.S. Government to meet its asset claims as a total and final settlement, and the United States would unfreeze our assets, so that the Chinese asset owners could reclaim their assets individually from the holders in the United States. In carrying out this agreement, for the protection of the legitimate rights and interests of Chinese units and individuals, the State Council on 9 September 1979 issued a decree authorizing the Bank of China to act on behalf of the Chinese state organizations, state-operated enterprises and business units, associations, schools, former privately operated and jointly operated industrial and commercial enterprises which had been converted to state operation, and Chinese citizens to reclaim and repossess assets frozen in the United States. The decree also stipulated that no unit or individual was allowed to repossess, sell, or transfer their frozen assets in the United States without the consent of the Bank of China. On the same day, the Bank of China issued a notice calling on all owners of assets in the United States to register their claims for the reclamation and repossession of such assets. The reclaimed and repossessed assets were handled according to established rules and regulations concerned.

[Article by Liu Yansun [0491 3601 5549]]

Sharp Increase in Savings Deposits

In the 30 years since the founding of New China, the funds accumulated in the form of savings deposits have served as a reliable, stable and ever-increasing supply of funds for production and construction for the state. In this 30 years, the amount of savings deposits has increased steadily at a rate much faster than the rate of increase in funds lent out as credit. During the period of the First Five-Year Plan, funds to be lent out as credit increased at an average rate of 14.9 percent, but the amount of savings deposits increased at 26.5 percent per annum. During the three years of economic readjustment, while the funds to be used as credit showed no increase, the amount of savings deposits increased at a rate of 18.5 percent per annum. After the "gang of four" was smashed, the funds for credit increased at a rate of 9.6 percent, and the amount of savings deposits at 18.4 percent per annum. Following the development of production and the increase in income of the masses, the amount of savings deposits as a proportion of the amount of wages also increased. This ratio was 3.26 percent during the period of the First

Five-Year Plan, 3.1 percent during the three years of economic adjustment, 4.0 percent during the period 1977 to 1978, and 8.2 percent in 1979. The continual increase in savings deposits will provide more and more funds for the development of the national economy.

In 1979, the savings deposits in urban and rural areas in China increased at a rate unparalleled in history. Urban savings increased by 4.7 billion yuan, rural commune members savings by 2.2 billion yuan. By the end of 1979, the amount of urban savings deposits in China totaled 20.26 billion yuan, showing an increase of 30.8 percent over that of 1978. Of this total, 18 percent was in checking accounts, and 82 percent in time-deposit accounts. Thirty percent of the time deposits belonged to the long-term category, ranging from 3 to 5 years. The amount of savings deposits made by rural commune members in 1979 totaled 7.84 billion yuan, showing an increase of 40.8 percent over that of 1978.

In 1979, the amount of urban savings deposits in minority areas showed even faster increase than other areas. Savings in Ningxia increased by 35 percent, in Guangxi by 32.29 percent, and in Nei Monggol by 30.77 percent, surpassing the average increase in urban savings in China as a whole.

In 1979, the number of urban savings banks in China increased by more than 600, to a total of more than 6,000, and the number of their personnel increased by more than 6,000, to a total of more than 50,000. Savings units have also been established under the sponsorship of the ranks in government organizations, enterprises, and mass organizations in cities all over China to handle savings deposits by their personnel.

[Article by Liu Yansun [0491 3601 5549]]

Increased Interest on Time Deposits

On 1 April 1979, the State Council authorized increases in the interests on time deposits. In China, interest is calculated monthly. The interest on one-year, fixed-term, lump-sum deposit and withdrawal savings accounts was increased from 2.7 percent to 3.3 percent per annum. That on lump-sum deposit and withdrawal half-year fixed-term savings was increased to 3.0 percent per annum, on 3-year deposits to 3.75 percent per annum, and on 5-year deposits to 4.2 percent per annum. With regard to savings deposits made by the Overseas Chinese, the interest on one-year lump-sum deposit and withdrawal accounts was increased from 3.3 percent to 3.9 percent per annum, and on 3-year fixed-term savings to 4.2 percent, and that on 5-year deposits 4.5 percent. During the initial period after the founding of New China, because of the inflation inherited from the old China, interest rates had been high. At that time, the monthly interest rate on one-year fixed-term savings deposits was 21 percent. Following the recovery and development of the national economy, the gradual elimination of inflation and the gradual stabilization of commodity prices, major adjustments in interest rates were made on several occasions. In 1971, because of the interference and sabotage of Lin Biao and the "gang of four," the interest rates on savings deposits were lowered to an unreasonable level, making it necessary to raise the rates to a suitable extent in 1979. In April 1980, interest rates on savings deposits were readjusted upward once again in line with actual conditions to bring the role of interest rates as an economic lever into full play.

[Article by Wang Yongming [3769 3057 2494]]

The Development of Chinese People's Insurance

The People's Insurance Company of China was established in October 1949. It is the only state-operated insurance company in China, under the leadership of the People's Bank of China. It has 76 branches and sub-branches in major ports and cities of the various provinces, municipalities and autonomous regions.

The People's Insurance Company of China handles mainly the following overseas insurance businesses: insurance on import-export freight shipping which is related to foreign trade and to economic exchange with foreign countries, and insurance for ocean-going ships, for planes flying international routes, for persons and properties of foreign organizations in China, and for construction projects, as well as international reinsurance. Following the adoption of diversified trading methods by China in its foreign trade, the insurance company also began issuing insurance on the processing of materials supplied by customers, insurance on compensatory trade, warranty insurance, and other new forms of business. In addition, the insurance company has designated more than 300 inspection and claims settlement agents to examine goods and ships in more than 100 countries and regions. On 8 July 1979, the Standing Committee of the National People's Congress promulgated the "Law Governing the Operations of Joint Ventures" stipulating that joint ventures must buy insurance from a Chinese insurance company. This helped in the expansion of business of the People's Insurance Company of China. It has now established direct or indirect insurance business division arrangements with more than 900 insurance and reinsurance companies in 115 countries and regions, joined the Asian-African Insurance and Reinsurance Association and its reinsurance bloc, and become a member of the Asian Reinsurance Corporation.

[Article by Zhao Jinian [6392 3444 1628]]

Gradual Recovery of Domestic Insurance Business

In April 1979, the State Council authorized the People's Bank of China to gradually resume domestic insurance business.

At the time of its establishment in 1949, the People's Insurance Company of China offered domestic insurance for properties, transportation of goods and materials, means of transportation, persons, livestock, and crops. This type of business was discontinued during the period 1958 to 1978. The advantage of insurance was shown in the following, based on the experience of the insurance company in the first 10 years after the founding of New China: First, by paying a small premium, an enterprise or individual could quickly obtain economic compensation in the event of unexpected loss, making it possible for them to recover and develop production, strengthen their economic accounting system, and improve the welfare of the masses. Second, the insurance company could contribute to the prevention of disasters and losses in cooperation with the authorities concerned, thus reducing the incidence of disasters and mishaps and increasing the safety of social wealth. Third, after expenditures for loss compensation and business operations, the premiums received by the insurance company each year were kept as insurance reserve funds of the state, which could be used as bank credit funds in support of socialist construction. In view of these advantages, a national insurance work conference was held in November 1979 to make arrangements for resuming domestic insurance business gradually and steadily in 1980 to advance the interests of the masses and production.

[Article by Wang Yongming [3769 3057 2494]]

China Joins the Asian Reinsurance Corporation

The Asian Reinsurance Corporation is an intergovernmental organization. It is one of the regional cooperation projects undertaken by the U.N. Asian and Pacific Economic and Social Council, the purpose of which is to require that, to the extent possible, the reinsurance business among the developing countries in the Asian and Pacific region be exchanged among the nations of the region, so as to accumulate foreign exchange for insurance in this region. The committee estimated that during 1974, as much as US$200 million in foreign exchange flowed into the developed countries in the form of reinsurance premiums from just 10 major developing countries in the Asian and Pacific Region. The establishment of the Asian Reinsurance Corporation would curtail the outflow of such premiums from the Asian and Pacific region and raise the technical standards of insurance in that region.

In October 1974, under the sponsorship of the U.N. Trade and Development Conference and the U.N. Asian and Pacific Economic and Social Council, a round-table conference was held by the insurance supervisors and representatives of the insurance circles of the Philippines, Thailand and 16 other states and regions to propose the establishment of an Asian reinsurance corporation. This was followed by a preparatory conference held in January 1976, at which an agreement to establish the Asian Reinsurance Corporation was reached. By 1978, this agreement had been signed by the governments and authorities of Afghanistan, Bangladesh, India, Iran, the Philippines, Sri Lanka and Thailand.

To lend support to the cooperation of the developing countries in Asia and the Pacific Region in the reinsurance business, on 29 March 1979 the State Council of China ratified the "Agreement to Establish the Asian Reinsurance Corporation." That marked the first occasion of China's participation in a U.N. organization for trade cooperation.

An inaugural meeting was held by the Asian Reinsurance Corporation in Bangkok, Thailand on 28-31 May 1979. China assigned Lin Zhenfeng, Deputy General Manager of the People's Insurance Company of China, to attend on its behalf. The agreement to establish the Asian Reinsurance Corporation provides that all developing countries in Asia and the Pacific Region may apply for membership. Each member nation must contribute to the membership fund in the amount of US$500,000.

By decision of the first board of directors meeting, the Asian Reinsurance Corporation was set up in Bangkok, Thailand. The corporation started its business operations on 1 January 1980.

[Article by Cheng Dianyang [2052 3013 2254]]

The Issuance of Commemorative Gold Coins in Celebration of the 30th Anniversary of the Founding of the People's Republic of China

In celebration of the 30th anniversary of the founding of the People's Republic of China, the State Council authorized the People's Bank of China to issue a set of commemorative gold coins. This is the first time since the founding of the New China that precious commemorative gold coins have been issued for sale abroad. These coins were produced by the China Mint, a subordinate unit of the People's

Bank of China, and marketed by the Bank of China. On 13 September 1979, these coins went on sale simultaneously in China and in Hong Kong to buyers throughout the world. There are a total of 70,000 sets, and each set is composed of four gold coins. All four coins bear the national symbol of the People's Republic of China on their obverse side. Their reverse sides bear the pictures of Tian'anmen Square, the Great Hall of the People, the Monument of the People's Heroes, and the Chairman Mao Memorial Hall, respectively. Each coin, 22K in gold content, is 27 millimeters in diameter, containing 0.5 ounce of pure gold, with a face value of 400 yuan in renminbi [people's currency]. Because of their delicate designs and beautiful appearances, these commemorative coins have received an enthusiastic welcome from coin collectors at home and abroad.

Foreign Trade

[Article by Li Kanghua [2621 1660 5478] and Wang Shouchun [3769 1108 2797]]

The Growth of Foreign Trade in 1979

In 1979, China's foreign trade showed much growth, and its foreign trade volume reached a new record, amounting to 45.46 billion yuan, showing an increase of 28.1 percent over the 35.5 billion yuan of 1978. In particular, the volume of exports totaled 21.17 billion yuan, showing an increase of 26.3 percent over the 16.76 billion yuan of 1978; and the volume of imports totaled 24.29 billion yuan, an increase of 29.6 percent over the 18.74 billion yuan of 1978.

In 1979, China's foreign trade was conducted according to the principles of "attaching first importance to exports, coordinating imports with exports, using exports as a yardstick to set the scope of imports, and striking a balance between imports and exports." As a result of great efforts to increase the supply of products to continually increase exports, the export of agricultural and subsidiary products increased by 5.7 percent, that of the textile and light industrial products by 21.2 percent and that of heavy industrial products by 58.0 percent. Industrial and mining products increased as a percentage of exports by a large margin as compared to 1978. Major export commodities included crude oil, cotton cloth, silk piece goods, clothing, raw silk, cotton textile products, rice, live hogs, frozen prawns, tea, feathers, knitwear, and tungsten ore. To improve the quality, design and variety of the export commodities to standards meeting the demands of the world market and to increase their production, by the end of 1979 China established 16 export commodity production complexes, more than 100 individual export commodity production bases for live hogs, beef cattle, apples and goat hides, and 94 factories, mines and workshops specializing in producing export commodities. To meet the needs of the four modernizations, more advanced technology and equipment were imported in 1979, showing an increase of 190 percent over that of 1978. Compared to that of 1978, the import in 1979 of agriculture-oriented supplies showed an increase of 20.7 percent, textile and light industrial raw materials 15.6 percent, and consumer goods 30 percent. Imports of steel products, nonferrous metals, pig iron, and iron ore was lower in 1979 than in 1978. Besides advanced technology and equipment, the following were the major commodities imported in 1979: steel products, motor vehicles, ships, mining machinery, machine tools, chemical fertilizer, agricultural chemicals, chemical fibers, worsted, rubber, grain, sugar, oils, fats and watches.

The marked improvement in China's foreign trade in 1979 resulted from the high importance attached by the Party and government to developing foreign trade and strengthening the leadership of foreign trade work. In July 1979, the Standing Committee of the National People's Congress adopted a resolution to establish the People's Republic of China Import and Export Management Commission to strengthen leadership and management of foreign trade. In July, August and September, the Party Central Committee and the State Council further formulated a string of important goals, policies, and measures to reform the foreign trade system and develop foreign trade, thereby bringing the enthusiasm of all quarters into full play. In the meantime, foreign trade departments shed old ideas, took a new look at international trade practices, and vigorously and selectively adopted many flexible trading methods and engaged in cooperative bargaining. This, too, was one of the main contributing factors to the marked success in foreign trade in 1979.

[Article by Li Kanghua [2621 1660 5478] and Wang Shouchun [3769 1108 2797]]

The Development of Foreign Trade Relations in 1979

The year 1979 was an important year in the history of development of foreign trade relations with foreign countries. During that year, China signed trade agreements with the governments of Jordan, Liberia, Tunisia, Algeria, the Philippines, Sweden, Singapore and the United States; signed a protocol with the Thai government on the long-term supply of oil from Shengli Oil Field; concluded a protocol with the government of Zaire on the supply of many commodities; and reached an agreement with Japan on extending the long-term Sino-Japanese Trade Agreement and increasing the amount of money therein provided. In July, the Chinese and U.S. governments formally signed the Sino-U.S. Trade Relationship Agreement, marking entry into a new stage in Sino-U.S. trade relations.

To strengthen economic and trade relations and scientific and technological cooperation with foreign countries, in 1979 China also signed an agreement with the Yugoslav government on mutual exemption of duties against the passengers and goods shipped between the two countries, an ocean shipping agreement with the Thai government, and air transportation agreements were concluded with Britain, Italy, Finland, the Belgian-Luxembourg Economic Union, Denmark, the Federal Republic of Germany, Burma and the United States. The Bank of China signed a development loan agreement with the Japan Export-Import Bank, and with a new governmental Japanese banking group signed a short-term trade loan protocol and an intermediate-term civil loan protocol.

Exhibitions are a good means for promoting the development of China's foreign economic and trade relations. In 1979, eight exhibitions were held by Yugoslavia, Japan, Italy, Switzerland, the German Democratic Republic, and Britain in Beijing, Shanghai, Tianjin and Wuhan. China, in turn, held economic and trade exhibitions in Bangladesh, Thailand, Yugoslavia, Congo, Argentina and Jordan, and participated in international exhibitions in Liberia, Sudan, the German Democratic Republic, Romania, France, Morocco, Yugoslavia, Zaire, Argentina, Italy, Sweden, Greece, India, and New Zealand. On 10 May 1979, China and the United States signed an agreement on holding trade exhibitions in each other's countries. According to this agreement, during the period May to October, 1980, China will hold economic and trade exhibitions in these and other cities in the United States, and the United States will hold an exhibition in Beijing in 1980, followed by other exhibitions in Beijing and other cities in China.

The Chinese Export Commodity Fair is an important place for the Chinese people to conduct friendly trading activities with the peoples of other countries in the world. Since its inauguration in the spring of 1957, the fair has been held twice a year in Guangzhou from 15 April to 15 May and from 15 October to 15 November each year. By the fall of 1979, the trade fair had been held 46 times. In 1979, the spring and autumn fairs were attended by more than 49,700 persons from more than 100 countries and regions, who concluded more than 148,300 trade contracts. Compared to that of 1978, the attendance was more than 11,300 persons greater, and the total value of transactions was 24.1 percent greater.

In developing its trade relations with other countries, China has adopted the strategic view that differentiates between countries of the First, the Second and the Third Worlds. On the principles of equality, mutual benefit and the exchange of goods to meet each other's needs, China has actively developed trade relations with the various countries, based on needs and practicabilities.

By the end of 1979, China had established and developed trade relations with more than 140 states and regions of the Third World, and had signed trade agreements with 66 states. In 1979, the trade volume between China and the states of the Third World totaled US$6.66 billion, showing an increase of 32.1 percent over that of 1978, and accounting for 22.7 percent of the total volume of foreign trade conducted by China in 1979.

In 1979, China further developed its economic and trade relations with the developed Western industrial countries, and increased its trade volume with them to US$14.74 billion, showing an increase of 40.4 percent over that of 1978, and accounting for 50.3 percent of the total volume of foreign trade in 1979. Japan and the European Common Market were the major trade partners. In March 1979, China and Japan extended and expanded their long-term trade agreement; i.e., during the period 1978 to 1990, China and Japan will each export to the other goods in the amount of US$20 to US$30 billion. In 1979, Sino-Japanese trade volume totaled US$6.7 billion, showing an increase of 39 percent over the US$4.82 billion of 1978, and accounting for about 22.9 percent of the total foreign trade volume of China in 1979. In July 1979, China initialed with the Common Market a 5-year agreement on textile products, increasing the quotas on 14 of the most sensitive products (including cotton cloth, cotton yarn and shirts). The Common Market also decided to treat China as a most favored nation [literally: "...also decided to apply the general preference system in its treatment of China..."] beginning in 1980. In 1979, the trade volume between China and the Common Market totaled US$5.06 billion, showing an increase of 54.3 percent over that of 1978.

China and the United States gradually resumed and developed their trade relations in the spirit of the Shanghai Communique jointly signed by China and the United States in 1972. The signing of the Shanghai Communique marked a major step forward toward the normalization of relations between the two countries, enabling them to resume their trade relations which had been suspended for 22 years and start again their non-governmental trade activities. While in 1973 the exchange of commercial and technical personnel between the two countries amounted only to about 700 person-trips, by 1978 this figure had increased to 4,500. The trade volume between the two countries also increased. In 1978, Chinese imports from the United States amounted to US$720 million, and exports to the United States, US$270 million. The year 1979 was an important year in the development of Sino-U.S. trade relations.

On 1 January 1979, China and the United States formally established diplomatic relations. In March, the two sides agreed to establish the Sino-U.S. Joint Economic Commission. On 7 July, the two governments formally signed the Sino-U.S. Trade Relations Agreement, marking entry into a new period in these relations. In 1979, Sino-U.S. trade volume amounted to US$2.45 billion, showing an increase of 147 percent over that of 1978, and accounting for 8.4 percent of the total foreign trade volume of China in 1979.

In 1979, the trade volume between China and the Soviet Union amounted to about US$500 million.

[Article by Li Kanghua [2621 1660 5478] and Wang Shouchun [3769 1108 2797]]

Reform of the Foreign Trade System

The current system of management and administration of China's foreign trade was gradually shaped and developed on the basis of the practice of state control over foreign trade. Upon its founding, New China immediately abolished all the prerogatives of imperialism in China, established the state-operated foreign trade companies, adopted the policy of utilizing, restricting and reforming the foreign trade enterprises owned by private capital, imposed state control over foreign trade, reformed the customs system, and established a system of foreign trade management and administration centering on the state-operated foreign trade companies which were under state control. In 1956, following the virtual completion of the socialist reform of the system of ownership, China had actually already achieved state monopoly control over foreign trade. Centralized leadership and unified administration of the whole of China's foreign trade were assumed by the Ministry of Foreign Trade, and all import and export business came under unified management by the state-operated specialized import and export companies subordinate to the Ministry of Foreign Trade. During the period 1956 to 1978, although some changes in this system were introduced continually according to the tasks assigned for different periods, there was little change in the foreign trade system in China in general. The existing foreign trade system gradually took shape under these historical conditions.

Following the entry of Chinese socialist revolution and construction into a new historical period, to speed up the realization of the four modernizations, it was necessary to greatly develop Chinese foreign trade. Under the existing foreign trade system, import and export operations were overly centralized and too rigidly controlled, making it impossible to achieve good coordination between industry and trade, between production and marketing, and causing dislocation in the matter of receiving foreign exchange from exports and using foreign exchange for imports on the part of the various localities, departments and enterprises concerned. There were also conflicts among the foreign trade departments, between the central and local authorities, between the ports and the interior, and between the various ports. These problems were detrimental to arousing the enthusiasm of the various departments, localities and enterprises for developing foreign trade. To do a good job in foreign trade and speed up the realization of the four modernizations, it was necessary to radically reform the prevailing foreign trade system in China.

Taking into consideration the characteristics of foreign trade and the actual foreign trade system prevailing in China, the reform of the foreign trade system should be carried out in the following manner: First and foremost, remove all restrictions where necessary to mobilize the enthusiasm of all quarters. In the meantime, it is necessary to assure central unity, including unity in policy, in planning and in dealing with foreign states. Under unified leadership, foreign trade should be administered and managed at various levels, with an independent accounting system. On 30 July 1979, it was decided at the 10th session of the Standing Committee of the Fifth National People's Congress to establish the People's Republic of China Import and Export Management Commission and the People's Republic of China Foreign Investment Administration Commission to improve the balancing of imports and exports, the balancing of foreign exchange, the work of importing new technology, and the control of foreign investments. After that, the Party Central Committee and the State Council issued a series of important documents, outlining some major policies and measures governing the reform of the foreign trade system and the development of foreign trade, as follows:

Place export commodities under the control of different levels of authorities separately, and broaden the scope of commodities handled by local authorities. Commodities under the control of central authorities should be exported by the various specialized companies subordinate to the Ministry of Foreign Trade. With the approval of the State Council, some of the commodities may be exported by other departments concerned. Commodities under the control of local authorities may be exported by provincial, municipal and autonomous regional authorities if practicable. All business belonging to local export plans and using local foreign exchange for imports may be handled by the local authorities concerned.

Broaden the authority of local authorities to handle foreign trade. The various provinces, municipalities and autonomous regions may establish specialized trading companies to export local commodities or certain particular commodities and to handle the import business for the localities concerned. These businesses should be handled at the local level and have their independent accounting and be responsible for their own profits and losses. With regard to certain special commodities, where conditions permit, joint industrial and trading companies may be established to handle their production, supply and marketing. With authorization certain ministries of the State Council may set up export commodity supply companies to handle their own commodities and participate in export negotiations and organization of delivery of these commodities. Where practicable, import-export companies handling both industrial production and trade or both agricultural production and trade may be organized under the dual leadership of the ministry responsible and the Foreign Trade Ministry.

Broaden the authority of production enterprises to participate in foreign trade. Where practicable, a production enterprise may participate in foreign trade activities or negotiate with foreign customers for trade to coordinate production with marketing.

Allow enterprises to retain a given percentage of the foreign exchange earned from exports to meet the needs of the localities, enterprises and departments concerned for importing supplies for developing production and expanding their businesses. This will bring into full play the enthusiasm of all quarters concerned. Favorable tax rates may be granted for the supplies which are imported to build up exports, in order to promote the expansion of exports.

Select certain areas of the few coastal provinces and municipalities where conditions permit to be treated as special export zones where more liberal control measures may be adopted on a trial basis. This may initially be carried out on a trial basis at Shenzhen and Zhuhai in Guangdong Province.

Furthermore, reforms may be carried out in the various provinces, municipalities and autonomous regions on the basis of their special characteristics and taking full advantage of their respective favorable conditions. The central authorities have decided to adopt a special policy and flexible measures in Guangdong and Fujian provinces with regard to their economic relations with foreign areas, and place the foreign trade business in Beijing, Tianjin and Shanghai under the dual leadership of the central and local authorities, with emphasis on the local, and with independent accounting, thus broadening the foreign trade authority of these three municipalities.

[Article by Qiu Nianzhu [6726 1628 4376] and Li Xiaoxian [7812 1321 0341]]

New Measures in Foreign Trade

In the past few years, on the basis of equality, mutual benefit, and mutual respect of each other's independence and sovereignty, the Chinese foreign trade companies have adopted more flexible patterns and methods in foreign trade according to the commodities, markets and trading partners concerned, to meet China's needs for expanding foreign trade during the new period, and, by means of foreign trade to draw funds more effectively from foreign countries, import more modern technology and equipment to speed up the socialist modernization program in China. In 1979, these new measures were put into practice on a much broader scale.

With regard to trading patterns, China adopted all the common practices in international trade, such as accepting orders for commodities of specified brands, allowing the buyers to give their own brand names to certain export commodities, allowing the buyers to attach their company names or symbols to the commodities alongside the Chinese brand names; processing the materials supplied by customers in to the products they need according to their suggested patterns, styles and packaging preferences; energetically setting up businesses to assembly products from parts processed abroad, processing or assembling raw materials, supplementary materials, components, primary sub-assemblies and packaging materials supplied in whole or in part by foreign businessmen into finished products to earn labor and processing charges; actively carrying out all forms of compensatory trade--repaying the funds, patented technology and advanced equipment supplied by foreign firms with products directly or indirectly, by installments or in batches; carrying out cooperative international productive operations, such as producing parts, components or complete sets of tools expressly for foreign firms to be used in producing complete sets of machinery, or cooperating with foreign firms in producing certain products, with each side marketing part of the products; and participating in joint ventures in China or abroad with foreign firms, etc.

With regard to the manners of payment, and according to actual conditions, China also mastered and put to use, flexibly, common practices in international trade. These include accepting credit from banks or governments where appropriate, in addition to continuing to use commercial credit in the field of imports; and accepting not only currently-dated letters of credit as a means of payment but also post-dated letters of credit, to provide some leeway for the buyers in order to do more business in the field of exports. In addition, China has also accepted the escrow practice to a suitable extent in transactions, although in most cases the payments must be made at the time of the completion of the transactions concerned. Also, in exporting complete sets of equipment or machines to nations of the Third World, China sometimes allows amortization in payments.

[Article by Qiu Nianzhu [6726 1628 4376] and Li Xiaoxian [7812 1321 0341]]

The Sino-U.S. Trade Relations Agreement

In May 1979, Juanita Kreps, U.S. Secretary of Commerce, visited China. On 14 May, she initialed the Sino-U.S. Trade Relations Agreement. On 7 July 1979, the "Agreement on Trade Relations between the People's Republic of China and the United States of America" was officially signed in Beijing by the governments of China and the United States.

The agreement provides that, to establish trade relations between the two countries on a non-discriminatory basis, both contracting parties accord the most favored nation status to each other with regard to products exported to or imported from the other country, and adopt all appropriate measures to create the best conditions for strengthening the economic and trade relations and promoting the continued and long-term development of trade between the two countries. To strive for a balance of economic interests between the two parties, the two parties will do their best to promote a mutual expansion of trade. The agreement also provides that the two parties acknowledge the important roles played by government trade organizations in developing the trade and economic relations between the two countries. The two parties agree to encourage and support these organizations in their efforts to promote trade, and according to their respective capacities, will do their best to facilitate such activities. This agreement will remain in effect for three years. Unless either contracting party informs the other of its desire to terminate this agreement at least 30 days before the expiration date, this agreement will be extended by another 3 years. It may continue to be extended in the same manner.

This agreement was approved by the Standing Committee of the National People's Congress of China and by the U.S. Congress. On 1 February 1980, the Chinese Ministry of Foreign Affairs and the U.S. Embassy in China exchanged notes in Beijing, announcing that the agreement formally took effect as of that date.

[Article by Qiu Nianzhu [6726 1628 4376] and Li Xiaoxian [7812 1321 0341]]

Establishment of the International Trust and Investment Company of China

The International Trust and Investment Company of China was formally established in Beijing on 4 October 1979. Its charter, approved by the State Council, states that the company is a state-operated socialist enterprise under the direct leadership of the State Council. The company will, according to the People's Republic of China Joint Venture Law and other general laws, decrees and regulations of the state, engage in guiding, absorbing and utilizing foreign funds, importing advanced technology and equipment, making construction investments in China, and accelerating construction for the socialist modernization of China. The company is capitalized at 200 million yuan in renminbi. Its main office is in Beijing. It has a branch in Hong Kong, and may establish other branches, sub-branches, offices and agents in China and abroad, according to actual needs.

At its first board of directors meeting, the company announced the namelist of members of its board of directors as approved by the State Council. The board of directors is composed of 44 persons. Rong Yiren, Lei Renmin, Wu Zhichao, Chen Shuxin, and Wang Jianshi are members of its standing committee, Rong Yiren is the chairman, and Lei Renmin the vice chairman. Rong Yiren serves as the general manager, with Lei Renmin, Wu Zhichao and Chen Shuxin ad deputy general managers. Other members of the board of directors include leaders of the various central and local departments concerned, members of the China Democratic National Construction Association, members of the All-China Federation of Industrial and Commercial Circles, representatives of industrial and commercial circles in the various localities, members of industrial and commercial circles in Hong Kong and Macao, and noted lawyers, economists and patriots, totalling 39 persons.

[Article by Qiu Nianzhu [6726 1628 4376] and Li Xiaoxian [7812 1321 0341]]

Joint Venture Law Promulgated

The Second Session of the Fifth National People's Congress of the People's Republic of China on 1 July 1979 adopted the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investments." This law has 15 articles, clearly setting forth the rights and interests of the participants in joint ventures.

The law provides the following: With a view to expanding international economic cooperation and technological exchange, China permits foreign companies, enterprises, other economic entities or individuals to incorporate themselves, within the territory of China, into joint ventures with Chinese companies, enterprises or other economic entities on the principle of equality and mutual benefit and subject to authorization by the Chinese government. The Chinese government protects, by the legislation in force, the resources invested by a foreign participant in a joint venture and the profits due him pursuant to the agreements, contracts and articles of association authorized by the Chinese government as well as his other lawful rights and interests. All the activities of a joint venture shall be governed by the laws, decrees and pertinent rules and regulations of China. A joint venture shall apply to the Foreign Investment Control Commission of the People's Republic of China for examination and approval of the agreements and contracts concluded between the parties to the venture formulated by them. After approval, the joint venture shall register with the Industry and Commerce Administration and Management General Bureau of the People's Republic of China and receive an operating license. A joint venture shall take the form of a limited liability company. The foreign participant's share of investment in a joint enterprise shall generally not be less than 25 percent of the venture's registered capitalization. Each party to a joint venture may contribute cash, capital goods, industrial property rights, etc. as its investment in the venture. The technology or equipment contributed by any foreign participant as investment shall be truly advanced and appropriate to China's needs. The investment contributed by a Chinese participant may include the right to the use of a site provided for the joint venture during the period of its operation. A joint venture shall have a board of directors whose chairman is appointed by the Chinese participant and the vice chairman by the foreign participant. The board of directors deals with major questions through consultations before decision, on the principle of equality and mutual benefit. The general manager and assistant general manager shall be chosen from the various parties to the joint venture. The net profit which a foreign participant receives as his share after executing his obligations under the pertinent laws and stipulations of agreements and contracts, the funds he received at the time when the joint venture terminates or winds up its operations, and his other funds may be remitted abroad through the Bank of China in accordance with the foreign exchange control regulations and in the currency or currencies specified in the contracts concerning the joint venture. The wages, salaries or other legitimate income earned by a foreign worker or staff member of a joint venture, after payment of the personal income tax under the tax laws of the People's Republic of China, may also be remitted abroad through the Bank of China in accordance with the foreign exchange control regulations. The law also has provisions governing the joint ventures' production arrangements, product marketing arrangements, organizations, personnel allocations, limits of management authority, contract durations and settlement of disputes.

[Article by Li Kanghua [2621 1660 5478] and Wang Shouchun [3769 1108 2797]]

Special Policies and Flexible Measures Applicable to Guangdong and Fujian in Their Foreign Economic Activities

The Party and government have decided that, within the framework of the uniform foreign trade goals, policies and plans of the state, Guangdong and Fujian Provinces may make their own arrangements for foreign trade according to their particular conditions to meet the needs of developing their foreign economic activities and speeding up their socialist modernization and construction. Their provincial foreign trade company branches are now under the dual leadership of the provincial authorities and the companies' main national offices. The two provinces may conduct their own import and export business; the products they export and import will not be subject to the limitations currently in effect regarding a division of labor by port and commodity. They may also establish on a trial basis specialized companies subordinate to their provincial governments to handle the production, domestic marketing and export business for certain export products, according to the principle of coordinating production with marketing, industry with trade, and domestic with foreign trade. With regard to commodities whose exportation is regulated by given quotas, overall arrangements should be made by the Ministry of Foreign Trade to grant more liberal quotas to Fujian Province. Each of the two provinces may decide on the prices it will pay for commodities it imports with its own foreign exchange. In foreign trade activities, the Ministry of Foreign Trade must remain in charge of arrangements with different countries (and areas) so as to maintain control over the prices of a few commodities which are imported or exported in large quantities and for which the monopolistic nature of the international market is strong and/or competition is fierce. Guangdong Province is setting up special export zones on a trial basis. Within these zones, it is permissible for Overseas Chinese, Hong Kong, Macao, and foreign firms to invest in the establishment of plants or to participate in joint ventures, tourist facilities, or other undertakings. The principle of administration in the special zones shall be: that China's sovereignty must be upheld, that China's laws and decrees must be enforced, and that China's foreign exchange controls and customs system must be observed on the one hand; but that--in economics--a policy of lifting restrictions must be implemented on the other. Accordingly, foreign investers and plant managers are protected by the laws of China; favorable tax rates are granted to the import of needed supplies and export of commodities from these special zones; foreign investers are allowed to remit their legitimate profits abroad after paying all taxes in accordance with related rules and regulations; and arrangements for people entering and department from these zones are simplified. The special zones will have customs, commodity examination, quarantine, frontier inspection, banking, postal and telecommunications facilities. In Fujian province, the Fujian Provincial Investment Enterprise Company is established as a consolidated enterprise with independent accounting, assuming sole responsibility for its own profits and losses. Under the leadership of the Fujian People's Government, it is engaged in such foreign business activities as inviting investments from Overseas Chinese and foreign capital, importing advanced technology and equipment and establishing enterprises, in accordance with the appropriate provisions of the state. The company will handle the export of the products produced by its enterprises, the foreign exchange earned therefrom, and the payment of expenditures according to an overall plan.

[Article by Li Kanghua [2621 1660 5478] and Wang Shouchun [3769 1108 2797]]

Foreign Trade in Beijing, Tianjin and Shanghai Is Under the Dual Leadership of the Foreign Trade Ministry and the Municipal Government Concerned, With Greater Emphasis on the Latter

Beijing, Tianjin and Shanghai are three important industrial bases of China, noted for their textile and light industry, their traditional handicraft products, and their fast-developing electronic, instruments, petroleum, and chemical industries. Their coastal location affords them excellent conditions for developing foreign trade. To study how to bring the advantages of the three cities into full play and how to adopt effective measures to increase exports and earn more foreign exchange, in August 1979 the Central Import-Export Control Commission convened in Beijing a Beijing-Tianjin-Shanghai export business symposium. The symposium made the following suggestions to reform the prevailing foreign trade system and grant greater authority to the three cities in handling their foreign trade, according to the guidelines of the central authorities and taking into consideration the particular conditions of the three cities themselves. These suggestions were approved by the State Council on 14 September 1979 for implementation.

Under the guidance of the unified foreign trade goals, policies and plants of the central authorities, foreign trade business in Beijing, Tianjin and Shanghai is to be under the dual leadership of the Ministry of Foreign Trade and the three city governments concerned, with greater emphasis on the latter. Each city will establish a municipal import-export company which is under the dual leadership of the Ministry of Foreign Trade and the city government concerned, with greater emphasis on the latter. Branches of each municipal import-export company are under the dual leadership of the Import-Export Corporation of the Ministry of Foreign Trade and their respective municipal import-export company, with greater emphasis on the latter. Each of the municipal import-export companies and their branches has its own independent accounting system.

Each city will formulate and readjust its plans for the procurement of commodities for export and the accumulation of foreign exchange from exports according to the needs of the world market and according to the principle of setting production targets in accordance with market conditions. The export of commodities under the control of central authorities is to be determined jointly by the State Planning Commission, the Foreign Trade Ministry and the ministries concerned. The export of commodities under municipal control may be arranged by the city government concerned according to the supply situation. For both centrally-controlled and locally-controlled commodities, each city may on its own increase production and efforts, with the proviso that it be able to meet raw materials needs. The import outside plan of commodities which can facilitate the export of other commodities may be carried out by city authorities themselves, within previously arranged foreign exchange limits, without reporting each case to higher authorities for approval.

Trade in important goods which are imported and exported in large quantities and intergovernmental trade should still be negotiated and agreed to by the Ministry of Foreign Trade and the national office of the various specialized import and export corporations on the basis of unified discussions with the foreign parties, and be carried out by the city branches of these corporations. The city branches may directly handle the import and export of other commodities, wothout being restricted by the specialized import and export quotas assigned to the various sea ports.

The Composition of China's Import and Export Commodities

I. Composition of Export Commodities

Year	Export Volume (in US$ million)			Export Volume (in %)		
	Agricultural & Subsidiary Products	Processed Agricultural & Subsidiary Products	Industrial & Mining Products	Agricultural & Subsidiary Products	Processed Agricultural & Subsidiary Products	Industrial & Mining Products
1950	318	183	51	57.5	33.2	9.3
1952	488	188	147	59.3	22.8	17.9
1978	2,691	3,414	3,640	27.6	35.0	37.4
1979	3,157	4,486	6,014	23.1	32.9	44.0

II. Composition of Import Commodities

Year	Import Volume (in US$ million)		Import Volume (in %)	
	Capital Goods	Consumer Goods	Capital Goods	Consumer Goods
1950	486	97	83.4	16.6
1952	999	119	89.4	10.6
1978	8,864	2,029	81.4	18.6
1979	12,747	2,928	81.3	18.7

Total Volume of China's Foreign Trade
(in US$ billion)

	1950	1952	1978	1979		
				Total Volume	Increase over 1978 (%)	Taking 1950 as 100
Total Trade	4.15	6.46	35.50	45.46	28.1	1,095.4
Total Imports	2.13	3.75	18.74	24.29	29.6	1,140.4
Total Exports	2.02	2.71	16.76	21.17	26.3	1,048.0

Domestic Commerce

[Article by Su Xuesheng [5685 1331 3932--The author's name may be translated literally as "Soviet Student"]]

In 1979, Chinese commercial departments achieved marked successes in serving the interests of industrial and agricultural production and the livelihood of the people, while adhering to the policy of readjusting, restructuring, consolidating and improving the national economy and carrying out the principle of "developing the economy to assure supplies."

There were abundant supplies in urban and rural markets to guarantee satisfaction of the basic livelihood needs of the people. In 1979, the total volume of retail sales of social commodities in China was 14.7 percent higher than that of 1978, that of commodities in cities was 16.8 percent higher, and that of commodities in counties and lesser administrative units 11.6 percent higher, of which that in administrative units below the county level 13.3 percent higher. The sales volumes of major consumer goods--foodstuffs, clothing, daily necessities, fuel--showed an overall increase. There was a marked improvement in the supply of food items. The total sales volume of ten items--grain, edible oil, meat, eggs, aquatic products, sugar, tobacco, liquor, salt, and caustic soda--showed an increase of 12.6 percent over that of 1978, and that of pork, in particular, showed an increase of 25 percent. In hog-producing areas and in Beijing, Tianjin, Shanghai and other municipalities, pork was obtainable without rationing. The supply and variety of candies, cakes, spirits and delicatessen items also increased. The market conditions for clothing were also excellent. The sales volume of 10 major commodities including cloth, knitwear, cotton textiles, and rubber shoes increased by 16.2 percent over that of 1978. Retail sales of cotton cloth and chemical fiber cloth increased by 850 million meters, averaging 2.7 chi [.9 meters] per capita, after guaranteeing the requirements for rationed cloth. The sales volumes of all kinds of woolen piece goods, knitting wool, silk piece goods, bed covers, and leather shoes showed substantial increases, too. Sales volumes of daily necessities showed substantial increases, too. Sales volumes of daily necessities showed faster increases over 1978. Sales of bicycles, sewing machines, radio sets, and watches showed increases of from 18 to 40 percent; of soap, 15 percent; laundry detergent, 7.6 percent; thermos bottles, 9 percent; television sets 200 percent, and tape recorders 300 percent. As for fuels for home use the sales volume of coal and kerosene was 3.8 percent higher. In 1979, supplies of industrial products were noted not only for their larger quantity, higher quality, and greater variety, but also for a large number of new products, such as refrigerators, electronic watches, electronic calculators, electric razors, induction fans, calendar watches, multi-purpose sewing machines, multi-speed bicycles, plastic carpets and coarse woolen piece goods.

Following the development of industrial and agricultural production, the supply of commodities increased by a large margin, and the commercial departments increased the purchase of industrial and agricultural products, thus promoting the further development of industrial and agricultural production. In 1979, the total volume of commodities purchased by state-operated commercial units showed an increase of 14 percent over that of 1978. The total volume of agricultural and subsidiary products purchased amounted to 58.68 billion yuan, or 27.6 percent greater than that of 1978. The purchase volumes of such major agricultural and subsidiary products as grain, edible oil, poultry, eggs, silk, tea, wool, apples, and oranges were all greater than those of 1978. The purchase volume of live hogs was 29 percent greater. The average weight of each live hog purchased was 12.1 jin greater, cumulatively equaling an additional 10 million hogs purchased, resulting in overfulfillment of planned allocations for that purpose by 75 percent. The volume of fresh eggs purchased was 49.8 percent greater. Thanks to the measures adopted by the state to promote the development of the textile and light industries, purchases of industrial products increased at a relatively fast speed. The total amount of industrial products purchased in 1979 amounted to 140.56 billion yuan, showing an increase of 9.8 percent over that of 1978. Within this figure, purchases of industrial products processed from industrial and mining raw materials were 13.1 percent greater, and of those processed from agricultural and subsidiary products, 5.3 percent greater. The purchase volumes of 34 of the 42 major industrial products showed increases over those of 1978. Sales of television sets, which were in greatest demand, increased by more than 100 percent, while sales of bicycles, sewing machines, watches, and radio sets by from 7 to 17 percent.

The remarkable increases in the purchases of industrial, agricultural and subsidiary products contributed to a rather large increase in inventory and an improvement in the composition of inventory. By the end of 1979, the total inventory kept by state-operated commerce was 11.6 percent greater than that at the end of 1978. The percentage of inventory kept by second-level wholesale stations and third-level wholesale stores diminished a little, while that of retail units increased to some extent. Along with the increasing inventories of major commodities, the percentage of inventory of the most popular regular commodities increased from the 84.7 percent in 1978 to 88.7 percent in 1979, reflecting a turn for the better in the composition of commodity inventories.

Building on the continual expansion of commodity circulation, there was a strengthening in construction in the commercial network itself. In 1979, large numbers of sales outlets and warehouses were built across the nation, and additional freight vehicles and vessels, of both general and specialized use, were made available to this network. In addition, a number of modern warehouses, oil storage tanks, refrigeration warehouses, and thermostatically controlled vegetable warehouses were the focus of construction in large cities and commodity collection and distribution centers. Some of them also adopted advanced management techniques to administer their systems. Preliminary statistics show that in 1979, China increased its state-operated sales outlets by more than 10,000. At the same time, a large number of collectively-operated sales units and restaurants came into being, with collective commercial outlets now amounting to 30-40 percent as many as state-operated retail sales units. In 1979, more than 120 refrigeration warehouses, large, medium and small, were completed and put into operation, with a total refrigerating capacity of more than 100,000 tons, topping the refrigeration warehouse construction of any other year in the past ten or more years. These warehouses greatly increased the capacity of the state to keep beef, mutton, pork, poultry and fresh eggs in cold storage, thus playing an important role in promoting the development of industrial and agricultural production and increasing the supply of meat and eggs to cities.

In 1979, there was great improvement in the management and administration of commerce, and good results were achieved in the campaign to increase production and practice economy. During that year, the broad masses of workers and staff employees in the system under the Ministry of Commerce universally participated in this campaign to promote production, expand commodity circulation, improve management, and increase accumulation, in line with demands from party and government. Many areas adopted measures to simplify redundancies in their organizations, reduce the number of transshipment points in goods circulation, and brought about greater use of direct-line transportation. As a result, they cut short transportation mileage by more than 1.6 million kilometers in 1979, saved more than 300 million ton-kilometers of shipping capacity and more than 200 million yuan in transportation expenditures. [The "300 million ton-kilometers" figure is given literally as "3 trillion" in the original, but there appears to be a typographical error--an extra "wan"--that throws the figure off by a factor of 10,000.] Many areas also adopted measures to accelerate capital turnover and reduce commodity circulation expenses. In 1979, capital turnover was shortened by 22 days as compared with that of 1978, the level of expenditures dropped 0.86 percent, and the amount of profits handed over to the state was 13 percent greater. Many enterprises relentlessly stressed the practice of economy and the unearthing of latent energy. In 1979, more than 2,000 enterprises switched their deficits into profits. Among those enterprises which still suffered from deficits, their total deficits were reduced by 26 percent. Some of the enterprises managed to markedly reduce their deficits which were allowed by the state as a matter of policy. During the campaign for increasing production and practicing economy and the labor emulation drive, many advanced units and individuals emerged in the system under the Ministry of Commerce. In 1979, 24 units were named national advanced units, and 32 individuals were named national labor models by the State Council; 50 units were named New Long March commando brigades and 350 individuals New Long March shock workers by the Central Committee of the Communist Youth League; and 36 units were named red flag collectives and 417 individuals "March 8th" red flag pacesetters by the All-China Federation of Women.

[Article by Zhang Caiqing [1728 6846 1987]]

Close Industry-Commerce Coordination

The relationship between industry and commerce in China is a new form of relationship of coordinated division of labor founded on the system of public ownership. Under the guidance of the state policy of readjusting, restructuring, consolidating and improving the national economy, through close coordination, mutual support and mutual promotion, industrial production showed quick development and commercial operations achieved continual expansion, which has brought a great improvement in the relationship between industry and commerce.

Under the new policy of regulating the economy both by planning and by market conditions, the development of industry was more oriented toward serving the interests of market. Commercial authorities were more eager to reflect to the industrial authorities the demands of consumers, offering to assist them in the readjustment of certain enterprises and the reshuffling of their products. A number of enterprises whose products were of poor quality and high-priced and whose operations were at a deficit, and a number of small plastics, tobacco, and fur-processing factories which competed with big plants in raw material consumption were closed, suspended, amalgamated and converted. A number of new plants were built to produce commodities in urgent need. Military industrial units and heavy industrial units were assisted to produce, some on a trial basis, such civilian products as refrigerators, motor cars, and washing machines. Old plants were encouraged to develop their potentials and undergo renovation to produce commodities of attractive new design at reasonable prices.

Following the readjustment of industrial and commercial enterprises, their products were more in keeping with market demands. The state increased its purchase of popular commodities which were in short supply. In 1979, the purchase volumes of such commodities as soap, electric bulbs, leather shoes and bicycles were more than 10 percent greater than in 1978, purchases of polyester and chemical fabric, which are in popular demand, were 20 and 40 percent greater, respectively, and purchases of television sets and tape recorders were more than 100 percent greater. The number of new products produced, some on a trial basis, in 1979 topped that of any previous year. More than 3,000 new products were placed on exhibition in the National Light Industry New Products Exhibition. This greatly enriched the supply of commodities on the market.

Keeping in pace with the development of production, the commercial authorities restored and established a commodity examination system, and changed their indifferent attitude of early 1979 toward the purchase of industrial products. All storable commodities for which the price matched the quality, but which were temporarily overstocked were purchased, placed in storage as needed and actively marketed. Thanks to the joint efforts of both industrial and commercial authorities, the total amount of industrial products purchased in 1979 was 9.8 percent greater than in 1978.

Some improvement was achieved in the commodity marketing system, on the basis of the development of production, to bring the role of market conditions as regulator of the economy into full play. For many years, industrial products had been under the rigid control of commercial wholesale departments which monopolized their marketing. To change this situation, and according to different conditions for commodities in categories 1, 2 and 3, industry-commerce links were broadened from the single method of state monopoly purchasing and sole-agent marketing to an experimental use of many methods, such as: state monopoly purchasing and marketing; planned purchasing; purchasing by prior orders; purchasing by free choice; commissioning of commercial agents by industries to sell on commission; or to sell as agents of the industries; marketing through direct links between factory and retail outlet; or marketing by the plants themselves. In Tianjin, Shanghai, Wuhan and some other cities, wholesale markets for sundry commodities were restored to facilitate transactions between industrial and commercial units as well as between wholesalers and retailers. After its restoration for two months, the Wuhan sundry commodity wholesale market was attended by dealers from more than 10 provinces, with a total volume of transaction amounting to 2 million yuan, covering 2,652 types of commodities. The supply and marketing cooperatives in China opened more than 600 warehouses to engage in buying, selling, storing and transporting agricultural and subsidiary products, industrial raw materials, and sundry industrial products on consignment for enterprises, communes and production brigades and teams. Many provinces and municipalities also authorized the restoration of consignment companies and sales departments operated by industrial plants. Industrial and commercial units gradually returned to the production-and-marketing contract system according to state plans. Large numbers of trade fairs were held throughout China. In Chongqing, Ningbo, Jinan, Foshan and some other cities, industrial and commercial enterprises held joint symposiums to study the demands of consumers, exchange views between producers and sellers, achieve unity in opinions, eliminate disputes in procurement and marketing, and establish closer relationships. All these measures were beneficial to the development of production, the expansion of trade between urban and rural areas, the improvement of marketing conditions, and the promotion of more active and better transactions.

[Article by Xu Jinlu [6079 6651 6922]]

Urban Collective Commerce

Urban collective commerce and services are elements of the economy under collective ownership, with a socialist character. They are noted for their independent accounting, for taking sole responsibility for their profits and losses, for greater autonomy and flexibility in their operations, for their wide dispersion throughout the country, for their smaller scale in business operations, and for their ability to meet the convenience of the people. The development of collectively-owned commerce is in keeping with present economic conditions in China and with the popular demands of the broad masses of the people.

In 1957, there were 790,000 urban collective commercial units, large and small, in China, accounting for two-thirds of the retail and service units controlled by the Ministry of Commerce, and employing 1.98 million staff personnel and workers, or 45.5 percent of all employees in retail commerce and services controlled by the Commerce Ministry. Nevertheless, over a long period of time, the number of collective commercial units not only failed to increase but substantially decreased. By 1964, their number had diminished by 62 percent to 300,000, and their employees by 30 percent to 1.35 million. During the period of the cultural revolution, due to the interference and sabotage of Lin Biao and the "gang of four," the number of collective commercial units was further cut down in the name of "cutting off the tail of capitalism." Compared to the figures in 1964, their number further diminished by 80 percent to 60,000, and their employees by 40 percent to a little over 800,000. After the "gang of four" was smashed, the state adopted a series of measures to develop collective commerce. In 1979, the State Council and other related authorities affirmed that collective commercial units are socialist in nature, and clarified many problems demanding urgent solution for the development of collective commerce, such as the organization of their trade unions, the wages and welfare of their employees, their ways and means to get supplies, and the distribution of such supplies. With the support of urban neighborhood committees, industrial and mining enterprises and state-operated commerce, large numbers of collective-operated restaurants, wineshops, hotels, tea houses, barber shops, photo shops, sewing shops and repair shops mushroomed. According to incomplete statistics compiled in 24 provinces, municipalities and autonomous regions, by the end of 1979 the number of collective-operated commercial units had been restored to 99,000, equal to 44 percent of the retail commercial and service units under the control of the Ministry of Commerce in these provinces, municipalities and autonomous regions, and employment had rebounded to 1.04 million staff personnel and workers, equal to 38.9 percent of the workers and staff in the above-mentioned Ministry-run retail units.

The development of the collective-commerce is playing an increasingly important role in promoting production, invigorating market conditions, expanding the commercial network, providing more convenience to the masses, and increasing the employment of the unemployed young people.

[Article by Wang Shaoquan [3076 4801 6898]]

The Development of Urban Food and Drink Services

Food and drink services are closely bound up with the daily livelihood of the broad masses of the people. At the time when Lin Biao and the "gang of four" were running wild, these facilities were devastated. This category of enterprises was thrown out of shape and out of style, with both their numbers and their professionalism seriously reduced, causing great inconvenience to the masses. Since the smashing of the "gang of four" and, particularly, since 1979, a network of such facilities has sprung up with new vigor, adding new service items, restoring traditional food items, training new personnel, and paying their employees according to the principle "to each according to his work."

The number of restaurants and service units has grown rapidly, with mostly small and collective-operated units equipped with the simplest of equipment, with both street vendors and shops and distributed in a rational pattern. According to incomplete statistics, in 1979 there were 72,000 urban food and drink service units, large and small, under the control of the commercial departments, showing an increase of 4.1 percent over 1978. These facilities employed a total of about 1,295,000 workers and staff, an increase of 6.9 percent. In addition, large numbers of restaurants and service units under collective ownership mushroomed on urban streets, offering employment to large numbers of unemployed young people.

Through the study of actual conditions, such as the size of these facilities, their type of customers, their equipment, manpower and location, many localities managed to expand the network of these facilities, increase their types of services, restore their traditional items, and bring their specialties into full play. In Shanghai, for instance, state-operated food and drink establishments again began offering 600 specialty menu items. Some localities also developed tourism, organizing special tours to scenic areas and historic sites to enrich the lives of the people and open a new way to recall currency from circulation without commodities.

To solve the problem concerning the critical shortage of technically trained personnel, the various localities opened training schools and classes, promoted on-the-job training and apprenticeships, and conducted technical examinations to provide trained personnel to restaurants and service units. Statistics compiled in 23 provinces, municipalities and autonomous regions show that during 1978 and 1979, the various localities awarded the titles of special class and first class cooks, barbers, photographers, pedicurists, dyeing technicians, clothes mending technicians, and service specialists to 443 persons according to the "Criteria for Grading Professional and Technical Personnel of Commercial Enterprises" promulgated by the Ministry of Commerce and with the approval of the revolutionary committees of the various provinces, municipalities and autonomous regions concerned. Thanks to the training programs and the awarding of titles, not only were traditional techniques continued and improved, but the quality of services of restaurants and service units was markedly improved also.

To carry forward the principle "to each according to his work" and bring into full play the work enthusiasm of staff personnel and workers, beginning in 1978 the barber shops began to adopt the system of paying bonuses over and above the basic pay to barbers who overfulfilled their work quotas. In 1979, this system was adopted by other trades too. In some cases, the amount of each bonus was calculated on the basis of a given percentage of total profits, in other cases the bonus was based on the amount of profit earned from the overfulfilled portion of one's work quota, and in still others it based on a combination of the two. This practice enabled the state to gain more profits, the workers concerned to increase their income, the customers to save time, and the enterprises to accumulate more funds for improving their service conditions.

[Article by Yang Min [2799 2404]]

Organize the Circulation of Commodities According to Economic Zones

It is one of the important principles of socialist commerce to organize the circulation of commodities according to economic zones. In the 1950s and, particularly, in the early 1960s, commercial authorities in China earnestly popularized the experiences gained by the Tangshan prefecture of Hebei Province in organizing the circulation of commodities according to economic zones, and many localities succeeded in establishing their wholesale commodity circulation networks accordingly. During the great cultural revolution, however, due to the interference and sabotage of Lin Biao and the "gang of four," many localities changed their practice of organizing the circulation of commodities according to economic zones to doing so according to administrative areas, resulting in overlapping control organs, unnecessary transshipments, dispersion of inventory, unnecessary detours in transportation, and greater expenditure in commodity circulation.

After the "gang of four" was smashed, the various localities started to pay attention to the restoration of the practice of organizing commodity circulation according to economic zones. In October 1979, the State Council approved a report of the Ministry of Commerce on its suggestions for improving commercial work, and reiterated the need to "rearrange the locations of second-level wholesale stations according to economic zones." Thereupon, the Commerce Ministry issued the "Notice Concerning the Relocation of Second-Level Wholesale Stations to Improve Wholesale Networks," demanding that second-level wholesale stations be rearranged and relocated according to economic zones, that such stations be situated in cities serving as production centers and hubs of transportation, that the sphere of supply of a second-level wholesale station be delimited by rational commodity circulation routes, not determined by the division of administrative areas, that overlapping wholesale organizations be streamlined, that unnecessary transshipment links be eliminated, that each zone be served by one set of wholesale supply units according to the practice of conducting rational commodity circulation, that the supply of commodities be carried out strictly according to economic zones, cutting across administrative areas, and that transportation lines be selected so that they are as direct as possible and as close to the plants, railway stations, wharves and warehouses concerned as possible.

In 1979, a total of 51 second-level wholesale stations and 132 third-level wholesale outlets were relocated, eliminated or amalgamated according to economic zones, the number of transshipments in commodity circulation within an economic zone was reduced by one or two or three, and irrational transportation lines were rearranged, saving more than 200 million yuan in transportation expenses, shortening transportation mileage by more than 1.6 million kilometers, saving transportation volume by more than 300 million ton-kilometers, and saving transportation labor by more than 4 million man-days. In Hunan, the whole province was divided into eight economic zones on the basis of the economic and communications conditions in that province, enabling it to eliminate six second-level wholesale stations, and to eliminate or amalgamate 29 overlapping wholesale organs. In rearranging and relocating wholesale stations according to economic zones, Heilongjiang province reduced the number of second-level wholesale stations from the 52 in the past to 24, reducing their workers and staff from the 7,000-odd in the past to a little over 5,200 reduced the number of transshipment points so that the amount of funds taken up by commodities in transshipment was reduced from the 30-50 percent in the past to about 10 percent, reduced the amount of commodity inventories by more than 30 percent, increased the proportion of commodities of popular demand in stock, and reduced the amount of overstocked commodities from the 11 percent in the past to 8 percent. As a result, commodity circulation in Heilongjiang was carried out with reduced mileage, in shorter time, with a lower number of transshipments, with minimum losses on the way, and at less expense.

Increase the Purchase Prices of 18 Agricultural and Subsidiary Products

(See the section: Agriculture--Raise the Purchase Prices of Agricultural and Subsidiary Products)

[Article by Jiang Huiying [5592 1979 5391]]

Raise the Selling Prices of Eight Non-staple Food Items

In March 1979, following the rise in the purchase prices of principal agricultural and subsidiary products, a development occurred where the selling prices of certain products fell below their purchase prices. To reverse this abnormality detrimental to certain enterprises, promote the development of production, stabilize market conditions, bring into full play the work enthusiasm of commercial units in their operations, stop the backward flow of supplies from urban to rural areas, and make it impossible for opportunists and profiteers to benefit by it, the CCP Central Committee and the State Council issued a joint circular, announcing that from 1 November 1979 the selling prices of eight major non-staple food items including pork, beef, mutton, poultry, eggs, vegetables, aquatic products, and milk, and all other consumer goods using these eight food items as raw materials. Specifically, on the basis of their prices in 1978, the selling price of pork was raised by 33 percent, that of fresh eggs 32 percent, of aquatic products 33 percent, and of beef and mutton, basically the same as pork in money terms. The selling prices of vegetables would be under strict control, with little or no increase. The selling prices of poultry and milk would be readjusted upward as appropriate by local authorities according to concrete local conditions and be subjected to strict control.

To compensate for the increase in expenditure caused by this normal increase in the prices of some of the non-staple food items, the state granted some subsidies to workers and staff (including retired staff employees and workers and apprentices), and adopted a string of important policies and measures to assure the stability of the prices in urban areas of such basic daily necessities as grain, edible oil, and cotton, increase the wages of some employees, readjust the wage differentials among different localities, issue additional bonuses, increase employment, strengthen price control and prohibit unauthorized increases of prices. After much work was done by authorities concerned, the market conditions in general were good and the supply of non-staple food items, in particular, showed marked improvement.

[Article by Su Xuesheng]

The Development of the Advertising Business

Since the founding of the New China, on the basis of reforming the old advertising business, commercial departments gradually gave form to a socialist advertising business. Nevertheless, due to their failure to realize the functions and scope of advertising in a socialist society, these authorities did not develop it at a fast rate. During the period when the "gang of four" was running wild, advertising was slandered as the sinister trash of revisionism and was seriously undermined. After the "gang of four" was smashed, the state advanced the policy of "regulating the economy simultaneously by planning and by market conditions" and paid more attention to the law of value, thereby paving the way for the restoration and development of the advertising business. Since 1979, many localities have quickly developed their advertising operations. Advertising companies have been established in 12 provinces, municipalities and regions, including Beijing and Shanghai, to handle advertising business at home and abroad. All kinds of advertisements began to appear on busy city streets and in shops, parks and sports grounds. In addition, advertisements were carried in central and local radio and television programs, newspapers and periodicals. By now, there are more advertisements and of more types than ever before since the founding of the New China.

Socialist advertising can play a positive role in promoting the interests of industrial and agricultural production, consumers, commodity circulation and international trade. Oftentimes when a new product was produced by a factory, there was a poor market for it, because the consumers were unaware of its use, properties, and characteristics. Through advertising, it could become an item of popular demand. There were many such cases in 1979. From now on, in line with the development of our national economy, the continuous expansion of social commodity circulation, the continual appearance of new products of new patterns and new varieties, and the day-by-day strengthening of China's international economic contacts, there is great potential for the development of the advertising business in China.

Total Retail Sales of Social Commodities in China

	Absolute Figures (in billion yuan)			Increase Over Previous Year		
Year	Total Retail Sales of Social Commodities	Consumer Goods	Agricultural Capital Goods	Total Retail Sales of Social Commodities (%)	Consumer Goods (%)	Agricultural Capital Goods (%)
1950	17.06	16.33	0.73	21	22	9
1952	27.68	26.27	1.41	18	17	37
1978	152.75	123.38	29.37	8.3	7.1	13.6
1979	175.25	142.85	32.40	14.7	15.8	10.3

Social Retail Sales of Major Consumer Goods in China

				1979		
Commodity	1950	1952	1978	Total Retail Sales	Increase over 1978	With 1950 Levels Taken as 100
Grain[1/] (million tons)	26.13	29.61	46.05	46.50	1.0%	178.0
Edible vegetable oils[2/] (thousand tons)	525	765	845	100.0	18.3%	190.5
Live hogs[3/] (million head)	33.20	34.43	102.89	120.35	17.0%	362.5
Fresh eggs (thousand tons)		132	394	609	54.5%	
Cotton cloth (billion meters)	2.04	3.02	6.05	6.27	3.6%	307.4
Chemical fabric (billion meters)			0.59	0.90	52.5%	
Polyester blended fabric (billion meters)			0.72	1.10	52.8%	
Sewing machines (thousand units)	79	100	4,398	5,400	22.8%	6,835.4
Bicycles (thousand units)	140	335	8,096	9,545	17.9%	6,817.9
Watches (million units)		0.385	13.881	19.444	40.1%	
Television sets (million units)			0.551	1.807	227.9%	

Note: 1/ Grain in trade
2/ Includes oil seeds in oil equivalent
3/ Includes fresh pork, frozen pork, and pork products

Goods and Materials

[Article by Wu Zhong [0124 0022]]

Supply Situation for Major Domestic Goods Under Unified Allocation

In keeping with the needs of a socialist planned economy, and in implementation of unified planning with administration at different levels, the means of production in China's industry (generally termed "goods and materials") are divided into three categories: unified allocation by the state (256 types), administration at the ministry level (581 types), and local administration (7.560 types in Shanghai, for example). Goods coming under unified allocation by the state include fuels, principal raw materials and important equipment. To fulfill state contracts for the supply of these goods is a matter of great importance toward the fulfillment of the entire national economic plan.

The year 1979 was the best in the past dozen or so years in the fulfillment of state contracts for the supply of goods of the first category. Statistics show that for 41 major goods and materials under state control for unified allocation, contracts for the supply of the following 18 types of goods were fulfilled 99 percent or more (amount actually supplied, as a proportion of the amount contracted to be supplied): steel products, copper, aluminum, lead, zinc, copper products, aluminum products, lead products, pig iron, coal, sulphuric acid, concentrated nitric acid, soda ash, rubber, timber, road rollers, rubber-tired cranes, and jack hammers; contracts for the supply of the following 17 types of goods were fulfilled from 95 to 99 percent: cement, caustic soda, motor vehicles, bulldozers, belt conveyers, excavators, ore loading machines, hoists, electric bridge cranes, truck cranes, air compressors, gas separators, refrigerators, metal cutting lathes, electric cables, bare copper wire, copper trolleycar wire, and internal combustion generators; contracts for the supply of the following four types of goods were fulfilled from 90 to 95 percent: crushing machines, grinding machines, forging machines, and industrial boilers; and contracts for the supply of only the following two types of goods were fulfilled less than 90 percent: ore dressing machines and electric locomotives for industry and mining with a capacity of 80 or more tons.

Compared with the figures for 1978, the supply of 34 of the above-mentioned 41 goods showed increases. For instance, the actual supply of steel products fulfilled 99.4 percent of the total amount in state contracts, with the amount supplied showing an increase of 9.1 percent over that of 1978. In particular, that of such products in short supply as small shaped steel, wire rods, and welded steel tubing showed increases of about 20 percent. Of the 28 key iron and steel enterprises in China, 18 fulfilled their supply contracts with the state. The actual supply of timber overfulfilled the total called for by state contracts by 4.8 percent, showing an increase of 2.1 percent over 1978. Of the 15 timber-producing provinces and autonomous regions in China, 13 fulfilled their timber supply contracts with the state. The actual supply of coal by collieries under the unified allocation authority of the state fulfilled 99.1 percent of coal supply contracts with the state, showing an increase of 4.2 percent over that of 1978. The average ash and rock content of all commodity coal supplied by collieries under unified allocation diminished by 1.12 percent from 1978 levels, equaling in value the supply of an additional 4 million tons of coal to the state. In addition, the supply of seven kinds of motor-driven and electric machinery, including motor vehicles and belt conveyors, showed increases of from 30 to 70 percent as compared to 1978 figures.

[Article by Wu Zhong [0124 0022]]

The Structure of Management and Administration for Goods and Materials and the Construction of Supply Networks and Units

China's goods management structure is now in the process of rapid restoration. By 1979, the 29 provinces, municipalities and autonomous regions had completely restored and reinforced their material supply bureaus and their subordinate specialized management corporations. There were 19,500 comprehensive and specialized supply networks and units for all kinds of materials under the control of the material supply departments at all levels in the various provinces, municipalities, autonomous regions, prefectures, cities and counties. Of this number, 5,800 were in urban areas and 13,600 in rural areas, employing 23,000 full-time and part-time service workers for servicing their supplies in factories, farms, and private households.

The General Office of the State Supplies Bureau has established the following nine national specialized general corporations: The China Metal Materials Company, China Fuel Company, No.1 Motor-Driven and Electric Equipment Company, No.2 Motor-Driven and Electric Equipment Company, China Timber Company, China Chemical Engineering Company, China Metal Reclamation Company, China Moving and Storage Company, and China Container Transportation Company, restored its five branch offices in Shenyang, Tianjin, Wuhan, Xi'an and Chengdu, and established coal allocation and shipping teams and stations at 50 major coal mining bureaus distributed in 11 major coal-producing provinces. Adopting such modi operandi as joint operations with local specialized companies, commissioning local companies to act as agents, and setting up supply stations under direct central control, these specialized companies established a large number of supply networks and units responsible for supplying materials to enterprises under the direct control of the central authorities.

The State Supplies Bureau head office requested the material supply departments at the various levels and the specialized companies to formulate plans for completing the establishment of a sound, comprehensive national material supply network in 2 or 3 years.

[Article by Wu Zhong [0124 0022]]

Ways and Means To Improve the Supply of Materials

Acting in accordance with the principle of reforming the economic system decided on by the CCP Central Committee and the State Council, and while they were in the midst of studying and formulating a plan for the reform of the materials supply management system, the materials supply departments at all levels have been exerting themselves to improve their management and to meet the call to handle economic work and materials supply in a livelier manner. To overcome as quickly as possible the malpractice of over-rigid controls for applying from one level to another for the allocation of materials, with the resultant poor linkage among supply, production, and marketing, they advanced many flexible methods of handling the planned allocation of materials, the major of which include the following:

Allow the users to place orders for materials, within their total allotted quota, according to their needs. One way to do so is not for the suppliers to issue control figures limiting supplies item by item, but to allow the user to submit a list of the supplies he needs, complete with their specifications (such as in the case of steel products), and conclude and sign a contract with the suppliers. Another way is for the users to wait until their construction and production plans are finalized before ordering their supplies according to their needs (such as in the case of non-ferrous metals).

Supply by coupon. Issue "supply coupons" according to allotted quotas, so that the users may use them to get their supplies from the supply centers or units as the occasion demands according to the types meeting their needs, without being subject to restrictions on time, place of supply, kinds of materials, or specifications. Coupons may also be used to transact processing orders (such as for copper, aluminum, lead, zinc, copper products, aluminum products, lead products, cast iron, etc.)

Supply by verifying need. Supply the users with goods and materials according to their actual needs, with or without assigned quota. Some of the users are supplied according to their scheduled consumption, others according to their processing speed, still others according to their coupons kept in hand, and still others according to the fluctuation of their inventory (such as in the case of steel products, hard alloys, chemical industry products, timber, construction materials and motor-driven and electric equipment of the second category, used for production, maintenance, capital construction, technical renovation or scientific research).

Wide open supply. Supply the users without restrictions of any kind, at all times or during assigned periods, according to the availability of goods and materials and the actual situation of the users concerned. Such unrestricted supply may be limited to spare parts and fractional needs (such as most of the products of the machinery and electrical equipment industries of the second category, some of the products of the electrical equipment industry coming under unified distribution, products of the chemical industry, and metal materials).

Open more retail centers to meet civil needs, allowing the buyers to buy small portions of products (such as in the case of chemical industry products and steel materials).

Develop the equipment rental business (such as all kinds of machines, equipment, hand tools and tools used in building construction).

All these measures have simplified matters to the convenience of the users, while guaranteeing the satisfaction of needs, reducing social inventory, and speeding up the circulation of goods and funds.

[Article by Wu Zhong [0124 0022]]

Establish Capital Goods Marketplaces

Since 1979, there has been a growth of market regulation of the circulation of producers' goods in line with the principle of regulating the economy both by planning and by the market. Sizable producers' goods marketplaces have taken shape in Shanghai, Jiangsu and Sichuan and other localities after trade fairs were held. In these marketplaces, transactions can be conducted in many ways (such as at assigned booths, through salesmen, by mail or telegraphic orders, or by holding large trade fairs), the sellers and buyers enjoy total freedom (without being restricted by the categories of goods and materials, by the demarcations of administrative areas, by the chain of command of enterprises, and by the two types of socialist ownership concerned), and the prices are flexible (such as according to state-assigned prices, local prices or floating prices). In these marketplaces, the traditional view that capital goods are not commodities and cannot be traded on the market was overthrown, enabling the buyers to get supplementary supplies when plan allocations are insufficient and allowing redress imbalances of supplies among localities and enterprises. It is also beneficial to a rational development of competition, and to encouraging enterprises to improve the quality and increase the variety of their products and to lower their costs. These marketplaces have received the enthusiastic support of the producers as well as the consumers.

The capital goods service companies of the materials supply departments of the various localities are the main organizers of capital goods marketplaces. At present, there are some 500 capital goods service companies in the whole country. Their "four agents and one adjustment" business (whereby they serve as purchasing agents, marketing agents, shipping agents, and processing agents as well as helping in trading activities) has seen a further growth, so that they have formed the beginning of a nationwide capital goods service network. Their annual business volume amounts to 3 billion yuan, of which one billion came from the transactions conducted in the 50-odd marketplaces scattered in the various localities.

The materials supply departments of Shanghai, Beijing, Tianjin, Sichuan and Liaoning are making preparations for establishing permanent capital goods marketplaces to serve as regional centers for trade, market information and services, to create the conditions for organizing according to plan and further invigorating market regulation of producers' goods.

[Article by Wu Zhong]

Make Use of Overstocked Supplies

Taking inventory of warehouse stocks is an important job in speeding up the turnover circulation of commodities and making fuller use of goods and materials. Taking inventory involves three tasks: counting the materials in stock; determining the stock turnover quota; and making use of overstocked supplies. In 1979, the various localities and departments stressed carrying out the latter two tasks, after the first was out of the way.

By the end of 1979, most of the enterprises in China had completed determining their stock turnover quotas. This paved the way for improving their management and administration. According to statistics compiled at the end of 1979 by 27 provinces, municipalities and autonomous regions and 34 departments of the central government, the overstocked goods and materials identified by this inventory of their enterprises amounted to 31 percent of the total value of goods in storage in these units, including 20.5 percent of the total amount of steel materials in storage and 34 percent of the total value of machinery and electrical products in storage.

The various localities and departments paid attention to the work of closely coordinating the utilization of their overstocked supplies with the campaign for increasing production and practicing economy. They have adopted positive measures to make use of overstocked supplies and speed up their enterprise capital turnover, such as having such supplies transferred, sold by agents or at trade fairs, reprocessed and fixed for marketing, or otherwise utilized before ordering more supplies, and asking the banks to control their loans accordingly. Statistics show that of the total value of overstocked materials, 34.4 percent were utilized in 1979, including 63 percent of the overstocked steel materials and 30.6 percent of the overstocked machinery and electrical products.

[Article by Wu Zhong]

Launch a Fuel Conservation Emulation Drive

To assure fuel supply and minimize waste, the State Council in 1978 decided to ration the supply of coal and oil "in the same manner as grain," and approved the "Unified Fuel Control and Rationing System" formulated by the State Planning Commission in coordination with other departments concerned. This system has been put into practice throughout the country. Since March 1979, the fuel companies of 72 cities in 18 provinces, municipalities and autonomous regions have carried out an emulation drive with marked success in improving fuel control and conservation.

In the past year, of the 25,900 major coal-consuming enterprises at the world level and above in these cities, 24,300 (93.8 percent) put into operation rationing by coupon; 11,400 (44 percent) assigned coal consumption quotas to their workshops, shifts of workers, and furnaces; and 19,600 (75.7 percent) adopted monthly and quarterly coal consumption checking systems. By the end of 1979, 12,200 enterprises (47.1 percent) reduced their coal consumption to their lowest historic levels.

In 1979, China conserved 23 million tons of coal and 2 million tons of fuel oil. In the 72 cities which participated in the fuel conservation emulation drive, their industrial production values increased by an average of 9.87 percent, while the increase in fuel consumption amounted only to 0.53 percent. In 32 cities, including Shanghai, Nanjing, Wuhan and Dandong, in particular, their industrial production value increased by 9.16 billion yuan, or 10 percent, while their fuel consumption was reduced by 1.286 million tons, or 4.6 percent, thereby fulfilling their goal of increasing production through fuel conservation and speeding up industrial development through minimizing fuel consumption.

[Article by Wu Zhong]

Popularize the Multiple-Purpose Utilization of Timber

In China, the direct timber utilization rate amounts to about 50 percent. What is left over after timber processing is mostly disposed of as waste. In Hangzhou Municipality of Zhejiang Province, however, an integrated complex to process and supply timber was established to reform the timber management system. It adopted the multiple-purpose utilization of timber from centralized processing to centralized supply of timber and finished and semifinished timber products to capital construction and packaging units throughout the city, run by Hangzhou Municipality, Zhejiang Province, and the central government, thereby increasing the timber utilization rate to 95 percent (72.7 percent for the direct utilization of the original timber and 22.3 percent for the utilization of leftover bits and pieces and damaged lumber).

In China, the forested area is relatively small, covering only 12.7 percent of the territory, averaging less than 10 cubic meters of timber per capita, much less than the world average. With uncontrolled lumbering in excess of regrowth in forests over many years past, the timber resources in China have so diminished as to adversely affect the production, construction and livelihood of the people. For this reason, it is important to popularize the experience of Hangzhou to solve the shortage in timber supply by centralizing timber processing work and raising the timber utilization rate. In September 1979, the State Council promulgated the "Report of the State Planning Commission, the State Economic Commission, and the State Supplies Bureau on Popularizing the Experience of the Hangzhou Timber Company to Increasing the Rate of Utilization of Timber," stipulating that all cities in China assign only their timber companies to engage in the integrated and organized processing and supply of timber, and that with the exception of absolute needs requiring the use of raw timber (such as for tunnel supports, piles, powerline poles, etc.), no unprocessed timber should be allocated directly to users anymore. In November 1979, a National Timber Work Conference was held, at which it was decided that in 1980 timber processing and supply be integrated on a trial basis in 45 cities including Beijing, Tianjin and Shanghai, and that this practice be followed by all cities in 1981. It was also suggested at the conference that the timber processing capacity in cities be completely readjusted within 2 to 3 years, that timber products be standardized as soon as possible, that timber be utilized comprehensively to serve many purposes, that the production of plywood be promoted, that in 3 to 5 years all the leftovers in timber processing in the cities be utilized, that the direct timber utilization rate be raised to over 70 percent, and that the multiple-purpose timber utilization rate be raised to over 90 percent.

[Article by Wu Zhong]

Reform of Management and Supply of Tires

China is short of rubber. More than one-half of its rubber supply is imported. At present, over one-third of total rubber consumption in China is used in the manufacture of tires. For this reason, to conserve rubber, it is necessary to reduce tire consumption. Since 1974, Jinzhou City in Liaoning Province has been employing the system of supplying tires to industrial and agricultural units only after checking their actual needs and requiring the exchange of an old, worn tire for each new one, instead of the old method of application for new tires through administrative channels. In addition, the city made great efforts to organize the business of retreading old tires. Thanks to these measures, the city succeeded in reducing the number of new tires supplied per year per motor vehicle by 65 percent, for a total savings of more than 6,800 sets of tires in 6 years under the quotas allotted by the state.

To popularize this successful experience of Jinzhou, the State Planning Commission and the State Economic Commission in 1978 issued the "Trial Measures Governing the Unified National Tire Supply and Retreading Business" to be carried out by the State Supplies Bureau. By the end of 1979, the various localities completed taking their motor vehicle inventory and provided a tire file for each vehicle. Two-thirds of the 2,500 tire supply units in the country put into practice the system of supplying tires only according to actual needs. Thanks to the adoption of this system, the volume of new tires supplied has fallen in all localities, as much as 30 percent or more in some of the provinces, municipalities and autonomous regions. At present, the supply of tires in China is sufficient in the main to meet the needs, with the exception of certain particular specifications. This marks a radical change from the shortage of tires in China in the past many years.

In view of the good results achieved by the various localities in supplying new tires and renewing old tires only according to actual needs, the State Supplies Bureau decided that, beginning in 1980, a system be put into practice on a trial basis in Beijing, Tianjin, Shanghai, Sichuan, Hunan and Liaoning for the enterprises directly controlled and supplied by the 24 ministries of the Central People's Government to give up their tire allocation quotas and to get their tire supplies from the supplies units nearby according to actual needs.

[Article by Wu Zhong]

Material Conservation and Reclamation

In the course of readjusting the national economy and reforming enterprise management, the various economic departments, enterprises and broad masses of the people began to pay great attention to the conservation, use of substitutes for and reclamation of materials, particularly in the case of fuels, power, and raw materials. In 1979, the major industries reduced their consumption per unit product. According to statistics compiled by the metallurgical, coal, electric power, petroleum, chemical, railway, communications, light, textile, and construction material industries, for the 64 major products of 470 key enterprises, the average consumption of fuels and major raw materials per unit product per year dropped for 45 of them, or 20.3 percent, in 1979 as compared to 1978, while it rose for 19 of them, or 29.7 percent. Thanks to the reduction of consumption by a large number of products, these industries in the year 1979 saved 6.3 million tons of coal (including coke converted to coal equivalent at a given ratio), 782,000 tons of industrial oil, 326,000 cubic meters of timber, 73,000 tons of acid and alkali, and 590,000 tons of iron and steel material. The principal measures adopted to reduce consumption included the enforcement of consumption quotas, the promotion of "Energy Conservation Month," the adoption of new technology and new processing methods, and the issuance of conservation bonuses.

Great progress was achieved in conserving and using substitutes for timber. According to incomplete statistics compiled in 28 provinces, municipalities and autonomous regions, more than 1.76 million cubic meters of timber were saved in 1979 through the adoption of fiberboard, steel materials, light burned magnesia, calcerous plastic, tree branches, and other materials as substitutes for timber, the reclamation of old timber for reuse, the rental of the means of construction, and efforts to increase the yield of useful lumber from logs.

The reclamation of metals reached a historical high level in 1979. The annual ferrous scrap metal reclamation plan was overfulfilled by 6.7 percent, and the quota of reclaimed ferrous scrap metal handed over to the state by 28.7 percent, topping historical records. The proportion of reclaimed steel waste of better quality increased from 47 percent in 1978 to 56 percent, thereby enabling steel plants to use more scrap steel as a raw material.

[Article by Hu Runsong [5170 3387 2646]]

Producers' Goods Service Network Established in East China Region

In 1979, the producers' goods service companies in the six provinces and one municipality in East China adopted some new measures in their work to invigorate the supply of materials and promote production. Large quantities of overstocked and overproduced products were sold or otherwise disposed of during 1979 as a result. In Shanghai alone, these companies sold more than 170 million yuan's worth of such goods and materials for Shanghai and the other provinces, and procured and processed many urgently-needed supplies for more than 8,000 industrial and mining enterprises. During 1979, Shanghai arranged for the processing of 290,000 tons of pig iron into steel materials for the East China Region. In August 1979, the first East China Region Coordination Conference was held in Shanghai at which the participants from many areas proposed that after fulfilling state plans they be allowed to exchange grain, edible oils and fats, and other agricultural and subsidiary products for chemical fertilizer, steel materials, coal and other raw materials, through the coordinated market.

In view of the new changes in producers' goods servicing, leaders of more than 80 producers' goods service companies in Shanghai and the six provinces of East China held a meeting in Shanghai in early 1980, at which it was formally decided to establish the East China Region producers' goods service network to speed up circulation of goods, assure the satisfaction of urgent needs in production, and improve producers' goods service work.

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MINERAL RESOURCE, TEXTILE, POWER, MACHINERY, LIGHT INDUSTRIES DESCRIBED

Beijing and Shanghai ZHONGGUO BAIKE NIANJIAN 1980 [YEARBOOK OF THE GREAT ENCYCLOPEDIA OF CHINA, 1980] in Chinese Aug 80 pp 313-335

[Text] Industry

[Article by Hong Huiru [3163 1920 1172]]

General Description

After 30 years' construction, China has built up a fairly complete industrial system with different departments and a certain technological level. The old trades have been greatly developed, while many new ones, such as the petrochemical industry, the electronic industry, the atomic energy industry and the aerospace industry, have been, or are being established. China is now able to design and produce many types of products requiring fairly complex technology to meet the requirements of economic construction and people's livelihood.

China's raw material industry is now on a fairly firm foundation. In 1979, its output of coal, crude oil, electric power, cement, steel, sulphuric acid, soda ash and chemical fertilizers, ranked among the top 10 in the world. Along with the petrochemical industry, the industries of chemical fiber, synthetic rubber, plastics and other new materials have also rapidly developed. The output of chemical fibers now ranks seventh in the world. China is also able to produce many types of metal and nonmetal materials to meet the requirements of national defense and sophisticated technology. In certain technical fields, such as the techniques of coal-dust blowing in blast furnaces, the reduction of gangue consumption in aluminum refining, and in the separation of associated metallic ores, China is unique in the world.

Instead of mainly engaging in repairs and assembling, China's machinery industry departments have become machinery manufacturing departments with a fairly high level of technology. In addition to automobiles, tractors, airplanes, 10,000-ton ships, and 5 million operations per second electronic computers, it has now developed its technology from that of purely copying from others to that of designing its own products; and from the manufacturing of single engines to the production of complete sets of equipment. It has already designed and manufactured 2,500 cubic-meter blast furnaces, rolling machines for 4,200 millimeter thick steel plates, equipment for 300,000-ton synthetic ammonia production, 300,000 kilowatt thermopower generating assemblies, and other complete sets of equipment.

The scopes of its light and textile industries are much enlarged. The sources of raw materials for these industries are increased, along with the increase of designs and varieties and the improvement of quality. In the textile industry, since the production of knitwears of mixed natural and chemical fibers began in 1961, the quantity of chemical fibers used has increased to 15 percent of the total quantity of all fibers used. Among the cotton textile products, the proportion of comfortable and economical cotton knitwears has increased from 9 percent to 18 percent in 1979; and that of worsted materials in wool fabircs increased from 50 percent in 1949 to 67 percent in 1979. Since liberation, the light industry departments have gradually produced sewing machines, cameras, wrist watches, transistor radios, TV sets, synthetic detergents, movie films, washing machines, refrigerators, tape recorders and various types of plastic products which have greatly enriched people's life.

The speed of China's industrial developments is fast even by the world standard. In 1979, the total national industrial output (computed on the basis of invariable prices in 1970) amounted to 459.1 billion yuan, being 42.5 times that of 1949 with an average annual increase of 13.4 percent. In the same period, light industry increased 21.8 times with an average annual increase of 11 percent; heavy industry increased 97.6 times, with an average annual increase of 16.6 percent. In 1979, coal output reached 635 million tons, being 19.8 times that of 1949, with an average annual increase of 10.5 percent; the output of crude oil amounted to 106 million tons, being 884.6 times that of 1949, with an average annual increase of 25.4 percent; generated power amounted to 281.95 billion kwh, an increase of 64.5 times that of 1949 with an average annual increase of 15 percent; steel output was 34.48 million tons, being 218.2 times that of 1949, with an average annual increase of 19.7 percent; chemical fertilizer output was 10,654,000 tons, being 1,775.7 times that of 1949, with an average annual increase of 28.3 percent; the output of cotton cloth was 12.15 billion meters, being 6.4 times that of 1949, with an average annual increase of 6.4 percent; the output of machine-made paper and paper board was 4.93 million tons, being 44.8 times that of 1949 with an average annual increase of 13.5 percent.

After 30 years' construction, China's industry now consists of 350,000 enterprises, while a fairly strong contingent of technicians and skilled workers has been formed. In 1979, the number of industrial workers in units owned by the whole people reached 31.09 million, an increase of 5.1 times over that of 1952. In the same period, the labor productivity of the total industrial labor force increased 1.8 times, while the average wage of industrial workers and staff members increased 0.5 times. The proportion of the total industrial output value in the combined industrial and agricultural output has risen from 30 percent in 1949 to 74 percent. The industrial level, compared with that of old China, is now vastly different. It has become an important material base for the accomplishment of the four modernizations.

After 30 years' construction, the geographical distribution of productive forces has much changed. The resources in the hinterland are being exploited and utilized, and a number of new industrial towns have appeared in various provinces (regions) of the hinterland.

Our industrial achievement has been tremendous. Yet, we have wasted some time because of the two setbacks we experienced during the early part of the second five-year plan and the Great Cultural Revolution. However, we have learned our lessons from these experiences. The wrong methods used in the past 20 years led to certain irregularities in the industrial economic structure and the system of industrial management. For example, the relationship between agriculture, light industry and heavy industry is not proportionate, and our management efficiency and technical level are far behind those of the advanced countries. In·the Third Plenum of the 11th Party Central Committee held in 1978, the policy of "readjustment, restructuring, consolidation and improvement" was introduced. Then in June 1979, under the leadership of the Finance and Economic Commission of the State Council, economic theorists and practical workers were organized to conduct investigations and study to further clarify the situation in order that the readjustment and restructuring could be guided by more specific goals. The present irrational economic structure will then be replaced by a rational one, and the present system of industrial management, characterized by excessive administrative control and low efficiency will be replaced by an efficient system of administration according to economic laws. China's industry will then be equal to the responsibility of a leading role in the national economy in accomplishing the four modernizations.

[Article by Chen Huanhuan [7115 2970 2970]]

Industrial Reorganization under the Principle of Specialization and Coordination

To suit industrial development in China during the 1960's some industrial departments formed more than 10 national and local specialized companies (or general plants) on an experimental basis and gained certain success. When the "gang of four" were on the rampage, these experiments were criticized as being "capitalist," and the specialized companies (or general plants) were abolished.

After the smashing of the "gang of four" and along with the national economic recovery and industrial development, some departments, then under diversified leadership and decentralized management, became increasingly incompatible with socialized mass production, and the localities and enterprises raised the question of organizing specialization and coordination in production from different points of view according to their own conditions. In his summing-up report delivered before the Third National Agricultural Mechanization Conference on 26 January, Vice Premier Yu Qiuli [0151 4428 6849] proposed that the farm machinery industry should be reorganized in various provinces throughout the country according to the principle of specialization and coordination. The First Ministry of Machine Building then held a special conference in Lanzhou for this purpose.

In July 1978, the Party Central Committee relayed to the lower levels the "Decisions of the CCP Central Committee on Some Questions Concerning the Acceleration of Agricultural Development (Draft) (called the "30-Point Decision on Industry" for short), further clarifying the need to reorganize industry according to the principle of specialization and coordination in order to accelerate industrial development. Later, some regions in Jiangsu and Sichuan and some industrial departments actively carried out industrial reorganization according to this principle, and did a great deal of work in this direction.

In the summer of 1978, the State Economic Commission, in consultation with Beijing, Shanghai and Tianjin Municipalities and Liaoning Province first set up experimental points for the sake of accumulating experiences. By the summer of 1979, action was taken mainly along the following lines:

First, investigation on the local situation of industrial development and the existing problems so as to ascertain the orientation of industrial reorganization; second, readjust the relations of affiliation among some enterprises so that each trade or undertaking will be under the unified leadership of its own department in charge; third, establishing a number of specialization companies (or general plants); fourth, further planning and reorganization inside the companies (or general plants); and fifth, the trial operation of a small number of companies (or general plants) in the manner of enterprises.

For more than 1 year, these six provinces and municipalities have reorganized or formed their specialization companies according to the principle of specialization and coordination with certain success.

(1) The situation of diversified leadership and decentralized administration has begun to change and a large number of scattered enterprises have been organized to ptomote production under unified management and direction. For example, after the reorganization of the eight production factories originally affiliated to six districts, counties and bureaus in the sewing machine trade, their output in the first half of 1979 exceeded that of the same period in 1978, or before the reorganization, by 57 percent.

(2) Unified planning and rational division of work have initially changed the orientation of production for some plants, developed the production of key items and goods in short supply for the market, and improved the quality of products. The volume of export trade has also increased.

(3) Specialized production was organized according to the special characters of products, spare parts and accessories and work process, and the potentials of enterprises were tapped to improve the economic results and to promote the enterprises' technical transformation.

(4) Enterprise management was strengthened and some backbone technicians were trained.

In coordination with industrial reorganization, the problems of prevention and treatment of the "three wastes" and the practice of economy among some plants have been solved.

Furthermore, in recent years, some provinces, municipalities and autonomous regions including Beijing, Shanghai, Tianjin, Jiangsu, Shandong, Gansu, Yunnan, Guangxi and Shanxi have carried out investigations followed by experimental reforms in the rational organization and dispatching of vehicles in transportation. These experiments have been a success.

Main Industrial Outputs of China

产品 Items	单位 Unit	1949 年 Year	1952 年 Year	-1978 年 Year	1979 年		
					A 产量	B 比上年增长%	C 1949 年为 100
1 原煤	亿吨	0.32	0.66	6.18	6.35	2.8	1,984
2 原油	万吨	12	44	10,405	10,615	2.0	88,458
3 发电量	亿度	43	73	2,566	2,819.5	9.9	6,557
4 生铁	万吨	25	193	3,479	3,673	5.6	14,692
5 钢	万吨	15.8	135	3,178	3,448	8.5	21,823
6 木材	万立方米	567	1,120	5,162	5,439	5.4	959
7 水泥	万吨	66	286	6,524	7,390	13.3	11,197
8 化肥•	万吨	0.6	3.9	869.3	1,065.4	22.6	177,567
9 农药	万吨		0.2	53.3	53.7	0.8	
10 发电设备	万千瓦		0.6	483.8	621.2	28.4	
11 机床	万台	0.16	1.37	18.30	14.0	−23.5	8,750
12 汽车	万辆			14.90	18.6	24.8	
13 拖拉机	万台			11.35	12.55	10.6	
14 手扶拖拉机	万台			32.42	31.75	−2.1	
15 化纤	万吨			28.46	32.63	14.7	
16 棉纱	万吨	32.7	65.6	238.2	263.5	10.6	806
17 棉布	亿米	18.9	38.3	110.3	121.5	10.2	643
18 机制纸及纸板	万吨	11	37	439	493	12.3	4,482
19 糖	万吨	20	45	227	250	10.1	1,250
20 原盐	万吨	299	495	1,953	1,477	−24.4	494
21 卷烟	万箱	160	265	1,182	1,303	10.2	814
22 电视机	万部			51.73	132.85	156.8	
23 自行车	万辆	1.4	8.0	854.0	1,009.5	18.2	72,107
24 缝纫机	万架		6.6	486.5	586.8	20.6	
25 手表	万只			1,351	1,707	26.4	

• 化肥按100%有效成分计算 Chemical fertilizer based on 100% effectiveness.

Key:
A. Output
B. Increase over the previous year in percentage
C. Figure of 1949 is 100
1. Coal in 100 million tons
2. Crude oil in 10,000 tons
3. Generated power in 100 million kwh
4. Pig iron in 10,000 tons
5. Steel in 10,000 tons
6. Timber in 10,000 cubic meters
7. Cement in 10,000 tons
8. Chemical fertilizers in 10,000 tons
9. Insecticide in 10,000 tons
10. Power generating equipment in 10,000 kilowatts
11. Lathes in 10,000 sets
12. Automobiles in 10,000 units
13. Tractors in 10,000 units
14. Walking tractors in 10,000 units
15. Chemical fibers in 10,000 tons
16. Cotton yarn in 10,000 tons
17. Cotton cloth in 100 million meters
18. Machine-made paper and paper boards in 10,000 tons
19. Sugar in 10,000 tons
20. Salt in 10,000 tons
21. Cigarettes in 10,000 cases
22. Television sets in 10,000 units
23. Bicycles in 10,000 units
24. Sewing machines in 10,000 sets
25. Wrist watches in 10,000 pieces

Five Documents Issued by the State Council on Restructuring the Management of State-Operated Enterprises

In the Communique of the Third Plenum of the 11th CCP Central Committee, it was pointed out that "one of the serious shortcomings in the structure of economic management in our country is the overconcentration of authority, and it is necessary boldly to shift it under the guidance from the leadership to lower levels so that the local authorities and industrial and agricultural enterprises will have greater power of decision in management under the guidance of unified planning... These measures will bring into play the initiative, enthusiasm and creativeness of four levels, the central departments, the local authorities, the enterprises and the workers, and invigorate all branches and links of the socialist economy." Accordingly, the State Council issued the following five documents on 13 July 1979:

1. "Certain Regulations Concerning the Expansion of the Decision-Making Power in Business Management by State-Run Industrial Enterprises": Under these regulations, the enterprises has the power to formulate and carry out supplementary plans, provided the fulfillment of state plans is guaranteed, and the state will gradually enforce the system of profit-sharing with the enterprises. The depreciation rate of fixed assets will be gradually raised and the system of payment for the use of fixed assets and the granting of full credit for circulating capital will be adopted. The enterprises will be encouraged to develop new products and to increase their export trade. They will choose their own workers and staff members in accordance with the state's labor planning, and measures will be taken to reduce their extraneous burdens. At the same time, the task which the enterprises must fulfill should be clearly spelled out so that the enterprises can effectively exercise their decision-making power in dealing with manpower, money, materials, supply, production and marketing. Their work should be guided and regulated by the state's unified planning, unified policy and unified disciplines.

2. "Regulations Concerning the Practice of Profit-Sharing by State-run Enterprises": According to these regulations, all enterprises practicing independent business accounting and making profits can retain a certain percentage of these profits to be used for building up funds for the development of production and for the workers' welfare and rewards so as to strengthen the enterprise's economic responsibility and to combine the interest of the state, the enterprise, and the individuals. This will help arouse the enthusiasm of the enterprises and their workers and staff members in doing a good job of economic accounting and in tapping the potentials for increasing production and in practicing economy in order to accumulate more funds for the state.

3. "Provisional Regulations Concerning the Levy of Fixed Assets Tax from State-run Industrial Enterprises": It has been decided that the system of free use of fixed assets has to be changed and the enterprises can no longer be free from economic responsibility in the use of state assets. Holding industrial and communications enterprises responsible for the fixed assets will encourage them to improve their management and business results.

4. "Provisional Regulations Concerning Raising the Depreciation Rate of the Fixed Assets of Industrial Enterprises and Improving the Methods of Using Depreciation Funds": Starting from 1980, the depreciation rate of fixed assets for industrial and communications enterprises will be gradually raised on the basis of increasing profits, in order to help the old enterprises tap their potentials and renovate and

transform their equipment and to give full play to the role of the existing enterprises in accelerating the national economic development.

5. "Provisional Regulations on the Trial Granting of Full Credit for Circulating Capital": To change the present phenomenon of diversified control of the circulating capital and the present situation where the size of the circulating funds used by an enterprise is not related to the economic benefits of the workers and staff members of the enterprise, the People's Banks will grant full credit to the enterprises for circulating funds. This will help strengthen the system of inspection and supervision by the bank over the enterprises' business activities and further encourage the enterprises and their workers and staff members in the effective control of their circulating funds.

Many provinces, municipalities and autonomous regions have already begun their experiments according to the regulations contained in these five documents.

Experiments in the Expansion of Decision-Making Power for the Enterprises

At the First Session of the Fifth National People's Congress, Premier Hua Guofeng pointed out in his "Report on the Work of the Government": "We have to conscientiously sum up our experiences and gradually reform and perfect the system of enterprise management." In the past several years, many localities have adopted measures to readjust and restructure the original system of management and to expand the decisionmaking power of enterprises. In October 1978, Sichuan Province first selected the Chongqing Iron and Steel Company, the Ninjiang Machine Tool Plant, the Sichuan Chemicals Plant and the Xindu County Nitrogenous Fertilizer Plant, and two other enterprises for the experiment, and gained some success. By the beginning of 1979, the experimentation had developed to include 100 enterprises affiliated to the Ministries, the province, municipalities, prefectures and counties. The province also formulated tentative measures embodied in 14 Articles concerning, among others, the tryout of profit sharing, raising the ratio of the enterprise's share of funds allowed for the depreciation of fixed assets, granting full credit for circulating capital, improving the regular bonus system, sharing foreign exchange, strengthening the power of the enterprises in offering rewards and meting out punishment and in the appointment and removal of personnel as they think fit. Thus the power of the experimental enterprises was further expanded. Similar experiments were carried out among some enterprises in other provinces, including Yunnan and Anhui.

To step up the experimentation, the State Council issued five documents in July 1979, concerning the expansion of decision-making power for the enterprises, and calling on the relevant departments in the provinces, municipalities, regions and the central authorities to select a small number of enterprises for the experiment. These experimental enterprises must have been consolidated under strong leading bodies and have fairly regular production procedures and management. The State Economic Commission also selected eight enterprises in Beijing, Shanghai and Tianjin for the experiment.

By the end of 1979, there were nearly 2,000 industrial and communications enterprises in 21 provinces, municipalities and autonomous regions undergoing the experimentation of expanded decision-making power and the profit-sharing system. These experimental enterprises amounted to 7 percent of the total number of industrial enterprises included in the state budget, and their industrial output value amounted to 30 percent of the combined total of these industrial enterprises.

Remarkable economic achievements have been won in the experiments on the decision-making power of the enterprises. First, it has promoted production by not only increasing the total output value but also raising the quality of products. The system of profit-sharing has resulted in benefits for the state, the enterprises, and the workers and staff members. Furthermore, since the conditions are favorable for technical transformation through self-reliance, it arouses the enthusiasm of the enterprises in tapping potentials and renovating and transforming their equipment, and in expanding their productive capacity. Because of their heavier responsibility, the enterprises have attached greater importance to their management and economic accounting.

To make the experimentation an even greater success and to sum up the experiences, the State Economic Commission issued a notice by the end of 1979 to the effect that the experiment would not be further expanded in 1980, and that starting from 1980, the share of profits for the enterprises should be calculated according to the excess over a certain basic amount of profit instead of being based on the total profit.

[Article by Liu Chunqin [0491 2504 0530]]

State Economic Commission Held Research Classes on Enterprise Management

To meet the requirements of socialist modernization, the State Economic Commission under the State Council has since March 1979 held research classes on enterprise management for the cadres. Among the students of these classes were directors and vice directors of the economic committees of various provinces, municipalities and autonomous regions as well as the main industrial cities; the directors of various departments and bureaus in charge of the enterprises in the industrial and communications sectors, and the directors of large and medium-size plants. Beginning from the fourth term of the research classes, the chairmen and vice chairmen of trade unions in various provinces, municipalities and autonomous regions also participated. Therefore, the name of these classes was changed to "Research Class on Enterprise Management of the State Economic Commission and the All-China Federation of Trade Union."

The course of these research classes included these four different aspects:

1. The ideological line, mainly related to study of the question of practice as the sole criterion for the testing of truth, and of the relevant speeches by the leaders of the central authorities;

2. Economic theories, mainly the theory of socialist commodity production, such as giving play to the mechanism of the market and the coordination of the regulative roles of planning and the market with great importance attached to the former;

3. Enterprise management mainly consisting of its general scope, planned management, quality control and economic accounting; and

4. Industrial management, mainly consisting of its general scope, the industrial structure, the distribution of productive forces and the energy resources.

In the research classes, the students have to mainly rely on self-study, while in dealing with important questions, well-known experts and scholars at home or abroad are invited to give lectures. Regular group discussions, inspection visits to plants are also organized to deepen the students' understanding of these problems and to improve the result of their study.

Each term lasts approximately 2 months, and by the end of 1979, four terms had been held, and some 470 persons trained.

The provinces, municipalities, autonomous regions and the various industrial and communications departments also attached great importance to the training of the cadres who are on active duty. According to incomplete statistics compiled by 29 provinces, municipalities and autonomous regions and 18 departments and general bureaus of the industrial and communications sector, more than 460,000 persons, including some 153,000 leading cadres at or above the county levels, participated in various types of economic management training classes in 1979. The Jiangsu Provincial Economic Committee has already sent more than 12,000 economic management cadres at or above the county level for rotational training. In Shaanxi, 30 percent of the cadres at the same levels attended the economic management training classes.

All-Out Activities of China Enterprise Management Association

The China Enterprise Management Association was established in Beijing on 3 March 1979, with one each president and adviser and nine vice-presidents. The president was Yuan Baohua [5913 1405 5478], Vice Minister of the State Economic Commission, while Deng Liqun, [6772 0500 5028], Vice President of Chinese Academy of Social Sciences, served as adviser. The highest organs are the Council and the Standing Council. There are 61 council members, including 41 standing council members. The secretariat is responsible for the day to day operation of the association, and the secretary general was Zhang Yanning, [1728 1750 1380], director of the Comprehensive Bureau. The China Enterprise Management Association consists of 63 member groups which are mainly branch associations, large back-bone enterprises, the finance and economic professional units and economic research units of universities and vocational colleges; 132 individual members, including 51 professors, research workers, accountants and engineers from all 29 provinces, municipalities and autonomous regions. Branches of this association have already been opened in Beijing, Tianjin, Shanghai, Liaoning and Lanzhou. These five branch associations have a total of some 230 council members, more than 500 group members and 1,000 individual members.

The function of the China Enterprise Management Association is to improve enterprise management through the activities of this association in order to serve China's four modernizations. The specific goals of the association are as follows:

1. To translate and publish books and periodicals and to supply information on the situation of enterprise management at home and abroad. The Enterprise Management Publishing House, affiliated with the China Enterprise Management Association, will compile and translate books and periodicals in a planned way to supply information on the experiences, methods and means used in enterprise management at home and abroad, and to actively promote the improvement of business management of enterprises.

2. To train managerial cadres. Besides holding unscheduled report meetings and academic exchange meetings and inviting Chinese and foreign scholars to give academic talks, the association will also help the departments concerned run

research classes for the leading cadres at various levels. These activities will help raise the professional knowledge and technology of the managerial cadres and the management level of Chinese enterprises.

3. To sum up the experiences of enterprise management and to participate in the experimentation of management restructuring. The association will organize its council members and members as required to conduct in-depth investigations and study of the enterprises, to help the enterprises sum up their experiences, and then provide active guidance in the experiment on their management restructuring.

4. To conduct international exchange activities. The China Enterprise Management Association will do everything possible to establish contacts with the enterprise management organizations and groups in the world, and through the exchange of visits, inspections, advanced study, supply of data and other programs for the exchange of experiences in enterprise management, strive to apply and popularize certain methods of scientific management which have proved to be effective.

The China Enterprise Management Association made all-out efforts in promoting these activities in 1979.

Democratic Election of Workshop Cadres

Speaking before the Ninth National Trade Union Congress in October 1978, Vice Premier Deng Xiaoping said: "Workshop directors, section chief and group heads in every enterprise must in future be elected by the workers in the unit." This is an important measure for the broad masses of workers to exercise their power as masters of the enterprises under the socialist system of public ownership.

To gain experiences in the democratic election of workshop directors, experiments have been carried out since 1978 among the enterprises in some provinces and municipalities. There are 48 enterprises in the system of the Beijing Municipal Building Material Bureau, with a total of more than 230 workshops. Leading cadres for these workshops have all been appointed through democratic elections.

The democratic elections of workshop cadres in the experimental enterprises were carried out under party leadership, and the various organizational jobs were undertaken by the political organizations of the party committee in collaboration with the plants' trade unions. The role of the trade unions was thus given full play.

The methods and procedures of democratic election of workshop cadres are as follows:

1. Go deep among the workers to ascertain the ideology of the cadres and workers;

2. Carry out effective ideological work and bear in mind the existing problems so as to familiarize the cadres and workers with the significance, purpose and specific methods of democratic election.

3. Organize the workshop directors to report on their work before the workers and staff members of the units. While affirming the achievements, they should also reveal the shortcomings and carry out sincere self-criticism for their own defects and mistakes. Then the masses should be mobilized to evaluate the cadres with the method of "dividing one into two." These activities will give the masses an

opportunity to understand the cadres thoroughly, to criticize them, and at the same time help those who have erred to mend their way and to win the workers' understanding.

4. Explain to the workers and staff members about the conditions and responsibility required of the candidates for workshop cadres and let the masses nominate the candidates with no strings attached by the plant leadership.

5. Carry out election with secret ballot and with more candidates put up than the cadres to be elected.

6. Conduct ideological work on the successful as well as the unsuccessful candidates. The successful ones should be reminded that they should live up to the workers' trust and expectation by doing their work well, while the unsuccessful ones should take a proper attitude toward their defeat through an orderly transfer of their duties and then take up their new jobs cheerfully.

As proved by the experiments, the fear that democratic election of workshop cadres would create chaos and adversely affect production following a complete reshuffle of cadres is groundless. According to investigations on the experiments carried out in Beijing, Shandong, Heilongjiang, Ningxia and 11 other provinces, municipalities and autonomous regions, 87.4 percent of the cadres were reelected, and the change only affected 12.6 percent of them and most of the unsuccessful candidates were old and weak, lacking organizing ability, or seriously divorced from the masses.

In the units of all localities where democratic election of workshop cadres by the workers has been carried out, the enthusiasm of the workers in participating in the management of the enterprises is further aroused, and the elected cadres' mass concept and vocational devotion are further strengthened. Thus the relationship between the workers and the cadres has become closer while the management and production of the enterprises, where such elections have taken place, have all improved in varying degrees.

[Article by Liu Yuanzhang [0491 3293 1728]]

Quality Control Strengthened

Great importance has been attached to quality control since the downfall of the "gang of four." In April 1977, the State Council held a national conference to learn from Daqing and called on enterprises throughout the country to fight a mass battle of quality control. In a meeting held by the First Ministry of Machine Building in September of the same year for exchanging experiences in raising production quality and consolidating enterprise management, a proposal was made to start a "trustworthy product quality" campaign. In August 1978, the First Ministry of Machine Building enforced the "Three Guarantees" (meaning the guarantee of repair, replacement and return) beginning with farm machinery. In July 1978, the "30-Point Decision on Industry" was publicized and Point 19 stressed the need to pay great attention to quality, varieties and specifications. The national conferences to learn from Daqing held in the months of May, June and August 1978 by the textile industry, the light industry and the machinery industry, all called for the consolidation of enterprises and the raising of product quality. In 1979, the work of quality control continued to make headway.

The Launching of the "Quality Month"

In July 1978, the State Economic Commission decided that September be designated as "Quality Month" every year. In the first "Quality Month" meeting broadcast by the radio and the TV network in September 1978, Vice Premier Kang Shi'en of the State Council mentioned the specific requirements of the "Quality Month" in his speech as follows: 1. Deepen the criticism of the crimes committed by the "gang of four" in causing the deterioration of quality; 2. Stress the harms which poor quality would bring; and 3. Make a real effort to set up rules and regulations for the basic work of quality control.

In April 1979, the State Economic Commission issued a notice on the plans for launching the second "Quality Month." In August of the same year, the First National Representative Conference of Quality Control Groups was held. The representatives reviewed their achievements in quality control during the previous year and pointed out that since the launching of the "Quality Month" campaign in 1978, mass quality control on the industrial and communications front of China had made great progress, and quality control groups had appeared in large numbers. In the machinery industry departments alone, more than 5,100 teams and groups were named "trustworthy product quality" units. Thanks to strengthened quality control, the quality of products among various trades and undertakings has steadily risen. In the second National "Quality Month" Conference held in the People's Great Hall of the Capital, and broadcast and televised in September of the same year, Vice Premier Kang Shi'en said that after this "Quality Month," all industrial products should within the following year be able to conform to the State's quality standard, restore all the brand-name products, and catch up with or surpass the advanced levels at home and abroad. In accordance with the "Regulations of the People's Republic of China for Awarding Fine-Quality Prizes" issued by the State Economic Commission with the approval of the State Council in June 1979, the Conference awarded 51 gold medals and 121 silver medals for fine-quality products. These were the first national awards ever given for fine-quality products.

Experiment of All-Round Quality Control

In May 1977, the experiment of quality control in the Qinghe Woolen Textile Mill of Beijing and the Beijing General Internal Combustion Engine Plant was a success. Then in May 1978, a group of the First Ministry of Machine Building of China went to Japan for inspection on invitation by the Komatsu Manufacturing Center of Japan. Later, representatives of the Komatsu Manufacturing Center visited the Beijing General Internal Combustion Engine Plant for an exchange of technology in quality control. In July of the same year, the First Ministry of Machine Building held the first term of study classes on all-round quality control. This was followed by similar study classes and experiments in various localities and departments throughout the country.

In 1979, the number of experimental units in all-round quality control was increased. During the "Quality Month," the People's Central Broadcasting Station carried a series of talks on all-round quality control. By the end of 1979, more than 1 million people had participated in this type of study class, and, except for Xizang, all provinces, municipalities and autonomous regions had their experimental enterprises which numbered more than 870. In August of the same year, a China Quality Control Association was formed in Beijing. The president of the council was Yue Zhijian [1471 1807 1017], Vice Minister of State Economic Commission and concurrently Director of the General Standardization Bureau.

Rules and Regulations of Standardized Quality Control Promulgated

Following the Working Conference of National Standardization held in May 1979, the State Council promulgated the "Rules and Regulations Concerning Standardized Control in the People's Republic of China" in July along with the issue of a notice saying that standardization was an important means of organizing modernized production, and an important component of scientific management. It was also said that a successful standardization could play an important role in the high-speed development of the national economy, in improving the quality of industrial and agricultural products and of engineering construction, in raising the labor productivity, and in fully utilizing the state's resources. According to the rules and regulations, products which do not measure up to the standard cannot be included in the output as a fulfillment of state plan; their output value cannot be accounted for; and their shipment from the factory is not permitted. Should any violation of the rules and regulations of standardization produce serious consequences or major incidents, the person responsible for the violation will be criticized, disciplined, fined or even legally persecuted according to the extent of the damage. Should any enterprise fail to produce according to the standard or should it produce goods of inferior quality, the government has the right to refuse to issue a certification. In serious cases, the government has the right to recommend to the departments in charge financial sanctions against the enterprise or the personnel concerned, or the closure of the enterprise for consolidation. The system of using fine quality as a symbol will be enforced and the policy on fine quality will be implemented. Those who have made important contributions in winning outstanding achievements in the production of standardized goods should be rewarded. The implementation of these rules and regulations, and the "Certain Regulations Concerning the Expansion of the Decision-Making Power in Business Management by State-Run Industrial Enterprises" issued by the State Council in July, and the policy of combining the regulative role of planning with that of the market has given a strong impetus to the improvement of enterprise management, the quality of products and the increase of production and practice of economy.

Mineral Resources

[Article by the Ministry of Geology]

Mineral Resources and Geological Work

China has a huge area with wide open seas, variegated geological structures and rich mineral resources. Since the founding of the People's Republic in 1949 and through the painstaking efforts of the geological workers throughout the country, geological survey and research have made great progress. The number of varieties of mineral products, whose deposits have already been verified, and the mineral beds now under industrial evaluation have been increased from 18 in 1949 to more than 130 in 1979. These varieties include ferrous metal, nonferrous metal, auxiliary materials for metallurgy, fuel mineral products, chemical industrial raw materials, building materials and other nonmetallic raw materials, forming a fairly complete assortment. China is one of the few countries in the world with such a complete assortment. The deposits of iron, coal, phosphorus, copper, aluminum, lead, zinc, tungsten, tin, molybdenum, and antimony, which have been verified, were among the foremost in the world and basically sufficient for the several five-year plans after 1953.

We have taken the wrong path in geological work because of our violation of the economic laws and because of the interference and disruption over a long period by Lin Biao and the "gang of four." Geological work is still one of our weak links. The geological departments have changed their methods since the smashing of the "gang of four," and proceeding from realities, they boldly revised the key points for a general geological survey and prospecting. Notable success was achieved in a comparatively short time. In a conference of geological bureau chiefs throughout the country held in January 1980, a special discussion was conducted on the question of further implementing the eight-character policy of the national economy along with a call for the vigorous strengthening of the energy resources, agriculture, light industry, building material industry, chemical industry and the survey and prospecting for mineral resources required for the foreign trade. Energy resources were to occupy the first place in geological work, and a survey should also be conducted for the development of chemical fertilizer resources. The survey and prospecting of nonferrous metals and rare metals should be strengthened, and concentrated efforts should be made in ocean geological work so that a breakthrough could be made in the locations where geological conditions are favorable. At the same time, the geological rank should be consolidated along with the restructuring of the management in order that geological work will actually pave the way for construction and accelerate the accomplishment of the four modernizations by discovering more and better mineral resources.

Coal and Petroleum

Coal. Deposits totaling 600 billion tons have been verified. Anthracite and bituminous coals which include long-flame coal, gas coal, rich coal, coke, lean coal, poor coal, loose coal, brown coal and bone coal, forming a fairly complete assortment, are spread out all over the country. Coal fields are mostly concentrated in the northern part of China including North China, the Northwest and the Northeast. Among them, the one in Shanxi Province is most important, because China's industrial coal is mainly obtained from here. The coal formations in North China mainly belong to the Permian system of the Palaeozoic Era. In the Northwest and Northeast, they mainly belong to the Jurassic Period. In the southern part of China, they mainly belong to the Permian system. The exploitation of coal resources began very early in China, the principal coal mines being located in Datong of Shanxi, Kailuan and Fengfeng of Hebei, Fushun and Benxi of Liaoning, Hegang of Heilonggang, Weibei of Shaanxi, the northern slope of Tianshan Mountains in Xinjiang, Pingdingshan of Henan, and Huainan and Huaibei of Anhui. There are also important coal mines in Guizhou and Yunnan.

Petroleum. China has won great achievements in geological work with regard to petroleum in the past 30 years. In the early 1950's, a number of oilfields were discovered in the western part of China, including Gansu, Qinghai, and Xinjiang. In the late 1950's, the Daqing Oilfield was discovered in Hailongjiang; Fuyu Oilfield was discovered in Jilin; and a number of oil and gas fields were discovered in Sichuan. In the 1960's, successive discoveries of new oil and gas fields were made in Shandong, Hebei, Liaoning, Hubei and so forth. At the same time, oceanic geological work was carried out in the search for oil resources. Since the 1970's, intensified efforts have been made in discovering oil resources from Bohai, Huanghai and Donghai Seas all the way down to the South China Sea. A number of oil and gas fields have been discovered in northern Jiangsu, Shaanxi, Gansu, Ningxia, Guangdong, Henan and the Bohai Bay. In recent years, some industrial oil gas currents were discovered in the Tarim Basin of Xinjiang, in northern and northeastern Sichuan, in Beibuwan [Tonkin Gulf] and the estuary of Zhujiang River [Pearl River].

Metal Mines

Iron Mines. China's iron mines of various sizes are widely spread out over various provinces (regions). Iron mines of the Anshan type (the sedimentary metamorphic type) are the main type in China, and are distributed over the area from Anshan of Liaoning to Jidong of Hebei. This type of mineral can be easily extracted, although their ores are not of a high grade. In Sichuan, there are large mineral beds of vanadium, titanium and magnet spread out in Panzhihua. Besides iron, such important components as vanadium and titanium can be recovered. In Hubei, the "Daye" type of iron mine (formed by the interaction of gas and heat along the contact edges of different layers) in Daye has long been well-known. There are also similar mines in the area to the east of this mine. In the northern and southern parts of China, there are also many iron mineral beds of the sedimentary type, and the mineral layers are mostly of the Sinian system in the north and the Devonian system in the south. In recent years, attention has been drawn to the iron and siderite mineral beds, connected with volcanic activities, which will improve the prospects of new discoveries. In 1979, the total discovered iron deposits in the country exceeded 40 billion tons.

Manganese. China's manganese deposits are among the largest in the world. The origin of these mines dates back to the Sinian and the Triassic Periods, or mostly the Sinian and Devonian Periods. The known manganese mines are located in the central-southern region, especially in Guangxi.

Chromite. These mines are spread out over Northwest China, and the discovered ones are mostly in the geosyncline region of the late Palaeozoic Era. The mines in the east are not large, but larger ones have been discovered in Xizang in recent years.

Copper. China's copper mines are in the top rank in the world. They are spread out mainly in the valleys of the middle and lower reaches of Changjiang River and in the southwestern region. In Northwest and North China, there are also fairly large copper deposits. China has generally all the known varieties of copper in the world.

Lead and Zinc. The mining and utilization of lead and zinc has had a long history in China. These mines are widely spread out, with the ratio of lead higher than that of zinc. From them, some useful components, such as silver, can be recovered. New lead and zinc mines were discovered in the west of Qinling and the western part of Yunnan Province in 1979.

Bauxite. The bauxite mineral beds, which are related to the coal of the Palaeozoic Era and form quite a large proportion of China's mineral resources, are mainly located in Shanxi, Henan and Guizhou.

Tungsten. China's tungsten mines are in the top rank in the world, and are mainly located in Jiangxi and Hunan to the south of the Nanling Mountain Range. Mining has been carried out in these places for many years, but the reserves are still considerable. Other tungsten mines with a promising future have also been discovered in North China and the Northeast Region.

Tin. Tin deposits also rank first in the world. The Gejiu Tin Mine of Yunnan has long been well-known. There are also tin mines in Guangxi, Guangdong, Hunan and Jiangxi.

Molybdenum. China's molybdenum mines rank second in the world and the mineral beds are distributed mainly in the north. With the exception of the silicate type, several of the perphyry type have been verified. The mineral beds in the north of Qinling Mountain and Funiushan Mountain are among the important discoveries.

Nickel. In the late 1950's, an extra large copper-nickel mine, which basically marked a new phase in China's mining industry, was discovered.

Antimony. China's antimony mines are well-known and their reserves are the largest in the world. Approximately one half of the world's antimony reserves are in China. In addition to those located in Hunan, antimony mines have also been discovered in the northern part of China.

Mercury. China's deposits of mercury is also in the top rank of the world. They are mainly located in the "mercury belt" of Hunan and Guizhou, and Guizhou is particularly known as the "Province of Mercury." In recent years, mercury mines of high value have also been discovered in the Qinling Mountainous Region.

Gold. Gold mining has a long history in China. Panning for gold was carried out along the coasts even in ancient times. Gold mines are located in various parts of China, but more concentrated in the Northeast, East China, and the Qinling and Yanshan regions. Gold resources are also rich in Taiwan Province where the famous Jianguashi Gold Mine is located.

Platinum. In the late 1960's, platinum mineral beds related to chromite and nickel mines were discovered in China. In the past several years, many nonferrous and precious metal mineral beds containing associated platinum ores were discovered. In addition, pure platinum mineral beds have also been discovered.

Rare Earth. Rare-earth mineral beds, on which China has done much meticulous work, are mostly intergrowths with iron mineral beds. These beds are large and have rich reserves with light rare earth as the predominant element. Some of them are produced in the phosphorus-forming beds. The known ones are cerium, lanthanum, preseodymium, neodymium, samarium, europium, yttrium, and so forth.

Nonmetallic Minerals

Phosphorus. China is rich in phosphorus resources. There are many such mineral formations, the main ones being of the Sinai and Cambrian Periods. Those of Sinai Periods, located in Hubei, Hunan and Guizhou form one of the important phosphorus basins of the world. Those of the Cambrian Period are also quite extensive, being mainly concentrated in Yunnan, Guizhou and Sichuan in the Southwest.

Magnesite. The magnesite mine in Liaodong Peninsula is quite a large one. China ranks first in the world in magnesite production. Fairly large new magnesite mineral beds were discovered in Sichuan, Shandong and Hebei in recent years.

Sulphur. The mineral products from which sulphur can be extracted in China are vulcanized iron, nonferrous metal, oil and gas associated with sulphur, gypsum, alum, and so forth. At present, China mainly uses iron pyrites and nonferrous metals associated with sulphur. The verified reserves of iron pyrites are now in the top rank of the world. These mines are mainly located in Guangdong, Anhui and Nei Menggol. The majority of these mines were formed from pyrites of the volcanic rock system and others were formed by the interaction of gas and heat in sedimentary metamorphism. In addition, there are large deposits of sedimentary pyrite.

Mica. The verified mica mines are located in Xinjiang, Sichuan and Nei Menggol. The significant mineral ores are imbedded among the gneiss and schists, and belong to the granite-pegmetite type. Their origin is mostly related to the infiltration of acid into the rocks during the Varician Period. The main mica producing area is the Altai Region in Xinjiang.

Asbestos. China's asbestos mines are mainly located in Qinghai and Sichuan, and the important types are the serpentine asbestos related to the ultra basic rocks. In addition, there are in the eastern part of China certain asbestos mines among the carbolic acid rocks which contain magnesite, but these mines are not large.

Kaolin. The name "kaolin" [meaning high mountain range] is derived from the place of its production. The kaolin produced in Jiangsu has a long history and is famous at home and abroad. These mines are located all over China, but the principal ones are in Jiangxi and Hunan.

Graphite. These mines are distributed in north China, the northeast, and Shandong Province, and mainly belong to the sedimentary metamorphist type. The mineral beds are located among the ancient gneiss, chists and Dali rocks. The graphites look like fish scales and are of fine quality. The graphite produced in Shandong is selling well abroad. New graphite producing areas have been found in recent years.

Gypsum. Except for the northeast, gypsum is produced in various parts of the country. The mineral layers mainly belong to the Triassic and the Tertiary Periods. The Yingcheng gypsum produced in Hubei has a long history and is of fine quality. In recent years, a large hard gypsum formation was discovered among the Triassic layers. In 1979, in particular, a large gypsum bed was discovered in Shaanxi.

Sodium Bentonite. This has been recently discovered in Zhejiang, Xinjiang and Jilin.

Precious stones and jade. Hotien jade is famous at home and abroad. In Henan, there is the Nanyang jade; in Liaoning, the Xiuyan jade; in Qingtian, the pyrophyllite, which is called Qingtian stone; in Hubei, the Turquoise; in Henan, the Hujing [tiger's eyeball] stone; and in Fushun, the black amber. In addition, there are crystals, smoke-crystals, purple crystals and amber produced in various parts of the country. In Liaoning, Hunan and Shandong, there are diamonds. Beijing jade is also called "fencui."

Coal Industry

[Article by Huang Fengchu [7806 1144 0443]]

General Description

China has rich coal resources which form a complete assortment and are widespread. Among the 29 provinces, municipalities and autonomous regions on the Mainland, 27 of them have their own coal resources in varying amounts. By the end of 1979, the verified coal reserves amounted to some 600 billion tons with an annual output of

635 million tons or an increase of 2.8 percent over that of 1978. China occupies the third place in the world in coal production. Out of this output, some 54 million tons of dressed coal are used to support industry. The quality has been improved. The commodity coal, under the system of unified distribution, contains an average of 22.5 percent of coal ash and 0.64 percent of gangue. These contents have been lowered by 0.86 percent and 0.26 percent respectively as compared with those of 1978. Its quality in 10 provinces and 35 coal administration bureaus has been raised by one grade since 1978.

China has a long history of coal industry. However, because of its weak economic foundation, its annual output has been only about 32 million tons, 10th in the world, up to 1949, the year of national liberation, despite its rich resources. Since liberation, however, coal industry has undergone great development. By 1979, there were more than 2,000 coal mines operated at or above the county levels, by more than 4 million workers and staff members. There are 11 large mines with annual outputs above 10 million tons and 13 mines with annual outputs ranging from 5 to 10 million tons. Among the 2,137 counties in the country, 1,221 of them have built their own local mines.

Yet the development of coal industry is lagging behind the national economic development, and within the coal industry itself, mining and tunneling are somewhat disproportionate. In 1979, the coal industrial sector firmly upheld the principle of making readjustment on the one hand and increasing production and practicing economy on the other. The coal output exceeded the quota of the state plan when the work of readjustment began.

Construction of Eight Major Coal Bases Speeded Up

In his report before the First Session of the Fifth National People's Congress, Premier Hua Guofeng proposed the construction of eight major coal bases. In 1979, construction of these eight bases began systematically.

The eight major coal bases are: Huainan and Huaibei Mines of Anhui Province (called the "Two-Huai Coal Base" for short); the Yangzhou mine of Shandong Province; the Xuzhou Mine of Jiangsu Province, which is also called the Feng (county), Pei (county) and Tong (shan county) coal base; the Kailuan Mine of Hebei; the Datong Mine of Shaanxi; the Pingdingshan Mine of Henan; the Lu (zhi) Pan (county) Shui (Cheng) Mine of Guizhou; and the Huolinghe Mine of Nei Menggol Autonomous Region. The coal reserves of these eight major bases have been verified as being more than 120 billion tons. In 1979, the task of building these eight major bases amounted to one-third of all the capital construction tasks for the coal industry in the country.

Among these eight major coal bases, Kailuan, Datong, Pingdingshan and Xuzhou Mines are the old coal producing centers of China supplying huge quantities of coal for the state. New construction, expansion and alterations were continued in 1979. In Kailuan Mining Area, for example, a large mine shaft with a designed capacity of 4 million tons--the Qianjiaying Mine--and the Linnancang Mine with a designed capacity of 1.2 tons, were newly built. In Datong Mining Area, the building of a new mine, the Yanzishan shaft, with a designed capacity of 4 million tons, also began in 1979. In Pingdingshan Mining Area, the No 8 mine with a designed annual output of 3 million tons is now under construction. Finally, in the Feng-Pei-Tong Mining Area, the building of two pairs of shafts with an annual output of 3 million tons is now beginning. Here, a coal dressing plant is also being built as a preparation for the supply of more dressed coal for the Baoshan Iron and Steel Complex.

Huainan, Huaibei, Yangzhou and Huolinhe Coal Mines are the newly built major coal bases in China.

Huainan and Huaibei Coal Bases are located in the broad plain north of Huaihe River in Anhui Province. The known coal reserves in these mines are more than 22 billion tons. The coal formation is thick and the quality is good. In the past several years, more than 70,000 workers and technicians from various parts of China have come here to help build these bases. At present, work has already been started on eight pairs of shafts with a total designed capacity of 15 million tons. The building of five large coal dressing plants has already been planned and work on one of them with a designed capacity of 1.8 million tons has already been started. Construction of highways, a two-level railway bridge, and railways passing through the mining area are proceeding in earnest. The engineering jobs of power transmission and transformation and the building of workers' dormitories, stores and schools are all under way.

The Yanzhou Coal Base is located in the southeastern part of Shandong and occupies an area of more than 3,700 square kilometers. It has rich coal reserves and thick coal formations, with gas coal and rich coal of low sulphur and low ash contents as the main features. These are fine quality coal for producing power and for coking. In 1979, more than 23,000 workers and staff members assembled here to start work on three main shafts with a total designed capacity of 10 million tons. Four pit shafts of one of them, the Xinglongzhuang Mine, have already reached the bottom, and 63 percent of the work on the tunnels and 74 percent of that on the ground surface as designed have been completed. The main shaft and the north-south ventilation tunnel of Baodian Mine, with a designed capacity of 3 million tons, have also been completed.

The Huolinhe coal base is the largest opencut mine in China. The annual designed capacity is 10 million tons in the early stage and 20 million tons in the late stage. It was designed jointly by two companies of the Federal Republic of Germany, and modernized equipment and methods for coal extraction will be used in the entire base. At present, more than 10,000 workers and staff members have gathered together in the central area of the coal field and are putting up the power plants, material processing plants, vehicle repair plants, cement factories, warehouses and other auxiliary projects. The Tong-Huo Railway of more than 400 kilometers will soon be open for traffic.

Completion of a Large Modern Coal Mine, the Sangshuping Coal Mine

The building of Sangshuping Coal Mine, a large modern coal mine in China, was successfully completed in November 1979. It has been formally commissioned.

The Sangshuping Coal Mine is a large mine designed, built and equipped by China itself. The designed annual capacity is 3 million tons. There are five coal mining areas and 12 work sites below the shaft and extraction is mechanized. Surface transportation, loading, storage and other links of production are all automatically controlled. Facilities for the workers' daily life and the welfare measures are fairly complete. In addition to the workers' dormitories, clubs, stores, schools, mess halls, hospitals and childcare centers, there is a joint service building with a total floorspace of 12,000 square meters. Inside this building are spacious bathing pools, gymnasiums equipped with sun lamps, changerooms and light control rooms. This shows the concern of the party and the state for the miners.

There are rich coal resources in the north of the central plain in Shaanxi. This region is called the "Black Belt North of Wei River." Sangshuping Coal Mine is located at the eastern tip of this belt inside Hancheng County. It is close to Huanghe River and is also accessible by highways and railways. The coal reserves here are rich and the coal has high caloric value, low ash contents and is good for the power industry.

Mechanized Coal Mining Teams Rewarded by Ministry of Coal Industry

In 1979, there were altogether 560 mechanized coal mining teams (commonly referred to as 487 mechanized coal mining teams and 73 comprehensive mechanized coal mining teams) for all the coal mines under unified state control. These mechanized coal mining teams produced 96.31 million tons of coal, or 32.45 percent of the total output of these state-controlled mines in that year.

In 1979, the Ministry of Coal Industry rewarded 130 advanced mechanized coal mining teams, classified as A, B and C teams. Among these 130 coal mining teams, there were 108 ordinary mechanized mining teams, and the one with the highest output was the Third Mining Team of Wangfeng Mine under the Jiaozuo Coal Administration Bureau. Its annual output was 563,509 tons, being three times that of the other ordinary mechanized teams. The Ministry of Coal Industry also rewarded 22 comprehensive mechanized mining teams, and the one producing the highest output was the Third Team of Qishan Mine under the Xuzhou Mining Administration Bureau. Its annual output was 631,562 tons.

The Ministry of Coal Industry awarded the advanced mechanized coal mining teams certificates of merit and banners, and commended them for their creative labor and great achievements.

Petroleum Industry

[Article by Yu Youhai [0060 2589 3189]]

General Description

The petroleum industry has undergone great development since the founding of the People's Republic. In 1979, the total national oil output was 106.15 million tons, a 2-percent increase over that of 1978, and in the ninth place among the oil producing countries of the world.

In 1949, when New China was born, the national output of crude oil was only 120,000 tons (not including that of Taiwan Province. Same as follows.) In 1979, the annual output of crude oil was more than 881 times that of 1949, with an average progressive increase of 25.4 percent each year. Because of the development of the petroleum industry, China became basically self-sufficient in oil in 1963 and began to export oil in 1973. Thus China has become an oil exporting instead of an oil importing country.

By now, China has built more than 10 bases for the production of oil and natural gas, such as Daqing, Shengli, Jizhong, Dagang, Liaohe, Henan, Karamay, Yumen and Sichuan.

Instead of being limited to Gansu, Xinjiang, Shaanxi and Sichuan as it had been before the liberation, the source of oil supply was extended to 19 provinces, municipalities and autonomous regions. The number of workers and staff members engaged in the oil industry was also increased from 11,000 to 1 million.

China's outputs of crude oil and natural gas was increased and the economic and technical targets were also satisfactorily fulfilled in 1979. For example, the water content of the exported oil was reduced from 0.69 percent in 1978 to 0.48 percent; and the consumption index of fuel for processing every ton of crude oil was reduced from 38.43 kilograms in 1978 to 33.66 kilograms. The general labor productivity was increased from 53,820 yuan in 1978 to 55,003 yuan. From 1950 to 1979, the total amount of profits handed over and taxes paid to the state was 3.2 times the total state investments on the petroleum industry.

The Rapidly Developing Oil Refinery Industry of China

Along with the increase of crude oil output, particularly since the opening of the Daqing Oilfield, China's oil refinery industry has also developed rapidly. Shortly after the founding of New China, there were only a few oil refineries in the country, such as those in Yumen of Gansu and Fushun and Dalian of Liaoning. Now there are oil refineries in 21 provinces, municipalities and autonomous regions. In 1979, the plan for processing crude oil was overfulfilled.

The production of gasoline, kerosene, diesel oil and lubricant oil, among others, has not only reached the planned quota, but also fulfilled the task of increasing the output of each item by 1 million tons in 1979. The total output of these four major categories of products was 5.5 percent above that of the previous year. At the same time, compared with those of 1978, the output of aviation gas was increased by 21.8 percent and that of light chemical industrial oil increased by 40 percent. Other oil outputs have also increased by varying degrees. As a result of the campaign to increase production and practice economy, the comparable product costs in the whole trade were reduced by 1.48 percent, which means a saving of 125 million yuan of state funds.

The quality of refined products in 1979 also showed improvement. The grand total of 918 varieties of oil products turned out by the key refineries in 1979 was the highest in history, and 304 of them, an increase of 102 over the previous year, reached the advanced levels in the country; while 143 of them, an increase of 47 over the previous year, reached or approached the world standards. The No 3 jet fuel of Oil Plant No 7 and the No 45 transformer oil of Dushanzi Oil Refinery were awarded gold medals from the state, while the No 46 anti-corrosion turbine oil was awarded a silver medal. In addition, another 33 varieties of oil products from 22 enterprises were rated as fine-quality products.

Sustained Increase of Output by Daqing Oilfield

Daqing Oilfield is the largest comprehensive petrochemical industry complex in China. In 1979, this oilfield produced more than 50 million tons of crude oil, and the production targets set in the state plan were fulfilled.

Beginning from May 1960, the average output of crude oil by Daqing Oilfield was increased at an average progressive rate of 28 percent annually. The development was very fast. Normally, an old oilfield like this, which has been in operation for more than 10 years, should have a progressively reduced output. To solve this problem, the workers of the oilfield has since the early days of operation used the method of internal water injection to maintain the pressure in the oil formations and then, in the later stage, the method of water injection and oil extraction layer by layer. Their technique occupied a leading position in the history of oilfield operation in the world. At present, the pressure in the oil layers is even higher than before, and none of the spurting wells has ever stopped spurting. The average daily output is higher than that of the early days, and the whole oilfield continues to maintain its high and stable yield.

Along with the high and stable yields of crude oil and natural gas, the processing of crude oil, the petrochemical industry and other productive undertakings in Daqing Oilfield in 1979 also underwent new developments, and the labor productivity of the entire personnel exceeded 60,000 yuan, an all time high for the oilfield. From 1960 to 1979, the total amount of profits and taxes to the state from Daqing Oilfield was 17.8 times the total amount of state investments in this oilfield.

In 1979, the living conditions of workers and staff members of Daqing Oilfield were also improved. There were 133 newly built residential houses with a total floorspace of 400,000 square meters, and 6,700 families of the workers and their dependents have gradually moved into their new homes.

Liaohe Oilfield, A Large Oil and Gas Field, Completed

In Liaoning, the base of heavy industry in China, a large oil and gas field--the Liaohe Oilfield--was completed in 1979. According to its present productive capacity, this oilfield can produce 5 million tons of crude oil and 1.7 billion cubic meters of natural gas annually. It has become one of the principal oilfields in China.

Liaohe Oilfield is located between Shenyang, Yingkou and Jinzhou in Liaoning Province and is accessible by railways and highways from all directions. By the end of 1979, more than 1,800 wells had been sunk in the oilfield, and more than 160 stations for storing and shipping out the gas had been established. It now consists of eight completely equipped oil extraction centers. Its completion and commission will bring the local iron and steel industry, oil refining industry and chemical fertilizer industry closer to the source of crude oil and natural gas supplies. It will play a very significant role in further developing the role of Liaoning as an old industrial base. The reserves of oil and gas in Liaohe Oilfield are fairly abundant. The oil-bearing formations are thick and there is a large variety of oil and gas deposits. The quality of the crude oil is fairly good, with low sulphur content and a higher proportion of light oil.

The exploitation and building of Liaone Oilfield began in 1970. Because of the interference and sabotage by Lin Biao and the "gang of four," and its location in marshland, the oilfield was confronted with many difficulties. After the smashing of the "gang of four" and particularly after the Third Plenum of the 11th Party Central Committee, the construction began to gather momentum, and by 1979, the productive capacity of crude oil was newly increased by 50 percent, while the output of crude oil was actually increased by 27 percent over that of 1978. In 1979, the newly completed Huanxiling Oil Extraction Area was able to produce 1.39 million tons of crude oil, because it was built in a scientific way and completely equipped for oil and gas extraction, water injection and with electricity supply, highway transportation and facilities for the treatment of polluted water.

In the course of its building, the leadership of the oilfield paid great attention to the living conditions of workers and staff members and organized their dependents to reclaim land and to develop agricultural and sideline production. The building of workers dormitories, hospitals, schools, stores, childcare centers and other daily life facilities in all oil areas are now in progress.

High-Speed Construction and Commissioning of Nanyang Oilfield

The site of Nanyang Oilfield was discovered in a small depression of the geological structure. This discovery has helped emancipate people's minds and open a broad vista for oil prospecting in small and medium-size basins.

Located in the southwestern part of Henan, Nanyang Oilfield is the first oilfield built in the central-southern region where the scarcity of oil resources was well-known. Prospecting began in 1970, followed by construction in May 1977. Carrying forward the fine tradition of the Daqing workers in overcoming difficulties and tapping potentials, they succeeded in building the oilfield as a productive source, putting it into operation, and handing over profits to the state all in the same year. By 1979, there were in the oilfield hundreds of oil wells and water injection wells, more than 850 kilometers of pipelines of various types already laid, four combined transportation stations, 38 measuring stations, two long oil pipelines measuring hundreds of kilometers, and a large number of engineering projects. Oil from this oilfield is carried through long pipelines to refineries, some chemical fertilizer plants and other enterprises. This oilfield has made important contributions to industrial and agricultural developments in the Central Plain and South China.

New Achievements of China in Oil Prospecting

To look for new resources of oil and gas, China devoted more manpower to oil prospecting and completed more work in 1979 than in any previous year. Its achievements in that year were remarkable.

In the southwestern part of Qaidam Basin of Qinghai Province, a new oilfield with rich reserves was discovered. Out of the 26 exploratory wells sunk, 20 of them have shown oil-bearing formations and two of these wells which had been under trial extraction for 1 year and some 4 months respectively, are each producing more than 100 tons of oil and 10,000 cubic meters of natural gas daily. According to the data of prospecting, the underground pressure is high; the geological structure is favorable; the crude oil is light; and the output is high. The new oilfield has great assets for future exploitation.

In the Tarim Basin in the southern part of Xinjiang, three high yielding oil and gas wells were sunk. According to the conditions of spurting as observed over a long period, there is huge underground pressure and the output is quite steady. The output of each well is hundreds of tons of crude oil and over 10,000 cubic meters of natural gas. Tarim Basin has an area of 560,000 square kilometers, which is more than the combined areas of Shandong, Henan, Anhui, Jiangsu and Shanghai. The conditions of these three high-yield wells indicate the rich oil and gas resources in this huge basin. There is a good future for oil geological prospecting here.

An oil well of industrial value has been sunk in the basin at the estuary of Zhujiang River in the South China Sea, and in Sichuan, prospecting for natural gas is being continued.

China's geological workers, engaged in oil prospecting, are now working in North China, Northeast China, East China, Northwest China, Central-South China, and Southwest China in addition to the continental shelves and along the coast, and have made many new discoveries of oil and gas resources.

Power Industry

[Article by Ding Genxi [0002 2704 0823]]

General Description

In China, 281.95 billion kwh of electricity were generated in 1979, a 9.9 percent increase over that of 1978. This figure of generation was then the seventh highest in the world. By the end of the same year, the installed capacity reached 57,225,400 kilowatts, the eighth highest in the world.

Such an achievement was attributed to the efforts of the broad masses of workers and staff members of the electric power departments who had, for 30 years, labored under trying circumstances created by the extremely backward electric power industry in Old China. The power generated in 1979 was 64 times that of 1949, and the installed capacity was 31 times that of Old China. The geographic distribution of electric power industry has undergone very great changes. In addition to the Northeast, North China, East China, Beijing, Tianjin, Shanghai and other coastal areas, many large and medium-size power plants have been built in the Central-South, the Southwest, the Northwest and even in the remote frontier and mountainous regions. By the end of 1979, there were in China 2,847 power plants each with a generating capacity of 500 kilowatts or more. Among them, 1,528 were hydropower plants and 1,319 were thermopower plants. There were 68 large power plants with installed capacities of more than 250,000 kilowatts, and their combined installed capacity amount to more than 50 percent of that of the whole country. Among the large thermopower plants are the Qinghe Power Plant of Liaoning, Wangting Power Plant in Jiangsu, Tangshan Power in Hebei, Shijingshan Power Plant of Beijing, and Qingshan Power Plant of Hubei. Among the large hydropower plants are Liujiaxia Hydropower Plant of Gansu, Danjiang Hydropower Plant of Hubei, Gongzui Hydropower Plant of Sichuan, Xinanjiang Hydropower Plant of Zhejiang, and Zhesi Hydropower Plant of Hunan. These hydropower plants are distributed along the valleys of Huanghe River, Hanjiang River, Daduhe River, Xinanjiang River, and Zishuihe River. There are also thousands or tens of thousands of small hydropower plants scattered over the broad rural and mountainous areas.

Power industry is a big coal consumer and the amount of coal burned in this industry amounts to more than one-sixth of the coal output every year. A large amount of electricity is also consumed by the power industry itself. In 1979, the electric power departments popularized some new techniques for coal and power conservation, and for transportation and fuel control. The amount of standard coal to be consumed for the production of each kwh of electricity generated by thermopower plants of more than 6,000 kilowatts throughout the country was reduced by 12 grams below that of 1978. Thus in the year 1979, 4 million tons of coal and 1.54 billion kwh of electricity were saved.

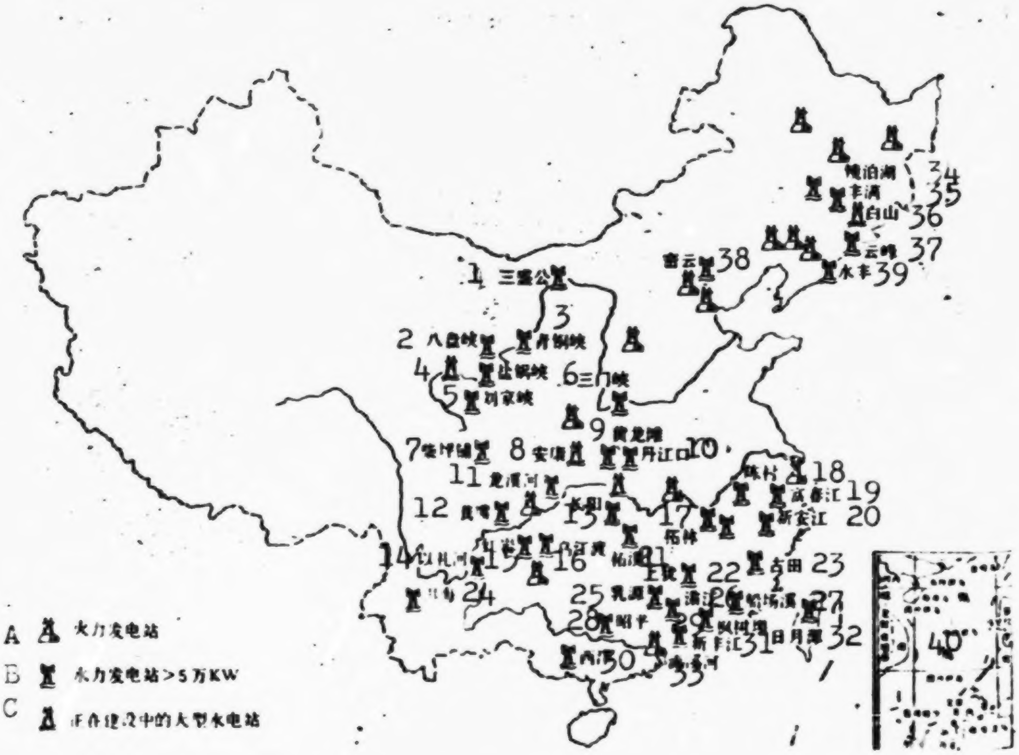
According to statistics, more than 1,004,100 workers and staff members were engaged in the power industry in 1979; the total output value reached 16.14 billion yuan; and the profits handed over to the state totalled some 4,982 million yuan. From the time of the founding of the People's Republic to the end of 1979, an amount of 63.43 billion yuan was handed over to the state from the power industry as a contribution to China's socialist construction.

China's Power Grid

A power grid stands for a combination of the power generating plants, power transformer substations, power transmission lines and power distribution lines, for the generation and supply of electricity. Along with the developments in the construction of hydropower and thermopower plants, and the enlarged scope of power supply, China's power grid has continued to expand. By the end of 1979, 20 power grids of more than 500,000 kilowatts were formed. Among them were the Beijing-Tianjin-Tangshan power grid, the East China power grid, the Northeast power grid, the Shaanxi-Gansu-Qinghai power grid, the Central China power grid, the Shandong power grid, the Shanxi power grid, the Sichuan power grid, the Guangdong power grid, the Central-Northern Hunan power grid, the Southern Hebei power grid and the Guiyang power grid, totalling 12, and each with an installed capacity of more than 1 million kilowatts. The combined installed capacity of the 20 power grids accounted for 83 percent of that of the whole country. Hydropower and thermopower supplemented each other in timely adjustments within the power grids, which also strived for the rational use of fuel and the reduction of consumption. The different regions supported one another by supplying to one another's needs. Safety in power generation and supply is guaranteed and the requirements for industrial and agricultural production and the people's daily life will also be taken care of. Even though there may be destruction in the event of war, power supply can be speedily restored.

To further strengthen the centralized control of the power grids, the North China, Northwest China and Central China Power Industry Administration Bureaus were established in addition to the original two in Northeast and East China, with the approval of the State Council. Since January 1980, the North China Power Industry Administration Bureau has taken over overall controls of power generation in North China and the Northwestern regions. This will create the conditions for further expansion of the power grid of Northwest Region and the full exploitation and utilization of energy resources. The Southwest Power Industry Administration Bureau is now in the process of establishment.

By 1979, all power grids had restored their normal cycle operation. In the previous years, administration of the power industry was chaotic because of the interference and sabotage by Lin Biao and the "gang of four," and the cycle operation in the East China and other large power grids was seriously low, causing serious damage to industrial and agricultural production. Since the smashing of the "gang of four," the power industry departments in various localities have paid great attention to capital construction and the improvement of their existing equipment through maintenance and repairs, and achieved 93 percent efficiency for their power generating equipment. At the same time, they stepped up their efforts in the planned use of electricity and in electricity conservation, and thus enabled the power grids to gradually restore their normal cycle operation despite fairly serious shortage of power. According to statistics compiled on the East China power grid, some 800,000 kwh of electricity, the amount generated by 450 tons of coal, has been saved each day as a result of the raised voltage following the restoration of normal cycle operation.



A - Thermopower generation station; B - Hydropower generation station;
C - Large hydropower station now under construction

Key:

1. Sanshenggong
2. Bapanxia
3. Qingtongxia
4. Yanwoxia
5. Liujiaxia
6. Sanmenxia
7. Chaipingpu
8. Ankang
9. Huanglongtan
10. Danjiangkou
11. Longxihe
12. Gongzui
13. Changyang
14. Yilihe
15. Hongyan
16. Wujiangdu
17. Zhelin
18. Chencun
19. Fuchunjiang
20. Xinanjiang
21. Zhexi
22. Shangyou
23. Gutian
24. Erhai
25. Ruyuan
26. Wengjiang
27. Chuanchangxi
28. Zhaoping
29. Fengshuba
30. Xijin
31. Xinfengjiang
32. Riyuetan
33. Liuxihe
34. Jingboho
35. Fengman
36. Baishan
37. Yunfeng
38. Miyun
39. Shuifeng
40. South China Sea

More Than 40 Power Generation Projects Newly Completed in 1979

In 1979, China's Power Industry Departments newly completed 41 large and medium-size hydro- and thermopower generation projects, newly installed 53 generating units with a total installed capacity of 4.09 million kilowatts, and overfulfilled the state's plan of power generation.

Some of the newly completed thermopower generation projects and newly commissioned thermopower generating units were large "pit-mouth" power stations close to coal mines. These are, for example, the Xuzhou Power Plant of Jiangsu, Jiaozuo Power Plant of Nenan, Matou Power Plant of Hebei, Shentao Power Plant of Shanxi, Hancheng Power Plant of Shaanxi, and Shiliquan Power Plant of Shandong. In the Xuzhou Power Plant, built near the Xuzhou Mining Administration Bureau, four sets of 125,000 kilowatt generating equipment have been completed, installed and commissioned by December 1979, and are daily transmitting some 7 million kwh of power for the East China power grid. They are playing an important role in easing the power shortage in Jiangsu and East China regions.

The newly completed hydropower stations and the newly commissioned hydropower units included the Wujiangdu Hydropower Station and the Maotiaohe "Five-stage" Hydropower Station of Guizhou; the Hunanzhen Hydropower Station of Zhejiang; the Taipingxiao Hydropower Station of Liaoning; the Xierhe One-Stage Hydropower Station of Yunnan; the Huaan Hydropower Station of Fujian; and the Niululing Hydropower Station of Hainan Island. The Wujiangdu Hydropower Station of Guizhou is located near the natural barrier where the Red Army forced the crossing of Wujiang River many years ago. Its designed capacity is 630,000 kilowatts. Its main dike is 368 meters long and 165 meters high, and is the highest one basically completed in China. The first set of 210,000 kilowatt water turbine generating units was completely installed and began to generate electricity on 28 December 1979.

In 1979, acting in accordance with the policy of national economic readjustment, the Ministry of Electric Power Industry and the various provinces, municipalities and autonomous regions rearranged their original power projects according to their sizes and relative urgency, and had to halt or postpone a number of them which were unrealistic in terms of construction possibility in order to protect more than 40 key projects, which must be continued, by concentrating the manpower and financial and material resources. Thus these projects were completed, started operation on schedule, and produced the expected results in the same year.

In addition to the Gezhouba Hydropower Station of Hubei and Longyangxia Hydropower Station of Qinghai, there are also other large hydropower stations under construction, such as the Ankang Hydropower Station of Shaanxi and the Baishan Hydropower Station of Songhuajiang River, each with an installed capacity of approximately 1 million kilowatts.

Gezhouba--the Largest Water Conservation Project in China

Construction of the first giant multiple-purpose project on the Changjiang River--the Gezhouba Project--is now being speeded up.

This project is taking place at the estuary of the Xiling Gorge, one of the three gorges of Changjiang River, and 2.3 kilometers below Nanjinguan within the city limits of Yichang. After passing by Nanjiangguan Pass, the river takes a sharp turn from the east to the south, and its width increases from 300 to 2,300 meters. The flow then becomes slower. There are two small islets in the river--Gezhouba and Xiba--and these islets divide the river into three waterways known as the main, second and third channels. Gezhouba is where the gigantic project takes place.

The Gezhouba multi-purpose power station will have a total installed capacity of 2,715,000 kilowatts, and an average annual output of 13.9 billion kilowatt hours.

After completion, it will greatly ease the serious shortage of electricity in the central-southern region.

The Bezhouba project was divided into two stages. The first stage included the construction of two navigation locks and a scouring sluice with six gates on the third channel, and the installation of seven power generating units with a total capacity of 965,000 kilowatts and the construction of a spillway with 27 gates on the second channel. Construction in this stage calls for 70 million cubic meters of earth and stones to be dug out and later to be used for filling holes, and the pouring of 5.73 million cubic meters of concrete. By the end of December 1979, 80 percent of the construction had been completed. The main dam had approached its designed height, while the second and third navigation locks and the scouring sluice with six gates had been basically completed. The dam leading to the entrance of the power station has already reached a height of 68 meters; the first generating unit is being installed; and of the 27 gates of the spillway, 19 have been completed.

This project is undertaken by the No. 330 Engineering Bureau. The construction has been gathering momentum in the 3 years after the smashing of the "gang of four," thanks to the efforts of the broad masses of workers and staff members. The construction task was overfulfilled every year.

Damming Project of Longyangxia Hydropower Station

A large hydropower station with an installed capacity of 1.5 million kilowatts is now under construction at the trunk of the upper reach of China's Huanghe River. This is the Longyangxia Hydropower Station, another large power station constructed on Huanghe River after Liujiaxia and Qingtongxia hydropower stations.

On 29 December 1979, the damming of Huanghe River was successful and the construction of the power station entered a new phase--the large-scale work on the main project.

Longyangxia hydropower station is located in a gorge of the same name in Gonghe County, Qinghai Province, 2,600 meters above sea level. After passing the large grassland in Qinghai Province, Huanghe River enters a 40-kilometer gorge. Here the river is only some 30 meters wide, but the average flow for many years has been only 640 cubic meters per second. Water resources are very rich and the river water has low sand content. The project includes the building of a 172-meter high dam, a reservoir with a capacity of 24.7 billion cubic meters, and the installation of five single-unit generating sets of 300,000 kilowatts. After completion and being put into operation, the electricity generated will be transmitted to two industrial cities, Xining and Lanzhou, and the other areas within the Northwest power grid. This will be a great contribution to socialist construction in the northeastern region.

Construction of Longyangxia Hydropower Station formally began in 1976. In 1979, this project was taken over by the Fourth Engineering Bureau of the Ministry of Electric Power Industry. With a concentration of manpower, and financial and material resources, a 661-meter long, 16-meter high and 15-meter wide tunnel has been excavated to divert the water from the river, and on 29 December 1979, the water flow in the river was successfully cut. Thus the formerly deserted area near the estuary of Longyangxia is growing up as a new industrial town with buildings of more than 300,000 square meters and a population of more than 20,000.

Two 500,000-Volt Ultra High Voltage Transmission Line Put Up

In October 1979, the first 500,000 ultra high voltage transmission line--the Pingdingshan-Wuhan Line--was erected.

This line starts from Pingdingshan, the coal base of the central plain, and ends at Wuhan, the industrial city of Hubei, after crossing the southwestern part of Henan, the northern plain of Hubei and the rivers of Shahe, Baihe, Hanshui and Changjiang. Its total length is 610 kilometers.

The function of this line is to increase the safety and stability of the Central China power grid and to insure power supply for the 1.7-meter rolling mill of Wuhan Iron and Steel Company. Parts of the equipment for this line were imported from France, Sweden and Japan. At present, 60 percent of the foundation has been poured with concrete; 10 percent of the towers has been erected; and the ground for building three transformer substations for the ultra high voltage line has also been leveled.

At about the same time, China put up another 500,000 ultra high voltage line for the transmission of electricity from the power station in the coal base of Yuanbaoshan in Liaoning to the industrial base of Liaoyang. This line is 380 kilometers long, and the work of putting it up started in the winter of 1979. The required equipment for this line was manufactured in China.

In the past, the highest voltage for the transmission lines built in China was only 330,000 volts. The 500,000-volt ultra high voltage transmission line is the highest ever produced in New China.

Vigorous Development of Small Hydropower Stations in China

Along with the development of socialist construction, the small hydropower undertakings have also vigorously developed. By the end of 1979, there were more than 90,000 small hydropower stations in the country with a total installed capacity of 6.34 million kilowatts. By 1979, the total installed capacity was increased by 1.07 million kilowatts. The combination of small hydropower stations with the state's power grids have enabled 86 percent of all people's communes and 60 percent of all production brigades in the country to use electricity.

China has rich water resources, and its water energy reserves rank first in the world. In addition to the large hydropower stations built by the state on Changjiang, Huanghe, Zhujiang and other large rivers, tens of thousands of small power stations have been built on the small rivers by the counties and people's communes in various provinces, municipalities and autonomous regions. This particularly true of the southern part of China where the river valleys are narrow, the waterflow is rapid, and the water drop is great. All these are favorable conditions for small hydropower stations. According to statistics, more than 1,500 of the 2,000 and more counties in the country have built their own small hydropower stations to help in irrigation, drainage, processing agricultural and sideline products, lighting and county- and commune-run industries in the countryside by providing low-cost electricity.

Small hydropower station refers to those with an installed capacity of 12,000 kilowatts or less, or a single-unit installed capacity of 6,000 kilowatts. They use locally available water resources, require simple equipment and less investments, and can be easily built. Hence their rapid development. In Xizang, for example, there was in the past only one 18 kilowatt small hydropower station; now there are 424 of them with a total installed capacity of more than 45,000 kilowatts. In Rongxian County of the southeastern mountainous region of Guangxi Zhuang Autonomous Region, all 13 communes have used electricity since the completion of 250 small hydropower stations. In January 1980, the Ministry of Water Conservancy, the People's Bank of China, and the Agricultural Bank of China jointly held an on-the-spot meeting of small hydropower stations in China to further develop this undertaking.

Several New Energy Sources Used for Power Generation in China

Electricity from wind. By the end of 1979, China's largest experimental generating unit with the use of wind energy had already had more than 2,000 hours of normal operation. The electricity generated was used for lighting, for desalination of sea water and for pumping water, and has played its role in promoting fishery.

This experimental unit was installed on Sijiao Island. With an installed capacity of 18 kilowatts, this unit was jointly designed and installed by the East China Electric Power Designing Institute, the Shanghai Municipal Engineering Designing Institute, the Zhejiang Hydropower Designing Institute, the Zhejiang Provincial Mechanical Science Research Center, the Shaoxing Food Machinery Plant and the Zhejiang Provincial Electric Power Department.

Sijiao Island is located in the east of Hangzhou Bay among the Shengsi Islands to the southeast of the estuary of Changjiang River, where there is always a strong wind with a velocity of 7.1 meters per second, and a force 3 wind for at least 300 days a year. This set can generate electricity with a force 3 wind and will be in full operation with a force 5 wind or more.

The use of wind to generate electricity has the advantage of being pollution-free. Since 1976, China has been studying the utilization of wind force for power generation. By the end of 1979, more than 200 generators turned by wind and each with a capacity of 100-250 watts, have been installed on the grassland of Nei Menggol. They will provide lighting for the yurts, and supply power for movie and electric fences.

Geothermal Power Generation

China has very rich geothermal resources. According to statistics, hot springs have been discovered in more than 2,000 different places. The result of prospecting by the geothermal utilization research departments in more than 30 geothermal areas in Xizang, Yunnan, Guangdong, Fujian and 10 other provinces, municipalities and autonomous regions shows rich reserves of geothermal resources over extensive areas.

Generation with geothermal resources requires no coal or other fuel. From 1970. when research began on the use of geothermal resources for power generation, to 1979, seven experimental stations have been established in China. The largest among them is the Yangbajing Experimental Geothermal Power Station in Xizang, with an installed capacity of 1,000 kilowatts. Work has been going on there to install two generators of 3,000 kilowatts each, and one of them will be ready for operation by the end of 1980. There are also six other experimental geothermal power stations in Huitang of Hunan, Huailai of Hebei, Yichun of Jiangxi and other parts of China. Among them, the one in Hunan is the best. This station has been in regular operation for a long time, and the hot water obtained after the generation is used for pharmaceutical and agro-scientific research, for nursing young plants in hothouses, and for field irrigation. Instead of incurring any loss, these experiments have even produced great profits for the state.

Generation with Tidal Energy

Tidal energy power stations are operated through the utilization of tidal force. According to an estimate, the total resources from tidal force along the coast of China is enough for a total installed capacity of 110 million kilowatts, and the force which can be harnessed and utilized can supply 31-35 million kilowatts.

Experiments on tidal power stations began in 1958. By the end of 1979, the stations already commissioned were: the Rushan power station of Shandong, with an installed capacity of 300 kilowatts; the Jingang Power Station in Shandong, with an installed capacity of 165 kilowatts; the Xiaoshashan Power Station of Zhejiang, with an originally installed capacity of 40 kilowatts, now increased to 200 kilowatts; and the Xiangshan Power Station of Zhejiang with an installed capacity of 100 kilowatts. The completion and operation of these power stations are supporting local agriculture and fishery.

Tidal generation requires no fuel and is pollution-free. It is also suitable for comprehensive utilization in developing the breeding of fish and prawns, in marine chemicals industry, and so forth.

New Technological Achievements in Power Industry

In 1979, three new achievements in China's power industry were passed by the State Scientific and Technological Commission as new inventions. They are: directions for the preparation and application of epoxy emery coating for resistance against abrasion by sands, to be used for hydropower machinery (including water turbines and water pumps); directions for the preparation and application of an abrasion-proof coating compound for hydropower machinery; and the equipment for hydraulic interlocking control of the TFW-400 model pressure adjustment valve. These scientific and technological achievements are now serving hydropower stations with remarkable results.

In Huanghe River of China, each cubic meter of water contains an average amount of 37 kilograms of sands. Even the water from the upper reach contains approximately 10 kilograms. Therefore, the water turbines used by the hydropower stations and the water pumps used by the irrigation and drainage pumping stations along the river are usually damaged through friction with the sands. Such damage inevitably causes the shutdown of the hydropower station for repair by welding. In 1976, when the No 1 water turbine of the Qingtongxia Hydropower Station was damaged, the overhaul took more than 3 months, and more than 2,100 kilograms of stainless welding rods, costing more than 42,000 yuan, were used in repairing 4 propeller blades. To solve this problem, the Research Institute of the Huanghe Water Conservancy Committee and the Research Institute of the Tianjin Surveying and Designing Institute invented the new technique of epoxy emery coating. In repairing the propeller blades of the water turbine, no welding is required, because an application of the coating according to the specified way will suffice. Thus for each repair, the time can be reduced by 90 percent and the expenses reduced by 95 percent.

The use of abrasion-proof nylon coating compound is another new way to prevent damage from the same source. This is particularly suitable for small water turbines and small and medium-size water pumps.

Some of the hydropower stations in China have water diversion as one of their functions. In building this type of power station, it is also necessary to build a pressure adjustment well in order that the safety of the generating unit and the tunnel can be ensured. This will cost a lot of money and material. The Xian Heat Treatment Research Institute of Shaanxi Province, the Yangzhou Power Equipment Repair and Manufacturing Plant of Jiangsu, and the Huadong Power Design Institute invented the equipment for the hydraulic interlocking control of TFW-400 Model Pressure adjustment valve. The building of the pressure adjustment well will not be necessary if this equipment is installed in the power station.

Metallurgic Industry

[Article by Xu Yaozhong [1776 5069 0022]]

General Description

In 1979, the steel output of the metallurgic industry in China reached 34.48 million tons, the world's No 5, and an increase of 8.5 percent over that of the previous year. Its output of pig iron was 36.73 million tons, a 5.6 percent increase over that of the previous year; and the output of rolled steel was 24.97 million tons, a 13.1 percent increase over that of the previous year. Thus the increase of rolled steel output was more than that of steel, and the increase of steel output was more than that of pig-iron. This is a gratifying result. The output of nonferrous metal exceeded 1 million tons, a 12.9 percent increase over that of 1978.

The quantity of metallurgic products surpassed the best in history. There were 101 iron and steel products rated as fine-quality products, and 15 varieties of them won state gold or silver medals for their fine quality. In the same year, the metallurgical system successfully trial produced 9,000 new varieties and new materials, and carried out 301 successful scientific experiments. The varieties of rolled steel has been increased, and the varieties in short supply were increased by 2.86 million tons to meet the requirements of agriculture and light industry.

In 1979, energy consumption in metallurgic industry was decreased markedly as compared with 1978, and the energy saved was equivalent to more than 4 million tons of standard coal. The key metallurgic enterprises earned more than 5.85 billion yuan in profits.

Before liberation, the foundation of this industry in China was very weak. In 1949, it produced only 158,000 tons of steel. In 1957, the output was increased to 5.35 million tons. It was over 10 million tons in 1959; over 20 million tons in 1971; and over 30 million tons in 1978. In 1979, the metallurgic industry continued to develop for the third year after the smashing of the "gang of four." The output then was 215 times that of the early post-liberation period, and topped all previous records.

In China, there are now about 2,000 metallurgic enterprises owned by the whole people, with some 4.1 million workers and staff members. It is capable of producing more than 20,000 types of steel products and have initially become a complete metallurgic industrial system with different departments serving different functions. Among the main iron and steel producing centers in China are the Anshan Iron and Steel Company, the Benxi Iron and Steel Company, the Shoudu Iron and Steel Company, the Baotou Iron and Steel Company, the Maanshan Iron and Steel Company, the Panzhihua Iron and Steel Company, the Chongqing Iron and Steel Company, the Shanghai Metallurgy Bureau, and the Tianjin Metallurgy Bureau. Among the production bases of nonferrous metal are Baiyin, Daye, Zhongtiaoshan, Dongquan, and Tongling.

New No 2 Blast Furance of Shoudu in Operation

The first blast furnace of fairly advanced technology in China--the New No 2 Blast Furance of Shoudu Iron and Steel Company--has a capacity of 1,326 cubic meters, and was designed, manufactured and equipped in China. It is a top-burning type with a "material-less bell" [2477 2435 6988] top, using high temperature blast air. It also has a conveyor belt system for feeding materials, and has the advanced technological features of automatic sampling, temperature checking, analyzing, and so forth.

Construction of this blast furnace began by the end of 1977, and operation was started in late December 1979. The operation has been quite normal and productivity greatly raised. From 1 to 25 March 1980, the utilization coefficient of this blast furnace reached 1,729 ton/cubic meter day and night, and the coke ratio was 525 kilograms, being of the advanced national level.

Coefficient of Blast Furance Utilization in Shoudu Iron and Steel Company Reaches Advanced World Level

The Shoudu Iron and Steel Company has four blast furances with a total capacity of 3,561 cubic meters, the smallest one being 576 cubic meters and the largest one being 1,200 cubic meters. The equipment used belonged to the 1950's and 19[illegible]0's. In recent years, the plant strengthened its management and made rapid progress. In 1979, the annual average furnace utilization coefficient was 2,094 ton/cubic meter day and night, and the coke ratio was 433 kilograms/ton. The No 1 Blast Furance in September had an average monthly utilization coefficient of 3,114 ton/-cubic meter day and night, and the coke ratio was 362 kilometer/ton. All these were new records.

This plant has the highest average utilization coefficient and highest single furance utilization coefficient among all Chinese iron smelting plants. It is also among the advanced world level.

Commissioning of 1.7-Meter Rolling Mill in Wuhan Iron and Steel Company

In 1979, when the Wuhan Iron and Steel Company had put its 1.7-Meter Rolling Mill into operation, its annual output was 220,000 tons of continuous cast steel billets, 298,000 tons of hot-rolled plate steel, and tin- and zinc-plated sheets; 148,000 tons of cold-rolled sheet steel; and 20,000 tons of cold-rolled silicon steel. The quality of all these products was up to the designed standard. The operation of this equipment is of great significance in ending China's backwardness in steel-rolling and in increasing the varieties of steel materials.

The 1.7-Meter Rolling Mill project of Wuhan Iron and Steel Company was a large-scale imported project. It has five components, namely the No 2 steel-smelting plant, the continuous casting workshop, the hot-rolling plant, the cold-rolling plant, and the silicon sheet steel plant. Except for the No 2 steel-smelting plant which was designed and constructed in China, the equipment for the other three plants and one workshop was all imported. The continuous casting and the cold-rolling equipment was imported from Japan. The whole set of equipment was supplied from more than 200 foreign trading firms. This equipment has the features of being large and automatic in addition to its high speed and continuous operation. The new technology used belongs to the advanced level of the 1970's. Its capacity is 3 million tons of hot-rolled sheet and plate steel, which can be processed into 2.79 million tons of finished products.

This project was carried out during the struggle against the interference and sabotage by the "gang of four." From the formal beginning of the construction in June 1975 up to its basic completion in December 1978, the entire process took 42 months. Then trial production began in the last quarter of 1978.

[Article by Guo Changxi [6753 2490 3588]]

Construction of Modern Baoshan Iron and Steel Complex

Baoshan Iron and Steel Complex, a modern iron and steel complex of China, is located along the Changjiang River bank in Yuepu Township of Baoshan County, Shanghai, and occupies an area of about 11 square kilometers. This is a gigantic imported project approved by the Party Central Committee and the State Council. After completion, this complex will have a wharf capable of accommodating 50,000-ton vessels carrying in raw materials, and workshops for coking, sintering, iron smelting, preliminary rolling, seamless steel pipe making, continuous cold rolling, continuous hot rolling, and its own power generation plant.

The completed Baoshan Iron and Steel Complex will have large-scale operation, new technology and high efficiency as its special features. Its designed capacity is the output of 6.5 million tons of iron and 6.7 million tons of steel each year. Its principal items of equipment will include two blast furnaces with a capacity of 4,063 cubic meters, three 300-ton top-blown oxygen converters; two sets of continuous plate casting machines, four large coking ovens, two 450-square meter sintering machines and a system of steel-rolling. The entire project is expected to be completed and put into operation by the end of 1984. By that time, there will be a bigger increase of steel products in Shanghai, and the proportion of steel plates, steel pipes and fine-quality steel in its steel materials will be doubled. The various economic targets of Shanghai steel industry will attain advanced world level. This will obviate the need, which has long been in existence, for China to spend huge sums of foreign exchange in importing steel.

According to the overall arrangement, the Shin Nippon Seitetsu Kaisha was responsible for the design while China was to undertake the construction for the design while China was to undertake the construction of the complex. Since it is located in the Changjiang Delta, an alluvial plain, over 10,000 steel-tube, concrete and sand piles had to be driven into the ground to consolidate the foundation. Workers from various parts of the country were organized by Shanghai Municipality and the Ministry of Metallurgic Industry to fight a mass battle. By the end of December 1979, more than 3,700-steel-tube concrete and sand piles had been driven into the ground to prepare the foundation for the blast furnace, converters, coke ovens and power plants. The wharfs built along the banks of Changjiang River for the working ships, for the transportation of sand and stone materials and large sets o equipment had also been completed and put into operation, while work on the ground surface for the building of power plants, steel-smelting and repair plants had already begun. The construction has made rapid progress since it was formally begun on 23 December 1978, and the quality of work has received favorable comments from the departments concerned.

[Article by Xu Yaozhong [1776 5069 0022]]

Popularization of New Technique of "Grinding after Sieving" in Ore Selection

China has rich resources of low-grade [magnetic] iron ore. The new ore selection technique of "grinding after sieving" was first successfully used by the Dagushan Iron Mine of Anshan Iron and Steel Company. Through this technique, "pure" minerals can be obtained through its separation from other elements and high grade ores are obtained. Ores with more than 30 percent of iron can thus be upgraded to those of 67-68 percent. This new technique is of great economic value, and was popularized throughout the country in 1979. The ores selected by the key factories may contain more than 65 percent of iron while those selected by ore-selection plants of Shoudu Iron and Steel Company and the Nanfen Selection Plant of Benxi Iron and Steel Company were more than 68 percent, which is an advanced world level.

Machinery Industry

[Article by Huang Fenchu [7806 1144 0443]]

China's Machinery Industry with a Basically Complete Assortment

China's machinery industry has now become a basically complete system with different functions of a fairly wide scope and high technical level. These departments have played an important role in promoting agriculture, industry, national defense, science and technology.

In the early post-liberation period, there were only very little processing equipment, and whatever machinery China had were concentrated in Shanghai, Tianjin and Shenyang, for repairing, assembling, or producing a small number of motors, small water pumps, belt-driven lathes and other simple items. Now China's machine building capacity has been greatly expanded, and in the industrial system of the First Ministry of Machine Building alone, there are nearly 100 machine building trades of different sizes, and their products include automobiles, mine excavators, meters and instruments, and so forth, totaling more than 26,000 varieties. They are even capable of supplying complete sets of equipment for agriculture, industry, communications and transportation, national defense, scientific research and other departments. These complete sets of equipment include those required by iron and steel complexes with an annual output of 1.5 million tons of steel, complete sets for coal mines with an annual output of 2.5 million tons of coal; equipment for large oil refineries treating 2.5 million tons of crude oil a year; large hydropower generating units generating some 300,000 kilowatts; equipment for producing 300,000 tons of synthetic ammonia and 240,000 tons of urea a year; equipment for transmitting and transforming 330,000 volt electricity; large and long oil pipelines, and so forth. In 20 years from 1959 to 1979, these departments also produced complete sets of equipment for large construction projects.

China's machinery industry is capable of not only supplying complete sets of equipment but also developing high-grade precision advanced products which are beginning to approach or surpass the advanced world levels. China is now able to produce more than 80 different types of high-precision lathes required for producing high precision spare parts, and the annual output is more than 2,000 sets. It is no longer necessary for China to rely entirely on imported high-precision machines. The new instrument and meter industry has also rapidly developed in recent years. Some high-precision instruments and automatic meters are being produced, and some of them, such as the high precision electric bridge, potential difference gauge, standard resistance, and 60-line electro-magnetic oscilloscope have approached advanced world level.

Along with the rapid development of the machinery industry, the sale of Chinese products has been expanded to 111 countries and regions, and 114 types of exported products including lathes, forging equipment, automobiles, electric motors, ball-bearings, measuring and cutting tools, instruments and meters, are all well-received by the customers.

General Description of Production and Construction under the First Ministry of Machine Building

While implementing the policy of readjustment, restructuring, consolidation and improvement of the national economy, all departments under the First Ministry of Machine Building have adopted measures to boost production with certain success. In 1979, the capacity of generating equipment was up to 6 million kilowatts, an increase of 33.3 percent over the previous year; the number of lathes produced was 95,100, a 3.5 percent reduction below that of the previous year; and the number of automobiles produced was 167,800, a 25.4 percent increase. The total output value by the departments under the First Ministry of Machine Building was 36.07 billion yuan, an 11 percent increase over that of the previous year. Each worker created an output value of 11,000 yuan, 600 more than that of 1975 when labor productivity was already high. Many enterprises have improved their business management, strengthened their economic accounting, and strived to increase both production and income. The total profits for 1979 was 6,000,310,000 yuan, a 9.8 percent increase over that of 1978. The circulating capital required to produce every 100 yuan of output value dropped by 9 percent, and the output value produced by every 100 yuan of fixed assets rose by 7 percent over the previous year.

New improvement was noted in the quality of products. The machinery enterprises in various localities earnestly consolidated their own resources and launched the "trustworthy" campaign, besides producing brand-name products and catching up with or surpassing the advanced level. As a result, the products of various provinces, municipalities and autonomous regions, according to the result of a strict quality check, were 97.4 percent up to the required standard. The varieties of products were also increased and more than 900 new varieties were produced in 1979.

Consumption of raw materials and energy was reduced. The utilization rate of steel products was increased by 3.3 percent over that of 1978; and coke consumption for each ton of metal out of the copula furnace was reduced by 7.3 kilograms; and power consumption for each ton of steel out of electric furances was reduced by 32.4 kwh below that of 1978.

Investments in capital construction produced fairly good results. Two construction projects, namely the Hangzhou Brake Material Plant and the Leihe warehouse of Henan were completed and already in operation. So too were three single item construction projects including the High-Speed Gear Box Factory of Nanjing. The newly increased value of fixed assets in 1979 totalled 740 million yuan which was equivalent to 93.7 percent of the total investments for the same year. The productive capacity of friction materials was increased by 500 tons; that of heavy-duty cross-country vans, by 100; that of heavy-duty gear-boxes, 20 sets; that of power station boilers, 808 ton/hours; that of water treatment equipment, 2,370 tons; and that of power generating equipment, 100,000 kilowatts. These projects will play an active role in expanding the production of machinery and power products.

Key Enterprises under First Ministry of Machine Building Consolidated

Outstanding results have been achieved in the consolidation of key enterprises under the First Ministry of Machine Building. After the consolidation, more than 50 percent of the 655 key enterprises are up to the required standard according to the 12 Articles of Consolidation. More than 90 percent of the key enterprises under No 1 Machinery and Power Bureau of Shanghai, the Machinery Bureau of Beijing, No 1 and No 2 Machinery and Power Bureaus of Tianjin, and No 1 Machinery and Power Bureau of Heilongjiang Province are all up to the standard.

The consolidation of these enterprises began in 1977, when the First Ministry of Machine Building issued the 12 Articles calling for: effective quality control; strict technical control; better equipment control and maintenance; careful handling of technical equipment; improved product design; balanced production, "civilized" production and safe production; reduced consumption and increased accumulation; fruitful technical training, and so forth.

Since the consolidation, the advanced enterprises have further improved their management while some enterprises with "longstanding, big and difficult" problems have taken on a new complexion. As a whole, the success of enterprise consolidation is mainly manifested in the general improvement of the quality of products. Before the consolidation, about half of the products of the key enterprises were substandard. Now, according to a spot check conducted by the Ministry on 83 varieties of key products, 98 percent of them were up to standard. By the end of 1979, the machinery bureaus of 16 provinces and municipalities conducted strict examinations on 864 varieties of products, among which 240 varieties were found to be of first class quality, and 583 varieties were up to standard. A total of 109 varieties were named by the Ministry as "trustworthy quality" products, and another 12 were given state quality awards.

The success of consolidation among these key enterprises was further shown in the change from losses to profits. In 1976, 67, or 10.2 percent, of these enterprises suffered losses to the amount of 172 million yuan. After the consolidation in 1979, only 4 key enterprises suffered losses and the amount of losses was reduced to 6.9 million yuan.

Largest Low Water Head Water Turbine Generating Unit Completed

The first low water head propeller type water turbine power generating set, designed and manufactured in China to be used on the power station of Gezhouba in the multiple-purpose water conservancy project on the Changjiang River was completed by the Dongfang Power Machinery Plant in Suchuan on 30 November 1979.

The generation of hydropower requires different water turbine generators according to different water heads. This generating unit, specially designed and manufactured for the Gezhouba Power Station is a rotary structure with four propeller blades attached. This type of turbine was first manufactured in China. With a capacity of 170,000 kilowatts, this unit is 30 meters high and the diameter of the rotor is 11.3 meters with four stainless steel blades attached. These blades are not only heavy and bulky, but also very complex in shape with very many different thicknesses. The required work process is very intricate. The stainless steel for the blades is a new type produced in China after careful research. It is very strong, tough and corrosion resistant. The turbine produces great pressure, and, under a water head of 18.6 meters, the designed flow is 1,130 cubic meters per second.

The research on and manufacture of this low water head generating unit were possible because of the strong supports from more than 30 scientific research units, institutions of higher learning and the factories concerned. Parts of this unit are being gradually transported to the construction site in Gezhouba for installation in the power station.

Successful Trial Operation of Large Synthetic Ammonia-Making Equipment in Shanghai

China has designed and manufactured its first set of equipment for producing 300,000 tons of synthetic ammonia and 240,000 tons of urea annually--a piece of equipment of the advanced 1970's level. On 31 December 1979, a successful trial operation of this equipment was carried out in Wuming Chemical Industry Plant of Shanghai. The Grade One synthetic ammonia and the urea particles containing ammonia were above the national standard.

This gigantic set of equipment consists of more than 700 separate parts and more than 10,000 valves and meters. It was jointly designed and manufactured by more than 400 units in different parts of China. It is capable of producing 300,000 tons of synthetic ammonia and 240,000 tons of urea, and symbolizes a big step forward taken by China in the machinery and power, metallurgy, instruments and meters, and chemical industries, besides an accumulation of new experiences in the domestic production of large chemical fertilizer equipment.

Special Technology Exported to West Germany

In 1979, the Hangzhou Oxygen-Making Machinery Plant of China sold to a firm of the Federal Republic of Germany the special technology of manufacturing heat converters of the wing type. The first batch of technical data has already been delivered according to the agreement. This is the first time for China to transfer its patent technology to a foreign country in the machinery industry.

According to the agreement signed in July 1979 between the China National Machinery and Equipment Import and Export Corporation and Linde Company of West Germany, the Chinese plant will sell to the German firm the complete data for the manufacturing of the wing-type heat converters together with the accessory equipment for molding the wings including four sets of special equipment and six sets of molds, all to be delivered within 10 years. The Hangzhou Oxygen-Making Plant will send specialists to the German firm to assist in the installation and adjustment of the equipment, and also undertake to train people sent to the plant by the German firm.

Heat converter is an important component of the oxygen-making machinery. The wing-type heat converters produced by the Hangzhou Oxygen-Making Machinery Plant are of fine quality, low production cost, and fairly advanced technology. The German customer was interested particularly in the unique feature of the wings.

Linde Company of West Germany is one of the leading oxygen manufacturing firms in the world, and the Hangzhou Oxygen-Making Machinery Plant is the largest of its kind in China. These two enterprises also signed an agreement on cooperation in manufacturing 10,000 cubic meter and 28,000 cubic meter oxygen-manufacturing machines.

Technical Demonstrations and Exchange of Experiences in Machinery Industry

More than 400 skilled workers of the machinery industry arrived in Shanghai on 10 September 1979 to give technical demonstrations and exchange experiences in a 10-day seminar sponsored by the All-China Federation of Trade Unions, the Chinese Science and Technology Association, the First Ministry of Machine Building, and the Ministry of Agricultural Machine-Building Industry. This is the largest gathering of its kind in China since liberation.

Representatives from various localities gave skillful demonstrations and exchanged experiences in 309 advanced techniques of metal cutting, casting, welding, heat treatment, and press forging. The exchange and popularization of advanced techniques have given a strong impetus to the tapping of potentials and renovation and transformation of equipment in the machinery industry throughout the country. Ni Zhifu [0242 1807 4395], Political Bureau member of the Party Central Committee and Chairman of the All-China Federation of Trade Unions; Wang Chonglun [3769 1504 0243], model-worker of national fame and Vice Chairman of All-China Federation of Trade Unions; and responsible persons of the Shanghai CCP Committee and the departments concerned, attended this gathering. There were also many famous veteran model workers and fine young workers, and technicians. Worker-turned-engineer Sun Maosong [1327 5399 2647], known as the "miraculous handler of knives" of the Harbin Oxygen-Manufacturing Plant, gave a demonstration of high-speed "picking of worms" [tiao wogan; 2176 3260 2616], while worker Gu Zhi'an [6328 1807 1344] of the Yongding Machinery Plant of Beijing, demonstrated his skill in drilling. After Gu Zhi'an, Ni Zhifu also gave a similar demonstration. Young worker Yang Chenhuai [2799 6591 2037], the champion in a welding contest held in Shanghai, also gave a demonstration of his skill in copper welding. Their fine performances won great applause from the audience.

Construction Materials Industry

[Article by Zhou Zhong [0719 1813]]

General Description

The construction materials industry in China has undergone very great development in the 30 years after the founding of the People's Republic. There are now more than 46,000 construction material enterprises with more than 3.5 million workers and staff members in the country. Among them, some 5,000 are owned by the whole people with more than 1.4 million workers and staff members; and some 40,000 are owned by the collectives, with some 200,000 workers and staff members. In 1979, the total output value of construction materials in the country was 16.7 billion yuan.

There have been big increases in the varieties of products in the construction materials industry. There are now three large categories of products controlled by different departments of the Ministry of Construction Materials:

First, materials used in civil engineering. The main items are cement, plate glass, ceramics for bathrooms, asphalt felt, bricks, tiles, sands and the items newly developed in the past 10 years including aerated concrete, gypsum boards, asbestos and cement plates, steel mesh cement plates, plastic wall papers, fiber glass wall papers and various types of blocks.

Second, the nonmetallic mineral products. Among them are limestones, quartz stones, Dali stones, granites, gypsum, porcelain clay and so forth. Some of them are construction materials and others are used as raw materials for the same purpose.

Third, new inorganic nonmetallic materials or finished products processed mainly from raw materials of the above two categories. They are glass fibers, graphite fibers, reinforced plastics, industrial technological glass, quartz glass, special ceramics, cast stone, cement pressure pipes, cement boats, cement railroad sleepers, cement power poles and so forth.

The output and varieties of various construction materials were increased. In 1979, the national cement output was 73.9 million tons, an increase of 13.3 percent over that of 1978. The varieties of cement was increased from just a few before liberation to nearly 100. In addition to ordinary cement of different labels and slag cement, there are now special cements for dams and oil wells, quick-setting, quick-hardening and high-strength cements for emergency use, expanding cements, and colored cements. In 1979, the national output of plate glass was 23.3 million standard crates, an increase of 16.3 percent over that of 1978. In addition to plate glass of various thicknesses for different construction purposes, there were also reinforced curved plate glass, polished glass, laminater glass, glass with embossed designs, and endothermic glass, all extensively used in the electronic, automobile, aviation, chemical and instrument and meter departments. In the past, there was only one variety of ceramics for bathrooms; now there are more than 20 varieties, including glazed bricks and wall and floor bricks. The varieties are constantly increasing and the quality continues to improve.

Despite these developments, the construction materials industry is still a weak link in our national economy. At present, the quantity and varieties of most products are not keeping up with the needs, and that is why the construction materials industry departments must advance and develop in the process of readjustment in order to pave the way for laying a good foundation, and become the vanguard preparing still greater for national economic development following the readjustment.

Development of Cement Industry

China produced 73.9 million tons of cement in 1978, an increase of 13.3 percent over that of 1978. There are now 49 large and medium-size cement enterprises in operation. They have a total of 133 cement kilns, capable of producing 17 million tons of clinkers, and 210 cement grinders with a productive capacity of 27 million tons. In 1979, these cement plants produced a total of 24.72 million tons of cement, an 11.1 percent increase over that of 1978. More than 10 large and medium-size enterprises are under construction. Among them are Huaihai, Jidong and Ningguo plants which will use the new equipment of advanced world level that permits "decomposition outside the kiln."

There are more than 5,700 small cement factories in China. About 2,400 of them are owned by the whole people while some 3,300 are run by the communes and production brigades under the collective ownership system. According to incomplete statistics, these small factories produced a total of 47.73 tons of cement, a 12.2 percent increase over that of 1978. The building of these small cement factories was financed with locally raised funds under the spirit of self-reliance and hard struggle. They are growing along with the development of farmland capital construction and have made important contributions to the development of local industry and the increase of the economic power of the people's communes. In 1979, these small cement factories actively implemented the policy of "readjustment, restructuring, consolidation and improvement" by raising the quality of products, lowering the production costs and improving their management.

New Construction Materials

For hundreds of thousands of years, China mainly used bricks and tiles made of clay as materials for building houses. Along with the advance of science and technology, these materials are no longer adequate for China's large-scale economic construction and the improvement of people's housing requirements. Since the 1960's, China has carried out research on new materials to be used as the walls and the roofings, and established a number of experimental plants. Since 1975, there have been big developments in China's output of light frame-and-panel building materials, based on advanced foreign technology and better use of the country's natural resources. Other new building materials are: prefabricated reinforced concrete beams, plates, columns and pillars, to be used for the framework; gypsum board, aerated concrete, asbestos cement plates and reinforced concrete slabs to be used for the interior and exterior walls; mineral wool felt and plates to be used for sound and heat insulation; glass fiber felt, water-proof cement and "caulking oil tubes" to be used as water-proof materials for the roofings and exterior walls; and patterned and colored plastic wallpapers and glass fiber wall coverings to be used for decorating the interior walls. With these materials in addition to windows, finishing hardware, water, electrical and heating systems and toilet fixtures, we will be able to build integral houses which are not so heavy. With these new materials, again, experimental houses with a total floor space of more than 200,000 square meters were built in 1979. Displaying the spirit of self-reliance and hard struggle, Suzhou Municipality has remodelled and expanded the old construction material enterprises, and in slightly more than 1 year, set up a base capable of producing enough materials for 100,000 square meters of housing. Some 80,000 square meters of residential houses were then built. At present, Beijing is setting up a large new base, consisting mainly of imported production lines supplemented by local auxiliary equipment, to produce materials for 1 million square meters of housing. In Harbin, Wuhan and Shenyang, medium-size bases, capable of producing materials for 500,000-800,000 square meters of housing, are being established. Suzhou Municipality is also expanding a base producing materials for 200,000 square meters of housing, and Shijiazhuang is also building up a base of similar size. Wuxi Municipality is planning to build one with a capacity of 100,000 square meters.

Utilization of Wastes

One method to develop the production of construction materials is to utilize various types of industrial slag and other wastes, such as coal stones, coal ashes, and metal and furance slags as raw materials. Since the founding of the People's Republic, many research organs and processing factories have continued their study on the use of slags and waste materials. Now, the following items are being produced as a result of successful experiments: bricks and blocks made of coal ashes; aerated concrete and ceramic particles made of coal ashes; and bricks, tiles and blocks made of gangue instead of clay. Lime and other slag from the furnaces are also mixed with cement to produce concrete. Large quantities of mixed materials made of furnace slags are being used. At present, approximately 300 million tons of industrial slag are discharged every year, and approximately 30 million or 40 million tons of them are used for making construction materials. In 1979, the construction material industry departments are making comprehensive use of more than 10 million tons of gangue. If this amount of gangue is used for heating, we can save 2 million tons of coal. Full utilization of these wastes will not only help us economize, but also promote the welfare of people by eliminating environmental pollution.

Chemical Industry

[Article by Li Niangui [2621 1628 6311]]

General Description

China's chemical industry has developed rapidly. By the end of 1979, there were 7,362 large, small and medium-size chemical enterprises in China, including 302 key enterprises and 4,744 others owned by the whole people. The number of their workers and staff members was some 2.8 million.

In 1979, on the basis of summing up the practical experience in China's chemical industry, the Ministry of Chemical Industry formulated the production policy of "supporting others to develop ourselves" in an effort to serve agriculture, light and textile industries and the market by increasing the production of goods in demand and at the same time to develop the chemical industry itself. In the same year, the total output value of the chemical industrial system was 57.4 billion yuan, a 9.4 percent increase over that of 1978, and the profits handed over to the state increased by 11 percent over that of the previous year. State plans for 19 varieties of products were all fulfilled, and the plans for 14 of them were fulfilled 1 month ahead of schedule. The total national output of chemical fertilizer was 10.65 million tons, an increase of 22.6 percent; that of chemical insecticide was 587,000 tons, an increase of 0.8 percent; and those of caustic soda and soda ash, which were in short supply, were increased by 11.3 percent and 11.8 percent respectively, entirely through tapping the potentials of the old plants. The outputs of synthetic ammonia, calcium carbide, pure benzene, ethylene, paint, processed rubber and so forth were increased by 10 percent to 24 percent. The output of processed crude oil by the five large oil refineries was increased by 10.8 percent over that of the previous year.

Consumption of fuel, power and raw materials in the chemical industry was decreased by a wide margin in 1979, and outstanding success was achieved in energy conservation. The consumption index of the 10 key items designated by the state was lowered by 1-6 percent, and in the same year, 3.9 million tons of coke, 1.6 billion kwh of electricity, and 70,000 tons of oil were saved.

Readjustment in the Ministry of Chemical Industry began to show effects in 1979. Some enterprises having high consumption of fuel and raw materials, producing goods of inferior quality, and sustaining losses over a long time had to be suspended for consolidation; some 440 small factories and mines were closed, suspended, merged with others or converted to other lines of production; and 39 large and medium-size projects were either halted or put off for the time being. Thanks to the concentration of resources, 38 single item projects were completed and commissioned in 1979 despite a reduction of investments.

The Newly Emerging Petrochemical Industry

China's petrochemical industry developed rapidly in the past 10 years as a new industry. By 1979, there were 28 key enterprises engaged in petrochemical industry, including the Yanshan General Petrochemical Company of Beijing, the Lanzhou Chemical Industry Company, the Shengli General Petrochemical Industry Plant of Shandong, the Yueyang General Chemical Plant, the Anqing General Petrochemical Plant, and the Guangzhou Petrochemical Industry Plant. In 1979, the output of ethylene was 435,000 tons; plastics, 793,000 tons; synthetic rubber, 120,000 tons; and synthetic fiber materials (including those of the textile departments), 200,000 tons. These outputs exceeded those of 1969 by 10 to several tens of times.

China's petrochemical industry began in the late 1950's. The first petrochemical industry enterprise--the Synthetic Rubber Plant of Lanzhou Chemical Industry Company--was founded in 1958 and commissioned in 1971. This was followed by the Dalian Organic Chemical Industry Plant with an annual output of 15 million tons of ethylene, and the Gaoqiao Chemical Industry Plant of Shanghai with an annual output of 67 million tons of ethylene, and several small petrochemical industry plants in Jiangsu, Liaoning and Jilin.

While speeding up the building of small petrochemical plants, a set of sand cracking equipment with an annual output of 36,000 tons of ethylene was imported from abroad in 1964. Then in 1973, another large equipment with an annual output of 30,000 tons of ethylene was imported. Throughout the 1970's, a total of 32 sets of petrochemical industrial equipment were imported, and these sets, combined with those designed, manufactured or built in China have contributed to the large-scale development of the petrochemical industry in China.

Petrochemical industrial products can not only meet the requirements in many fields, but also bring high profits to help the state accumulate more funds because of its high output value. In 1979, for example, the Yanshan General Petrochemical Plant processed 5.86 million tons of crude oil, and produced 1.74 million tons of gasoline, diesel oil, kerosene and lubricating oil, 227,000 tons of ethylene, 161,000 tons of polyethylene from high pressure process, and 41,000 tons of butadiene rubber, with a total industrial output value of 2.5 billion yuan and profits and taxes for the state totaling 1 billion yuan. In the same year, the Shengli General Petrochemical Industry Plant's total output value was 1,296 million yuan, with a total of 530 million yuan of profits and taxes.

Thirteen Sets of Large Chemical Fertilizer Equipment in Operation

During the Fourth Five-year Plan, China imported 13 sets of large chemical fertilizer equipment with a daily output of 1,000 tons of synthetic ammonia and 1,620 tons of urea. These sets have all been in operation since September 1979.

These 13 sets of chemical fertilizer equipment were manufactured with new technology of the 1970's, and their productive capacity amounts to one-fifth of the total national output of synthetic ammonia. The large backbone enterprises with modern equipment, the 1,400 small and 50 medium-size nitrogenous fertilizer plants, have combined to form a nitrogenous fertilizer production network.

The 13 sets of chemical fertilizer equipment were separately installed in Sichuan Chemical Plant, Luzhou Natural Gas Chemical Plant, Yunnan Natural Gas Chemical Plant, Chishui Natural Gas and Chemical Fertilizer Plant of Guizhou, Daqing Chemical Fertilizer Plant, Liaohe Chemical Fertilizer Plant of Liaoning, Cangzhou Chemical Fertilizer Plant of Hebei, Chemical Fertilizer Plant No 2 of the Shengli General Petrochemical Plant of Shandong, Nanjing Qixiashan Chemical Fertilizer Plant of Jiangsu, Anqing General Petrochemical Plant of Anhui, Dongting Nitrogenous Fertilizer Plant of Hunan, Hubei Provincial Chemical Fertilizer Plant, and Guangzhou General Petrochemical Plant. With the exception of three sets which still have some problems, all the rest are of a high technological level and are quite dependable. They can utilize heat energy comprehensively and produce remarkable economic results. The main economic targets are up to, or close to, the same level of similar plants abroad. The annual output of synthetic ammonia of Sichuan Chemical Plant, Luzhou Natural Gas Chemical Plant, Yunnan Natural Gas Chemical Plant, Chemical Fertilizer Plant No 2 of the Shengli General Petrochemical Plant of Shandong, Daqing Chemical Fertilizer Plant, and Cangzhou Chemical Fertilizer Plant in 1979 was all more than 300,000 tons. According to statistics, the average energy consumption of these 13 sets of equipment for producing each ton of synthetic ammonia is 1,000 kilocalorie, and the production cost is relatively low.

Rapid Development of Small Nitrogenous Fertilizer Industry

China's small nitrogenous fertilizer industry has developed very rapidly and become a new force in China's chemical fertilizer industry. By the end of 1979, there were 1,452 small nitrogenous fertilizer plants in China, and more than 200 of them had annual output of more than 10,000 tons. Their total output of synthetic ammonia in 1979 was 7.31 million tons, or 55 percent of the total national output. The output of Zhejiang, Jiangsu, and Sichuan was more than 20 percent over that of 1978.

Because of the effective measures for reducing consumption, the average coal consumption for each ton of synthetic ammonia by these small plants was reduced from 3,257 kilograms to 2,750 kilograms, and power consumption was reduced from 1,765 units to 1,594 units. The production cost for each ton of synthetic ammonia was 450 yuan. In the whole country, 399 small nitrogenous plants made profits, and 37 of them earned more than 1 million yuan each. Taking both profits and losses and state subsidies into account, there was basically no deficit. The quality of products from these small plants have also improved, and the quality of carbonate ammonia and ammonian fluid produced by 22 provinces, municipalities and autonomous regions was 95 percent up to the standard. In 12 provinces, municipalities and autonomous regions, more than 80 percent of their products was rated as first class goods.

Small nitrogenous fertilizer industry began in 1958 in China. The Chinese method of production is unique. Because of the development of the small nitrogenous fertilizer industry, the amount of chemical fertilizer applied to each mu of farmland in China was 29.3 kilograms in 1978. Fertilizer application was further increased in 1979.

Fine-Quality Chemical Products

Fine-quality chemical products in China were greatly increased in 1979. In a national quality evaluation, 17 types of products were honored with the award of national gold and silver medals, and 237 others were rated as fine-quality products.

The fine quality of "Red Triangle" soda ash produced by Tianjin Soda Plant was up to the advanced world level. It is well-known at home and abroad for its purity and transparency after melting. It can be exported without further examination. The Gonglian Brand industrial ammonia bicarbonate of Dalian Chemical Plant is selling well at home and abroad. The Yanshan Brand butadiene rubber produced by Yanshan General Petrochemical Plant of Beijing has the fine quality of being elastic, wear-resistant and cold-resistant in addition to its bending strength and durability, and is extensively used in the production of tires, rubber belts, rubber hoses and other rubber products by more than 300 factories in the country. In 1979, it was put on trial sale broad, and was highly commended by foreign traders. The Youyi Brand 729 "inwardly pimpled" rubber paddles produced by Tianjin Rubber Research Institute have high elasticity and a high coefficient of friction with the ball. These five products won gold medals from the state.

The Beijing Brand chemical reagent, produced by Beijing Chemical Plant, is a fine quality chemical product prepared with meticulous care, to be used in scientific research and for analysis and tests in industrial and agricultural production, medical treatment and public health, culture and education, and various trades and professions, serving as a means of measurement and weighing. In the opinion of users, it is dependable, efficient and of good quality, and thus enjoys a good reputation at home and abroad. This product has had a history of more than 20 years and been exported to more than 20 countries and regions for more than 10 years. It is well received abroad because of its fine quality. The Tiangong Brand caustic soda produced by Tianjin Chemical Plant enjoys good reputation because of its high purity and fresh color, and is meeting a big demand in the home market. The solid caustic soda produced with the use of mercury has all along surpassed the national standard for first-class goods and well received by consumers at home as well as in Hong Kong, Macao, and the Southeast Asian regions. Both products won silver medals from the state.

The Three-Six-Nine Contest Organized by Ministry of Chemical Industry

In 1979, the Ministry of Chemical Industry organized a contest among three municipalities, six provinces and nine large enterprises (briefly referred to as "Three-Six-Nine" Contest), as an impetus to the campaign to increase production and practice economy. Among the participants of this contest were from the three municipalities of Beijing, Tianjin and Shanghai; the six provinces of Hebei, Shandong, Henan, Sichuan, Jiangsu and Hunan; and nine large enterprises, namely, the Jiling Chemical Company, the Lanzhou Chemical Company, the Nanjing Chemical Company, the Yanshan General Petrochemical Company of Beijing, the Shengli General Petrochemical Plant of Shandong, the Yueyang General Chemical Plant, the Quzhou Chemical Plant, the Dalian Chemical Plant and the Jinzhou Chemical Plant. The results of the contest were as follows: Beijing Municipal Chemical Industry Bureau was the champion among the three municipalities; Jiangsu was the champion of the six provinces; and Yueyang General Chemical Plant was the champion of the nine large enterprises. In the second half of 1979, the scope of the contest was expanded to include 10 municipalities affiliated with the provinces, namely, Chongqing, Wuhan, Nanjing, Shenyang, Guangzhou, Qingdao, Luda, Xian and Harbin. The total chemical output of these three municipalities, six provinces, nine large enterprises and, together with the 10 province-affiliated municipalities, accounted for 72 percent of the total national chemical output, and their profits accounted for 86 percent of the total national profits. Improvement of these provinces, municipalities and enterprises means effective control of the key links and the improvement of the entire chemical industry.

The participants of the contest upheld the principle of "putting learning, helping and encouragement first and competition second." During the contest, they kept one another informed of their conditions of production, exchanged their advanced experiences and publicized their economic information. The surplus and shortage of materials among them were adjusted and some municipalities even helped promote the sale of one another's goods. This contest greatly helped some provinces and municipalities formerly having a weak foundation. For example, the output value and profit level of Xian Municipality before the contest were lower than those of the same period in 1978. After learning from the experiences of Changzhou, Chongqing and Wuhan, and by November, it began to catch up, and its output and profit level increased by 2.5 percent and 11 percent respectively over those of the same period in 1978.

Inspired by the "Three-Six-Nine" Contest, Sichuan, Jiangsu and other provinces have also held contests among their own municipalities, prefectures, trades and enterprises. These contests have played an important role in the fulfillment or overfulfillment of the chemical production tasks for 1979.

Textile Industry

[Article by Li Anding [2621 1344 1353]]

General Description

China originally had a certain foundation for textile industry which has greatly developed during the 30 years after liberation. Now the textile industry includes wool, cotton and hemp textile and 10 more other trades, such as silk, chemical fiber, printing and dyeing, knitting, reproduction, textile machinery and textile materials. There are now 4,958 textile enterprises employing 3.1 million workers and staff members. For cotton textile, there are 16.6 million spindles and 510,000 looms, being 2-8 times those of the early post-liberation period. More than 120 cotton textile mills in the country have 50,000-100,000 spindles. The chemical fiber industry has developed from scratch and the amount of chemical fibers produced in China accounts for 9 percent of all its textile raw materials.

In 1979, the Party Central Committee and the State Council gave priority to the development of light and textile industries and gradually readjusted the proportionate relationship between light and textile industries on the one hand and heavy industry on the other. The state imported the required raw materials and some key equipment for developing the textile industry, and gave priority to this industry in the supply of power, fuel and raw materials. These measures have greatly helped promote the growth of the textile industry.

The total textile industrial output value in 1979 already accounted for 11.8 percent of the total national industrial output value, and was 9.5 times that of 1949.

State production plans for 10 major items, including chemical fiber, cotton yarn, cotton fabrics, printed and dyed fabrics, woolen fabrics, woolen yarn, gunny bags, silk and silk fabrics were all overfulfilled. The output of cotton yarn was 2.63 million tons, a 10.5 percent increase over that of 1978; that of cotton fabrics, 12.15 billion meters, a 10.2 percent increase over that of the previous year; that of chemical fibers, 326,000 tons, a 14.7 percent increase over that of the previous year; and that of silk fabrics, 663.45 million meters, an 8.7 percent increase over that of the previous year.

Many localities have paid great attention to the quality of products and launched campaigns to raise the quality and to produce brand-name products, besides holding various types of exhibition and sales meetings, meetings for the selection of samples before deciding on production, and the trial operation of retail stores to help improve the quality and increase the designs and varieties. The proportion of cotton yarn and cotton fabrics above grade 1 and first class in stock was 98.57 percent and 95.62 percent respectively, which were the best records in history. In the nationwide textile quality meeting, 113 varieties of products were formally recognized as brand-name products, while 38 other varieties won fine-quality prizes from the state.

Along with the developing production, production costs were decreased and profits increased. The annual taxes paid and profits earned increased by 15 percent over that of the previous year. Foreign exchange earnings from the export of textile goods also increased by 33 percent.

Outstanding achievements have also been won in tapping potentials and renovation and transformation of equipment. The new productive capacity in various trades and undertakings in 1979 is reflected in the following figures: 65,000 tons of chemical fibers, 600,000 spindles of cotton yarn, 400 million meters of printed and dyed fabrics, and 20,000 spindles of woolen yarn. Facilities were also set up for processing 1 billion meters of cotton fabrics, and 200 million cotton suits after the antishrinkage treatment; and the fast resin finishing of 400 million meters of cotton-decron fabrics.

A Number of Important Textile Projects in Operation

In 1979, active readjustment was made in capital construction for the textile industry of China in order to concentrate the available resources for the protection of key projects and to insure that they can be completed and commissioned. Thus nine large and medium-size projects, scheduled to be completely or partially commissioned in 1979, have been all completed and put into trial operation.

In June 1979, the Shanghai General Petrochemical Plant was formally taken over by the state and began its operation. This is a large complex mainly for the production of synthetic fibers with petroleum as the raw material. It is made up of two chemical plants, three fiber plants, one plastics plant with a total of 18 sets of equipment to form three production lines for ethylene, prophylene and arene. Its designed final products are: chemical fibers, 102,000 tons; plastics of polyethylene from high pressure process, 60,000 tons; and some oil and chemical raw materials. Among these 18 sets of equipment, 9 of them were imported, while the remaining 9 sets and the other equipment for the thermopower plant, the water pumping station, the machinery repair plant and the sewage disposal plant were all made in China. In 1979, 80,000 tons of chemical fibers were produced by this plant.

Liaoyang General Petrochemical Fiber Plant is a large complex producing diversified varieties on a large scale. The main sets of technical equipment were imported from France, Italy and West Germany. There are altogether 23 sets of production equipment, and when they are all completed, there will be annual output of 86,000 tons of dacron material (polyester fiber); 45,000 tons of polyamide fibers (nylon 66 "monomer"); and 70,000 tons of plastics. By the end of 1979, more than 94 percent of the construction project was completed, and the plastic polyamide fibers and polyethylene produced were up to the standard. The dacron and polyamide drawnwork production line was also in trial operation. The Dandong and Acheng Dacron Mills, in collaboration with this project, were also completed and in operation.

After trial operation in several stages in the first half of 1970, the Sichuan Vinylon Mill, with a designed capacity of 45,000 tons of polyvinyl alcohol fibers, was able to complete the whole work process on 14 December, and produce up-to-standard polyvinyl ether and polyvinyl alcohol fiber. With natural gas as raw material, this plant has part of its chemical equipment imported from France and Japan.

Expansion of Textile Export

Textile products are a major Chinese export commodity, and account for more than 20 percent of the total volume of our export every year. For a long time, Chinese textile products have received favorable comments in the international market for their fine quality and reasonable prices. In 1979, the textile trade in various localities made great efforts in expanding their export and earning more foreign exchange by stepping up the cooperation between industry and foreign trade and increasing the production of textile goods for export. Foreign exchange totaling 2.9 billion dollars was earned from this source, being 32.57 percent more than that of 1978. Among these products, the export of silk brought an earning of 800 million dollars, an increase of 27.88 percent over that of the previous year. The volume of woolen fabrics exported doubled that of the previous year.

To meet the world market demand by increasing the export of medium and high grade goods, the textile trade strengthened the technical transformation of the enterprises with the addition or remodeling of 10,000 sets of looms which provide broader width. When all these looms are in operation, the proportion of fabrics of extra width will be increased from 30 to 40 percent in the exported fabrics. The textile industry also imported more than 600 sets of advanced equipment for spinning, weaving, printing and dyeing and finishing, and increased the production of medium and high grade textile products for export. Furthermore, all textile enterprises made great efforts to design new products and to introduce new varieties and fashions for their exported goods. Printed designs on silk and cotton fabrics have added to the features of oriental art. Even such minor items as handkerchiefs have overprinted floral designs, set off by embroidery, or a jacquard open weave with cutoff motifs. A number of enterprises have produced fabrics according to the customers pattern, or printed them according to the supplied designs. Their work is well received by foreign customers.

The packaging of exported textile products also showed remarkable improvement in 1979. Some garments are now exported in hang-up packs to avoid crease and others are in plastic packs giving a clear view of the contents. Some matched sets of fabrics are attractively boxed in transparent blister wraps for the convenience of customers and as a means of business promotion.

Textile Products Exhibition and Sales Meeting Held on National Day by 13 Provinces and Municipalities

A textile products exhibition and sales meeting was held in Beijing from 20 September to 10 October 1979 to celebrate the National Day. The participants were representatives from Beijing, Shanghai, Tianjin, Jiangsu, Zhejiang, Shandong, Liaoning, Sichuan, Hebei, Henan, Hebei, Guangdong and Shaanxi. The meeting was held in 11 department stores and drapery stores including Beijing Department Store, Dongfeng Market, Dongsi People's Market and Xidan Department Store.

The textile products on exhibition and for sale were cotton fabrics, chemical fiber fabrics, woolen fabrics, silk and so forth totalling 26 categories of 2,000 varieties and more than 6,000 designs. Some of them had won gold or silver medals from the state for fine quality. From Shanghai were woolen fabrics, silk quilt coverings and interior decorative curtains. There were also colored chemical fiber fabrics from Wushi, corduroys from Changzhou, silk from Suzhou and Hangzhou, dacron-wool fabrics with designs and pleated skirts with transferred printing from Beijing; sports shirts and dacron knitwears from Tianjin, printed fabrics and mercerized bedsheets from Hubei, dacron knitted garments from Guangzhou; and so forth. All these items were welcomed by the customers.

This exhibition and sales meeting was jointly sponsored by the Ministry of Textile Industry and the Ministry of Commerce for the purpose of promoting textile production, raising the quality of products, increasing the designs and varieties, and enlivening the market on that festive occasion. The volume of business transacted during this period reached 6.83 million yuan.

Brand-Name Textile Products

From 17 to 26 July 1979, the Ministry of Textile Industry held a national conference on the quality of textile products in Anshan Municipality, Liaoning Province. In the conference, 113 products were formally designated as brand-name products of the textile industry.

These brand-names were given to products recommended by various localities after selections of the best among the best and subject to a final evaluation. Among these brand-name products were some long well-known products, such as the "Stork" 4040 poplin of Shanghai; the "Lotus Lantern Dance" corduroy of Changzhou; the "Snowy Lotus" woolen sweater of Beijing; the "Flying Child" Brand brocade from artificial silk of Beijing; the "Plum Blossom" 38-count fine-spun cotton sports shirt of Tianjin, the "Three Golden Cups" printed silk fabrics, and so forth. Among the new brands are the "Mandarin Ducks" bedsheets of Shashi, Hubei; and the "Plum Blossom" mulberry silk of Shanxi and Zhejiang. It was particularly gratifying that even some little known mills have also produced new brand-name products. Among them are the "Sweet City" 1818 grey cloth of Sichuan's Neijiang Cotton Textile Mill; and the "Burning Prairie" 4545 decron of Shaanxi No 11 Cotton Mill.

This was the first time of any brand-name being given after selection and evaluation in the textile trade since liberation as well as the first time in many years of some units being commended for their fine quality and the increased designs and varieties of their products. The criteria used by the Ministry of Textile Industry for the products to be qualified for brand-names are that the quality of products must be able to match up with that of similar products at home and abroad of the advanced level; that the production of these items must have a history of at least 5 years; and that the products must have some unique feature. All the 113 products conformed to these criteria.

Progress of Self-Twisted Yarn Spinning

Self-twisting spinning is a new method of spinning at low speed but with high yield. Compared with the ordinary method of spindle spinning, self-twisted spinning can save 47.75 percent of power, while the output can be 15-25 times higher. The labor can also be reduced by a margin of one-third to one-half, and the area required can be reduced by 30-80 percent. Yarns of lower count can be produced out of the same raw material if this method is used.

Because of the above advantages, rapid progress has been made in the research and experiment of self-twisting spinning in our country since 1975. In 1978, the state conducted an appraisal of the plush self-twisting spindles, and in 1979, another appraisal was carried out on the use of self-twisting spindles for medium fibers. Using their own processing facilities, many localities in the country have designed and manufactured a large number of the required machines and by the end of 1979, there were 16 fairly large intermediate experimental, research and industrialized production centers. Their main products include plush, worsted, medium fiber, bulked acrylic yarn, and decron-hemp. Among them, the production of plush, medium fibers, and dacron-hemp is no longer dependent on foreign wool. There are now high-count dacron-hemp materials, woolen fabrics with square designs, plush, bulked acrylic scarves, dacron-acrylic fabrics with designs, palace and imitation woolen sweaters, which are of good quality and selling well.

Thirty-Two National Technical Innovations Used in Transforming Nantong Cotton Mill No 1

[Article by Zhong Xiushi [6774 4423 1395]]

Nantong No 1 Cotton Mill of Jiangsu Province is one of the oldest mills built by China itself. The No 1 Spinning Workshop was built in 1889. Despite repeated transformations, it still failed to meet the requirements of production development or to reach the advanced world level. An overall transformation was carried out in 1974. According to the plan, the rebuilding of the mill should not interfere with its efforts to fulfill the production task. The project was to proceed in two stages and four sections, and, according to the original plan, should be completed in 1980. After the downfall of the "gang of four," and thanks to the leadership of the higher authorities, its operation began ahead of schedule in August 1977. An intermediate trial operation began in 1978 and the final appraisal was made in 1979.

The special features of this workshop are: a fairly centralized application of the 32 national innovations resulting in the use of new efficient techniques; better working conditions with reduced labor intensity; and higher labor productivity. During the intermediate test, the operation had reached the following technical levels: average per-unit output: 39.19 kilograms; and breakage: 20.2 strands/1,000 spindle-time; quality: 100 percent first class grade one; dust content: 2.51 milligram/cubic meter (maximum average of four workshops for carding, drawing, coarse and spun yarns not more than 3 milligram/cubic meter); labor required: 3 labor/piece (equivalent to 29.16 (20^s) according to the Japanese way of calculation); electricity consumption: 273 kwh/piece. These levels are comparable to the Japanese mass production level.

Special technical features of the workshop: (1) Lower end-breakage rate, a broader view of the machine and 24-hour continuous operation (with half an hour's meal time assured for workers of each shift). (2) Automatic transport of semi-finished or finished products. (3) Workers operating the spindles using a sliding carriage instead of walking. (4) High speed, large-scale winding and continuous operation (cotton sorting: 500 kilograms/hour; carding: bobbin ø406 x 914, 200 meters/minute; spun yarns: spindle speed 14,000-14,600 rotations/minute; shaping ø44.45 x 19). (5) Workshop building with wide spans between pillars (between main pillars: 17.6 meters x 8.6 meters; between side pillars 13.4 meters x 8.6 meters), good lighting (area of skylights amounts to 25 percent of roof area); temperature variation as small as 1°C (wooden structure of house provides good air circulation).

Overall transformation of the workshop is of great reference value for the technical transformation of old factories and the building of new ones throughout the country.

Electronic Industry

[Article by Li Anding [2621 1344 1353]]

General Description

China's electronic industry has become a fairly complete new industrial system with different departments. According to the makeup of its products, there are consumer goods, means of production and products for civilian use as well as national defense. At present, the majority of electronic products are for civilian use, and its ratio is continuing to rise.

By the end of 1979, there were in China 285 units producing complete sets of radios and television sets, including more than 80 TV set plants. The equipment for voice broadcasting and television was then adequate for the requirements of radio and television stations and research and production of color TV equipment were successful. In 1979, China produced 1.33 million TV sets, being 2.57 times that of 1978, and 13.81 million sets of radio receivers, an increase of 18.2 percent over the number of 1978. The outputs of tape-recorders and gramophones were 2.8 times and 2.7 times those of 1978 respectively.

There are now approximately 730 varieties of electronic products as a result of the popularization and application of electronic technology in China. In 1979, the total output was more than 680,000 sets, including the sets used in civilian radio stations, telephone exchange equipment, telephones, pocket calculators and other electronic products for agriculture, forestry, industry, communications, culture and education, public health and various trades and undertakings.

The production of electronic computers in China has made fairly good headway since its inception in 1958. After a successful research, integrated circuit computers of the 100 and 200 series were in serial production in the past several years. The 100 series is a small type, and the 200 series is a large or medium-size type. In 1979, research and production of integrated circuit with 5 million operations per second were accomplished. Computers capable of 20 million operations per second is being trial produced.

The production of basic electronic products has also rapidly developed. Among them are electronic tubes, semiconductor articles and parts, integrated circuits, electronic elements, electronic measuring instruments and special wireless equipment. There are 2,000 varieties of electronic elements, and the annual productive capacity is 3 billion pieces. There are more than 400 types of integrated circuits, and the annual productive capacity is 35 million sets.

In 1979, the quality of electronic industry in various provinces, municipalities and autonomous regions carried out serious readjustment and reorganization among their affiliated enterprises according to the principle of specialization and coordination with great success.

New Construction of Shaanxi Color Kinescope Plant

Construction of the Shaanxi Color Kinescope Plant, which will have the technical level of the 1970's, was started in April 1979 in Hanyang Municipality of Shaanxi Province, and the work is proceeding rapidly.

The complete set of equipment for this project was imported from Japan, while the auxiliary projects were undertaken by China itself. The construction site of this plant covers a total area of 3,400 square meters, and the plant will consist of four main workshops for the production of fluorescent powder, shading covers and glass, and for general assembling. This plant is comparable in scope to the fairly large enterprises of the same type in the world. It is estimated that this plant will be completed and ready for operation by the end of 1981. Then, its annual output will be 960,000 14-inch and 22-inch color kinescopes. The production techniques for these color kinescopes are based on a collection of all the fine features of foreign products. The kinescopes will have good clarity, brightness, contrast and color effects with low power consumption and good stability.

By the end of 1979, the main structure of the four main workshops had already been basically completed and sealed up, while the building and equipment of auxiliary workshops are being stepped up. After the completion of the plant's main structures, testing and adjustment of the equipment will be completed in March 1981.

National Evaluation of the Quality of Black-and-White TV Sets and Radio Receivers

In September 1979, the Fourth Ministry of Machine Building and the State General Bureau of Broadcasting and Television held in Nanjing the second meeting to evaluate the quality of black-and-white TV sets and the seventh meeting to evaluate the quality of radio receivers, and awarded prizes to the advanced units for the fine quality of their products.

Among the products evaluated were 91 types of transistor and electronic tube black-and-white TV sets produced by 56 enterprises and 197 types of radio receivers produced by 91 enterprises from various provinces, municipalities and autonomous regions. After a careful evaluation, 26 types of TV sets and 73 types of radio receivers won prizes.

There were 16 types of TV sets receiving prizes. Among the 9-inch sets were: "Feiyue [Flying Leap]," "Yingxiong [Hero]," "Xinghuo [Star-fire]" (2 types) and "Kaige [Triumphant Song]" brands of Shanghai. The 12-inch sets were: "Feiyue [Flying Leap]," and "Jinxing [Gold Star]" brands of Shanghai; "Xihu [West Lake]" brand of Zhejiang, "Juhua [Chrysanthemum]" and "Shenyang" brands of Liaoning; "Mudan [Peony]" brand of Beijing, "Kongque [Peacock]" and "Qingsong [Green Pine]" brands of Jiangsu; and "Qingdao" brand of Shandong. The 14-inch sets were

"Shaofeng [Peak of Shaoshan]" brand of Hunan, and the 19-inch set was "Feiyue [Flying Leap]" brand of Shanghai.

Prizes of the first order were given to 23 types of radio receivers. The foremost among them were: "Chunlei [Spring Thunder]" brand transistor radios of the second-grade and third-grade mesa types, and fourth grade of the pocket type; the "Hongdeng [Red Lantern]" brand radio with electronic tubes of the third-grade mesa type; the "Haiou [Sea Gull]" brand fourth-grade portable transistor radio of Shanghai; and "Xiongmao [Panda]" brand third-grade transistor radio.

This evaluation was very strict in its demands and was based on the practical needs of consumers and the dependability and stability of the products.

Light Industry

[Article by Shi Baohua [2457 1405 5478]]

General Description

China's light industry has developed steadily since the founding of the People's Republic, and is now an important industrial department with a fairly complete assortment of products, a rational geographical distribution and a fairly high level of production process. The total light industrial output in 1979 was 198 billion yuan, being 22.8 times that of 1949. The outputs of many light industrial products have increased rapidly. For example, the average annual output of wrist watches has increased by 64 percent; bicycles, by 25 percent; sewing machines, by 18 percent; synthetic detergents by 24 percent; photo-sensitive film, by 33 percent; and plastic wares, by 28 percent. The quality of many products continues to improve along with the increase of designs and varieties. The development of new light industrial trades has been phenomenal as shown by the production of synthetic detergents, synthetic fatty acid, plastic wares, synthetic leather, synthetic spices, wrist watches, optical glass, light-sensitive materials, household electric appliances and so forth. The development of these trades has filled a big gap in China's light industry.

Along with the growth of light industry, the export of Chinese light industrial products has also continued to increase. From 1950 to 1978, the average annual increase of foreign exchange earnings from the export of light industrial goods was 16.2 percent. In 1979, the amount of foreign exchange earned from the same source again increased by 24 percent over that of 1978. The volume of light industrial export amounted to one-quarter of the total national export.

In accordance with the policy of national economic readjustment in 1979, the state adopted a series of measures, such as increased loans, priority in the supply of energy and raw materials, and so forth, to speed up the development of light industry. In the same year, the total light industrial output value exceeded that of 1978 by 9.6 percent. For example, the output of machine-made paper and paperboard was 4.93 million tons, an increase of 12.3 percent; bicycles, 10.09 million, an increase of 18.1 percent; sewing machines, 5.87 million, an increase of 20.8 percent; wrist watches, 17.07 million, an increase of 26.4 percent; sugar, 2.5 million tons, an increase of 10.1 percent; and cigarettes, 13.03 million crates, an increase of 10.2 percent over the previous year's. The quality of products was generally raised. Among the 133 items produced by 122 key enterprises of 11 trades and examined by the Ministry of Light Industry, the quality of 118 or 89 percent of them showed better results as compared with that of the previous year; 18 of them won gold medals and 27 others won silver medals from the state for their good quality.

New Light Industrial Products Actively Developed

In 1979, the light industrial departments of China attached great importance to the improvement of quality and the increase of designs and varieties, and light industry enterprises in various made great efforts in upgrading and replacing their products by increasing the production of new ones. More than 6,000 new varieties were trial produced in the same year. There were also 100,000 new varieties and new designs, and one-third of them have been in serial production.

Among these new products were bicycles with speed gears; electric multiple-purpose sewing machines capable of sewing 20 different designs; quartz wrist watches with a time difference of only about 1 or 2 seconds each day; small refrigerators of fairly low prices and suitable for the present standard of living in the country; automatic shutoff electric fans; thermos jars with a pumping cap; electric organs which can imitate the timbres of more than 20 foreign musical instruments and gives good resonance; the tasty and refreshing drink "Xingfu Kela [Happy Cola]"; the all-weather plastic umbrellas with attractive floral designs; and the enzyme laundry powder capable of removing sweat stains, milk stains and all dirts containing protein; and so forth.

The other important new products are: laundry machines, air conditioners, electric water heaters, electronic cigarette lighters, irons with regulated temperature, pocket warmers, micro-blowers and multiple-purpose hair-care appliances produced by the household electric appliances trade; the wide-mouth ice water jugs, wire glass tea sets, and enamel pans produced by the glass and enamel ware trade; the imitation drawnwork, wallpaper, rugs, decorative boards, TV enlarging screen and plastic wrapping sheets produced by the plastics trade; and the easily dissolved milk powder, easily dissolved bean-powder and easily served food items produced by the food trade, are all well received by the consumers.

Four Hundred Twenty-Five Light Industrial Products of Fine Quality

In 1979, the Ministry of Light Industry awarded certificates of fine quality for 425 products of 27 trades, including those of bicycles, sewing machines, garments, shoes and hats, musical instruments, plastic products, detergents, hardwares, household electric appliances, enamel and glass utensils, artistic work, paper and food.

Apart from those traditional brand-name products from Shanghai, Tianjin, Beijing and other large cities which had already won national medals for their fine quality, a large portion of these 425 products were produced in small and medium-size towns of various provinces and municipalities. They are, for example, the "Crystal" brand glass utensils of Dalian in Liaoning; the "Camel" brand enamel utensils of Xi'an in Shaanxi; the "Silver Lake" brand men's shirts of Wuxi in Jiangsu; the "Vanguard" brand badminton of Shaoxing in Zhejiang; the "Pigeon" brand plastic shoes of Fuzhou in Fujian; the dictionary paper of Huangxian County in Shandong; the "Pearl" brand buttons and buckles of oyster-shell color in Dangtu in Anhui; and so forth. All these products, which have won the certificate of fine quality, are in serial production, and are well received by the customers because of the fine quality of advanced levels at home and abroad.

Eighteen Famous Chinese Liquors

In September 1979, the Ministry of Light Industry held in Luda Municipality the Third National Meeting for the Evaluation of Liquors; and 18 different brands were rated as liquors of national fame.

These 18 brands include white wine, port wine, yellow wine and beer.

The white-wine category includes: Maotai (of Renhuai County, Guizhou), Fenjiu (of Xinghuacun, Shanxi), Wuliangye (of Yibin, Sichuan), Jiannanchun (of Mianzhu, Sichuan), Gujinggongjiu (of Boxian County, Anhui), Yanghe Daqu (of Siyang, Jiangsu), Dongjiu (of Zunyi, Guizhou), and Laojiao Dequ (of Luzhou, Sichuan).

The famous port wines are: Red Port wine (of Yantai, Shandong), Chinese Red Port Wine (of Beijing); White Port Wine (of Shacheng, Hebei), Minquan White Port Wine (of Minchuan, Henan), Yantai Weimeisi (of Yantai, Shandong), Yantai Gold Medal Brandy (of Yantai, Shandong), and Zhuyeqing (of Xinghuacuan, Shanxi).

The famous yellow wines are: Shaoxing Jiafangjiu (of Shaoxing, Zhejiang) and Longyan Chenganjiu (of Longyan, Fujian).

The famous beer is Qingdao Beer (of Qingdao, Shandong).

There are 47 others rated as fine quality liquors of China.

Construction Industry

[Article by Xu Yaozhong [1776 5069 0022]]

General Description

In 1979, all types of work under the General Construction Engineering Bureau of China made outstanding progress. The area of buildings completed by enterprises owned by the whole people and the collectives amounted to some 82.94 million square meters, and the value of the completed buildings and equipment amounted to some 12.28 billion yuan. Both the area and the value increased by a wide margin over those of the previous year. All localities attached great importance to the results of investments, with the result that the construction period was greatly reduced and the quality was generally improved. The main projects completed under the charge of the construction industry departments in 1979 are: the waiting hall in the International Airport of the capital, the Sichuan Vinylon Mill, the Shanxi Vinylon Mill, the Heilongjiang Dacron Mill, the Nanning Cotton Textile Mill, the Hankou Paper Mill, the Yueyang Paper Mill, the Yunnan Chemical Plant, the Shizuishan Power Plant, the Wuxi Movie Films Plant, the Zhanjiang Ocean Fishery Base, the Jinan Cold Storage, the Yunnan Observatory, the Henan People's Hall, the Harbin Stadium, the Yunnan Industrial College, the Xiangtan University, and the North China Agricultural College. In 1979, the construction engineering system paid particular attention to the construction of light and textile industries, electric power, coal and construction materials; and workers' dormitories and schools. It played an active role in strengthening the weak links of the national economy and improving the people's living conditions, and showed fairly good results in the construction projects connected with tourism.

Before liberation, China's construction industry was very backward. In the 30 years following the founding of the People's Republic, the construction industry departments have undergone great development and created a great deal of wealth for the state. In these 30 years, the value of their completed work amounted to more than 95 billion yuan, and some 670 million square meters of housing of various types were completed. At present, these departments have some 3.4 million construction workers, including 1.66 million for the enterprises owned by the whole people and 1.74 million for those owned by the collectives.

Overall Fine Quality Construction Contest

Construction engineering of fine quality, high efficiency, low production cost, and "civilized" work are called overall fine quality construction. The first unit to be so qualified was Beijing Construction Company No 6 in 1977. The State Capital Construction Commission, the State Labor Bureau, the All-China Federation of Trade Unions and the People's Construction Bank of China summed up the experiences of the Beijing Construction Company No 6 and held an overall fine quality construction contest among the three cities of Beijing, Tianjin and Tangshan with outstanding success. In 1979, after the establishment of the State General Construction Industry Bureau, the experiences of the overall fine quality construction contest continued to be popularized and many provinces, municipalities and autonomous regions, as well as construction bureaus affiliated with the General Construction Bureau continued to organize these contests. At present, the overall fine quality construction projects, formerly involving only thousands of square meters have been enlarged to involve tens of thousands of square meters, and the scope of these projects have developed from civilian construction to national industrial construction and from single-item construction to overall fine quality architectural complex. In 1979, Beijing, Tianjian and Tangshan completed more than 690 overall fine quality construction projects and the area of construction exceeded 1.74 million square meters. Shanghai completed 567 such projects with a total area of 940,000 square meters, and the overall fine quality construction projects completed by Liaoning, Sichuan, Hunan and Jiangsu, and the No 1 and No 3 Engineering Bureaus directly affiliated with the General Construction Bureau amounted to 20 percent of all the construction projects in these areas.

Changzhou and Nanning as Experimental Cities of Construction Industrialization

The industrialization of construction in China is still in the experimental stage. Experiments in Changzhou Municipality of Jiangsu Province and Nanning Municipality of Guangxi Zhuang Autonomous Region, the two key cities, have been an initial success.

In Changzhou Municipality, experiments of industrialization were carried out mainly on one-story factories, with 34 types of molded boards, 43 types of structural parts and 16 types of units, all of finalized designs. The outer walls are made of large prefabricated panels. All these can be organized to form production workshops to meet 322 different requirements. The weight of this type of structure, the labor involved, and the construction period were reduced by 15 percent, 20 percent and more than 50 percent respectively. Under this system of construction, the labor productivity in the construction units of Changzhou Municipality can be raised by 33 percent, and the average area of completed work by each person is more than 3.79 times that of the national average. The speed of construction is also increased, and the building of factories of 10,000 square meters takes only 7 months.

In Nanning Municipality, experiments are carried out mainly on the construction of residential houses with large hollow concrete slabs. These slabs are of great technical and economic value, because it requires only simple production process and can be undertaken with indigenous methods and quickly completed. Generally, a 6-story building can be completed in 3 months. The industrialization of large concrete slab houses is beginning to take shape, and serial production is now possible. In 1979, a floorspace of more than 110,000 square meters was built, being 43.6 percent over that of 1978. The structural parts produced in 1 year can be used for building 200,000 square meters of residential housing. Special teams for this type of building have been organized and each person can complete 107 square meters of floorspace of the value of 10,200 yuan.

Several Systems of Construction Industrialization

In 1979, four different systems of industrialized construction suitable for China's characteristics were developed.

1. The large mold plate system. The method is to build the walls with the in-situ concrete method. At present, there are three types of houses built this way: in-situ concrete for the interior walls and bricks for the outer wall (called "in-situ interior and brick exterior"); in-situ concrete for the interior walls and prefabricated boards for the exterior walls; and in-situ concrete for both interior and exterior walls (called "complete in-situ"). The advantages of this type of structure are: good technical and economic results; high efficiency work; less investments; simplicity of method; and ability to withstand earthquake. This system is being used in 16 provinces, municipalities and autonomous regions, and in 1979, some 1.5 million square meters of floor space were completed throughout the country. According to statistics in Beijing, Tianjin, Shaanxi, Jiangsu and Liaoning, there is now a productive capacity for 4.8 million to 5.5 million square meters of large mold-plate multiple-story houses.

2. The system of large board construction. Under this system, large prefabricated wall boards are assembled on this spot. This method is being used in 26 provinces, municipalities and autonomous regions, and some 850,000 square meters of floorspace was completed throughout the country in 1979. This type of structure is largely built in the form of assembling. Therefore, not much on-the-spot labor is required, and the work can be quickly completed. Since it is little affected by seasonal changes, this method is particularly adapted to cold regions where construction of this type can go on throughout the year.

3. The system of frame-and-panel construction. Prefabricated or in-situ pillars or wooden pillars are used to support the weight of the structure, and gypsum boards, cinder boards, asbestos boards, aerated concrete and compound boards of light weight are used as materials for building the walls. In 1979, some 270,000 square meters of frame-and-panel houses were built throughout the country, and in Suzhou, Jiangsu Province, the first base with a productive capacity of enough materials for building 100,000 square meters of frame-and-panel houses each year has been established. The advantage of the frame-and-panel house is that the structure itself is light and can be easily put up. This system of construction is being tried out in 11 provinces, municipalities and autonomous regions.

4. The system of block construction. The blocks used are made of concrete, coal cinder, gangue and other industrial wastes, and the use of these blocks to build walls is a simple way of industrialized construction, or an improvement upon the use of clay-brick and concrete. The making of blocks is fairly simple, and the production cost is low. Since there is a great deal of industrial wastes to be used, this system of construction can be used in any place. Hence it can be easily popularized. In 1979, some 1.07 million square meters of this type of housing was completed throughout the country. According to incomplete statistics, there are now more than 100 block manufacturing factories in 13 provinces and municipalities with a productive capacity of 1 million cubic meters.

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TRANSPORTATION, POSTS, TELECOMMUNICATIONS SURVEYED

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[Text] Railways

Railway Construction in China

Since the state was founded, China's railways have undergone 30 years of construction and redevelopment and have begun to constitute the framework of a national railroad network.

In a 73-year period in old China, only somewhat more than 20,000 kilometers of railroads were built. Their design was obsolete and backward, and most of the routes were in coastal regions, which was an extremely irrational layout of the network. Since the state was founded, and under unified state planning and management, by the end of 1979 the nation (excluding Taiwan Province) had 51,525 kilometers of railroads in operation (including some local railways). In addition, there were 6,287 kilometers of newly constructed two-track lines, 1,031 kilometers of electrified railway, and 42 newly constructed or expanded rail centers. The southwestern and northwestern regions, which in the past were traffic bottlenecks, now have the newly constructed Cheng-yu [Chengdu-Chongqing], Bao-cheng [Baoji-Chengdu], Lan-xin [Lanzhou-Xinjiang], Chuanqian [Sichuan-Guizhou], Guikun [Guilin-Kunming], Chengkun [Chengdu-Kunming], Xiangyu [Xiangfan-Chongqing] and Xiangqian [Hunan-Guizhou] lines, so that railroads west of the Beijing-Guangdong rail line have increased their share of total mileage from 19.5 percent in the early days of the state to 45.3 percent, and are making an active contribution to improving China's railroad network situation and to linking together coastal and border transportation. Now every province, municipality and autonomous region with the exception of Tibet has railways.

In the 30 years since the founding of the state, China has built 24,526 kilometers of railroads (mainline track laying), an average of 817.5 kilometers a year; in busy double track sections more than 5,800 kilometers of automatic block signal lines have been constructed, a length equivalent to 11 percent of the total mileage in service nationwide; on the main trunk lines, 1,432 electrified marshaling yards have been constructed.

During the construction process, many new technologies, designs and materials have been popularized and utilized, which has made a major contribution toward improving rail line quality and transport efficiency. The completion and opening of the

Chengdu-Kunming railway and the Nanjing railway bridge over the Yangtze marked the attainment of a new level by railroad construction in China. At present the length of rail lines in operation has increased by 1.3 times over the mileage shortly after the state was founded.

Railway Transport in 1979

In 1979 in railway transport departments overfulfilled their annual state transport assignments and new records were set in both passenger and freight transport.

The total number of passengers carried was 856 million, which was 104.4 percent of the planned figure for the year and 6 percent above the previous year's figures; the overall passenger turnover figure was 121.4 billion passenger-kilometers, up 11.3 percent from the previous year; the average distance traveled per passenger was 142 kilometers, an increase of 7 kilometers over the previous year.

As the work of national economic readjustment has proceeded, railroad freight hauling has turned over a new leaf. The share of such long-haul commodities as coal has increased, the national commodity transport figure has reached 1.094495 billion tons, 101.4 percent of the planned figure for the year, and up 1.9 percent from the previous year; every day the entire system loads 62,789 railcars, an increase of 555 cars from the previous year; the freight turnover figure for the entire system was 558.8 billion ton-kilometers, an increase of 4.8 percent over the previous year; the average commodity haul was 510 kilometers, 14 kilometers longer than in the preceding year. The commodity turnaround time for the entire system was 3 days.

Railroad transport has been implementing the policy of assigning priority to agriculture, light industry and heavy industry in that order, and has given preference to transport of agricultural support commodities, light industrial and market goods, and foreign trade and export goods, and has made a vigorous effort in critical commodities such as coal, obtaining rather good results. The quantity of coal dispatched in the entire system was over 410 million tons, 1.5 percent above the annual plan figure. Some 60 million tons of coal were shipped out of Shanxi, a record year's figure, and the total quantity of coal shipped to the Northeast was almost half again as great as in the preceding year, reaching 10 million tons. The overfulfillment of the coal transport targets produced a warm situation in industrial and domestic use of coal. The quantity of smelted materials dispatched was more than 20 million tons, equivalent to 103 percent of the annual plan figure, and equivalent to the actual figure for the previous year. The amount of petroleum shipped was over 59 million tons, 105.9 percent of the annual plan figure, but 3.1 percent below the previous year's figure. The amount of wood products hauled was over 39 million tons, 104 percent of the annual target, and the quantity of wood products shipped in from the Northeast was over 10 million tons, up 500,000 tons from the previous year. Transport of such agricultural, light industrial and agricultural-support commodities as grains, chemical fertilizers and agricultural pesticides, agricultural tools, fresh perishables, daily-use manufactured goods and miscellaneous items was up from the previous year, while transport of export commodities increased by a third.

Compared with 1950, passenger transport for the whole system in 1979 was up 4.5 times, and passenger turnover had increased by 4.7 times. The amount of freight hauled up was 10 times, and freight turnover had increased 13 times. Currently railroads account for 61.7 percent of the total passenger transport turnover by modern transport facilities nationwide, and 51.3 percent of total freight turnover. Rail transport represents a main component of China's unified socialist transport network, and has an absolute majority of numbers of passengers and quantities of freight transported.

Not only are passenger and freight transport quantities increasing, but the quality of transport work has clearly improved. In 1979 the on-time departure rate for Chinese passenger trains was 99.1 percent and the on-time rate in transit was 92.9 percent, an increase of 0.2 percent over the previous year; the on-time departure rate for freight trains was 92.8 percent and the on-time rate for freight trains in transit was 89.4 percent, an increase of 2.2 percent over the preceding year.

There has been considerable progress in safety, with a 13.6 percent decrease in grave and serious accidents from the previous year; the number of grave and serious accidents in freight transport was down 58.4 percent from the previous year.

At the end of 1979, the total operating railroad mileage nationwide was 49,808 kilometers. These rail lines belonged to 20 railroad bureaus: Chichihar, Harbin, Jilin, Shenyang, Jinzhou, Beijing, Taiyuan, Huhehot, Jinan, Zhengzhou, Wuhan, Xi'an, Shanghai, Nanchang, Guangzhou, Liouzhou, Lanzhou, Chengdu, Kunming and Urumchi.

Railroad Capital Construction in 1979

In 1979 railroad construction adhered to the policy of readjustment, and technical redevelopment of existing railroads was made the focus of readjustment. During the year there were 61 medium and large new and continuing construction projects, including new construction of 8 double track lines among them the Jinpu [Tianjin-Pukru], Beijing-Guangzhou and Jiaoji [Jiaozhou-Jinan] railroads; 5 electrified railroads including the Shitai [Shijiazhuang-Taiyuan], Longhai [Gansu-Qinghai] and Xiangyu lines; the construction of 5 rail centers including those in Beijing and Wuhan; and 3 joint projects including the Baoshan Steel Mill in Shanghai; and continued construction work on 27 projects including the Wangan [Anhui-Jiangxi], Zhiliu, Shatong, Qingzang [Qinghai-Tibet railway] and Jiujiang Yangtze River railway bridges as well as some other engineering projects. Of the large and medium projects, the 192-kilometer double track section of the Longhai railroad between Zhengzhou and Shangqiu was handed over and put into operation; the 70-kilometer double track section of the Shide railroad between Tuxianzhuang and Xincheng was completed and put into operation; the southeastern link of the Beijing rail center was put into operation; the 120-kilometer electrified section of the Shitai railroad between Shijiazhuang and Yangquan was essentially completed; the 170-kilometer section of the Fuqian line between Fulidun and Jiansanjiang was ready to be handed over; and the track was laid and put into operation on the Qingcang [Qinghai-Xizang] line as far as Golmud. In addition the Shuangqiao dispatching yard of the Beijing rail center, the new Wudong marshaling yard of the Wuhan center and the dispatching yard of the Shijiazhuang center have all been handed over and put into operation.

In the past year [1979], 21.9 kilometers of bridges and 19.3 kilometers of tunnels were completed and 875 kilometers of new main trunk and branch lines and 215 kilometers of double track lines were constructed.

Construction of Electrified Rail Lines

In order to increase railroad transport capacity, to make comprehensive use of motive power resources, to decrease environmental pollution and to achieve the aims of low investment and high effectiveness, in 1958 China began the construction of electrified railways. By the end of 1979, two electrified railroads had gone into use, with a total length of 1,031 kilometers. In addition, 5 electrified railways with a total length of 2,274 kilometers are under construction.

The electrified lines which are already open are: the Baocheng railroad from Baoji in Shaanxi to Chengdu in Sichuan, with a total length of 670.7 kilometers; and the Yangan railroad, which starts at Yangpingguang in the central section of the Baocheng electrified railroad and ends at Ankang in the central section of the Xiangyu railway, a total length of 356.7 kilometers. The Longhai line is 3.5 kilometers long.

The electrified railways under construction are as follows:

1. The Shitai railway. Extending from Shijiazhuang to Taiyuan, with a total length of 235 kilometers, this is an east-west, double track modernization project. The electrification of the 120-kilometer section between Shijiazhuang and Yangquan had been essentially completed by the end of 1979, and it requires only application of electric power in order to go into operation.

2. The Xiangda railway. This extends from Xiangfan in Hubei to Daxian in Sichuan, a total of 646 kilometers. This is a section of the Xiangyu railway, an east-west trunk line; in 1979 the electrification equipment was installed on the 362 kilometer section between Xiangfan and Ankang.

3. The Baolan railway. This extends from Baoji in Shanxi to Lanzhou, a total of 511 kilometers. In 1979 the electrification equipment was installed on a 158-kilometer section from Baoji to Tianshui; roadbed improvements are under way on the section between Tianshui and Lanzhou.

4. The Chengyu railway. This extends from Chengdu to Chongqing, a total of 505 kilometers. The electrification facilities are being designed and roadbed improvements have begun.

5. The Fengda railway. This extends from Fengtai, Beijing City, to Datong, Shanxi, a total of 377 kilometers. The electrification facilities are being designed, and roadbed improvements are under way.

When these five new electrified lines are complete, China will have more than 3300 kilometers of electrified lines, including a 2,700 kilometer electrified network in the southwest and northwest, while construction of the electrified Shitai and Fengda lines in North China will double transport capacities.

The Qinghai-Xizang Railway

The Qinghai-Xizang Railway is an important trunk line linking China proper with the frontier regions, with a total length of 2,049 kilometers. As of the end of 1979, track for this line had already been laid past Ge'ermu, and a total of 846 kilometers was in operation.

The Qinghai-Xizang Railway begins in Xining city, Qinghai, and passes through Gangcha, Delingha, Golmud, Neichitai, Tuotuohe, Anduo, Naqu, Dangxiong, Linzhou and Mozhugongka to Lhasa, the capital of the Tibetan Autonomous Region. It passes through the Tsaidam Depression, and crosses such important mountain ranges as the Kunlun, Fenghou, Tanggula and Nianjing Tanggula ranges and such main rivers as the Ge'ermu, Chuma'er, Tongtian, Tuotuo and Lhasa rivers; much of the railroad is located in the Qinghai-Tibet Plateau, the "ridgepole of the world"; it is at an altitude of 4,000-5,000 meters for more than 930 kilometers of its length, so that it is the highest altitude railroad in the world.

The engineering geology of the right of way is rather complicated. In the southern part of the Tsaidam Depression there are a series of deserts, salt lakes, salinized soil areas and sand dunes; in the plateau area there is more than 570 kilometers of permafrost; and between Nuoqu and Dangxiong the basic earthquake intensity is 9 to 10. In addition, the air is thin over a large proportion of the route, the climate is severe and changeable, and the engineering difficulties have little precedent in world construction experience.

Utilization of Locomotives and Rolling Stock

Locomotives. At the end of 1979 the country's railroads had a number of locomotives 1.5 times greater than shortly after liberation. To aid in locomotive utilization and inspection and repair, locomotive types were decreased from 175 shortly after liberation to 54.

Initially steam locomotives were used for fast passenger trains on the main Changda, Shenshan, Jingshan, Jingguang, Jinpu and Huning lines, but they have now been completely replaced by internal combustion locomotives.

Because of the steady increase in the number of internal combustion and electric locomotives, some maintenance sections under the Guangzhou, Xi'an and Chengdu railway bureaus have begun experimenting with use of the "changjiao lu lunchengzhi;" [literally, long-distance transport rotational hauling system].

Internal combustion locomotives are already in use for passenger trains on the Chengdu-Kunming, Guizhou-Kunming, Qiangui [Quizhou-Guangxi], Guangjiu [Guangzhou-Jiulong], Nenlin, Jingyuan and Huning railways.

Internal combustion engines are also in use with freight trains on some sections of the Jingshan, Jingbao, Jingguang, Jinpu, Chuanqian, Lanxin and Jiangyu railways.

All passenger trains are pulled by electric locomotives on the Baocheng and Yang'an railways.

The weight of freight trains hauled on such main trunk lines as the Shenshan, Jingshan, Beijing-Guangzhou, Jinpu, Tongtuo and Huning lines has been increased from 1,600 tons shortly after Liberation to 3,500 tons, and an excess of 85 million tons was hauled during the year.

The daily distance traveled by freight engines was 412 kilometers, an increase of 8 kilometers from 1978; the average output was 723,000 ton-kilometers, up 9,000 ton-kilometers from 1978; locomotives consumed 109.5 kilograms of coal per 10,000 ton-kilometers, a decrease of 4.6 kilograms from 1978; the oil consumption of internal combustion locomotives per 10,000 ton-kilometers was 35.7 kilograms, a decrease of 1.9 kilograms from 1978; electric locomotives consumed 132.6 kilowatt-hours per 10,000 ton-kilometers, down 3 kilowatt-hours from the 1978 figure. Some 1.38 million tons of coal, 66 tons of diesel oil and 12 million kilowatt-hours of electricity were conserved during the year.

Railcars. 1. Passenger cars. At the end of 1979, the entire system has 2.9 times more passenger cars than shortly after Liberation. Since 1961 there has been a decrease from 38 models and 299 types to 30 models and 171 types. Currently express, through and fast trains all now use the new domestically produced models 22 and 23. Some 10,698 of the system's passenger cars, or 71 percent of the total number, have their own heaters and water heaters. Some 13,228 passenger cars are now fitted with ball bearings.

In order to maintain safety on passenger trains, the system of distributed responsibility for car maintenance is used in current maintenance and servicing, and every train carries a train inspector who is responsible for train safety from the point of origin to the destination. It is also required that 2 major servicings and quality inspections be performed every year, in the spring and fall. Grave and major accidents have now been eliminated for a total of 2 years 9 months, and the number of minor accidents has been steadily decreasing year after year, resulting in excellent operating safety (historically, a high quality level has been 0.85 accidents per hundred cars, while in 1979 the figure was 0.45 accidents).

2. Freight cars. At the end of 1979, the entire system had 4.6 times more freight cars than shortly after Liberation, including an increase of 2.3 times in boxcars and 5.2 times in flatcars. Some 15.9 percent are 30-40 ton cars, and 82.2 percent weigh 50 tons or more. The average nominal weight per car has increased from 32.3 tons shortly after Liberation to 50.6 tons, i.e. by 56.6 ercent. The freight car overhaul rate has increased from 13.5 percent shortly after Liberation to 2.7 percent [as published]. The average accident rate is 0.33 accidents per 10,000 car-kilometers, down by 1.42 accidents from the figure of 1.75 shortly after Liberation, and representing a decrease to 19 percent of the earlier figure.

Repair and Construction of Railroad Rolling Stock

In 1979 the plants of the railroad rolling stock industrial system fulfilled or overfulfilled all of their railroad rolling stock in-plant repair and new construction targets. Output of new electric and steam locomotives and passenger cars and repair of internal combustion locomotives increased over last year. The output for these four areas was a record for the last 20 years (the output of various areas is shown in the table).

The total industrial output value for the year was 1.733 billion yuan, 109.4 percent of the planned figure, and 22.1 percent above the record level of 1975.

In order to meet the needs of modernization of railroad transport, the various plants have also made an energetic effort to develop new products. The Sifang and Puzhen plants developed three different air conditioned passenger-train cars (including a parlor car, a dining car and a generator car) for the Guangzhou-Jiulong passenger route. The cars are 25.5 meters long and use such new technology and materials as a high-speed wheel truck design, a low-alloy unitized load-bearing chassis design without a central beam, and rubber shock absorbers. The Wuchang plant has produced the new model B19 mechanical refrigerator car, whose design has been finalized following ministry-level evaluation, setting the stage for lot production. The Chichihar plant has experimentally developed a 75 ton capacity flatcar and a 450 ton long-bodied car for large items. The Qishuyan plant has produced a grain hopper car. In addition, the Chichihar plant, the Harbin plant and the Xi'an plant have produced various types of narrow gage freight cars (for the Kunming railway).

Repair and Construction of Railroad Rolling Stock in 1979

Product	Actual	Actual as Percentage of Plan
Steam locomotives	2,999	102.2
Internal combustion locomotives	333	104.1
Repair		
Passenger coaches	2,446	101.1
Freight cars	41,686	101.1
Cranes	347	100.6
Steam locomotives	311	103.7
Internal combustion locomotives	222	100.9
Electric locomotives	40	100.0
New construction		
Passenger coaches	856	100.7
Freight cars	16,042	100.8
Cranes	70	100.0

The axle bearing production line imported by the Nankou Rolling Stock Mechnical Plant has already gone into trial production, and has created the conditions for speeding up the equipping of freight cars with ball bearings.

Railway Communications Signals

In 1979, China's railroads already had 9,066 kilometers of long-distance communications cable, accounting for 16.7 percent of all the country's railway signaling lines. There are a total of 170,000 local telephone sets.

A wireless dispatcher's telephone for train operations officially went into trial production in 1975 and had its design finalized; by 1979 there were about 2,071 fixed sets and 4,394 sets on locomotives. Currently, wireless dispatcher telephone equipment is in use on 9,000 kilometers of railroad.

In order to meet the speed and density requirements of various types of transport, the block equipment on Chinese railroads is mainly automated, semiautomated or sign or semaphore type. In 1979 there was a total of 5,997 kilometers of automated block signaling systems and 36,185 kilometers with semiautomated blocking systems. The automated blocking systems are primarily of the frequency-shift, extra-high frequency, and AC counter types. The semiautomated blocking systems are Chinese-produced model 64 continuous-current semiautomated equipment.

To assure traffic safety, to increase traffic efficiency and to bring train marshaling and breaking down capabilities into play, in 1979, 75 electric marshaling yards, 2 mechanical hump marshaling yards and 7 simple hump marshaling yards were constructed. By the end of 1979 the country's railroads had 1,432 marshaling yards; 3 semiautomated hump marshaling yards, 15 mechanical hump marshaling yards, 31 non-mechanical hump marshaling yards and 56 simple hump marshaling yards.

The country has 907 kilometers of dispatching and marshaling facilities, 729 kilometers of which are electrical, while the rest are extra-high frequency types. There are 215 kilometers of dispatcher-overseen track.

Railroad Track

In 1979 China's railroads replaced 2,507 kilometers of track, so that 41 percent of single lines had 50-kilograms per meter. In 1954 Chinese iron and steel enterprises began producing their own steel track, gradually unifying the gage standards. The heaviest steel track is the 60-kilogram type (now beginning to be laid experimentally), followed by the 50-kilogram and 43-kilogram types. Steel track materials include carbon steels, medium-manganese steel and high-silicon steel. Switch designs include models No 9, No 12 and No 18. They include the tandem standard frog, high-manganese cast frog, ordinary curved arm and special-section arm designs.

In 1979, 638 kilometers of seamless track was laid. China started laying seamless track in 1957, and has now laid 7,200 kilometers. The method of welding seamless rail is that in the plant, gas pressure welding or contact welding is used to produce 200-meter or 250-meter rails, which are moved to the project site and welded into 1,000-meter rails with thermite.

In 1979 3.25 million prestressed concrete ties were laid. They were first produced in 1956, and currently 46.34 million have been laid, including 41.23 million on single-track lines, accounting for 45 percent of all those on such lines. All other ties are made of wood; they have been oil treated by domestic treatment plants.

In order to adapt to high traffic densities, track maintenance uses lightweight devices including a small hydraulic tamper, an electrical tamper and hydraulic tools. Large hydraulic tampers and ballast washing sieves are used only when lines are closed for major overhaul.

Highways

Highway Construction and Traffic

Shortly after Liberation, China only had 80,000 kilometers of highway, mostly in the flat or hilly areas of the Southeastern coastal provinces, while mountain areas and border minority areas which account for more than two-thirds of the country's total area had almost no highways.

After New China was founded, 30 years of energetic construction followed, and by the end of 1979 the operating highway mileage had reached 890,000 kilometers. A highway system centered on Beijing which linked the capitals of all the provinces, joined all the harbors and rail centers and reached into the vast countryside was beginning to take shape.

In 1979 total goods transport turnover on the nation's highways was 26.8 billion ton-kilometers, a decrease of 2.2 percent from the 1978 figure of 27.4 billion. This decrease resulted because the industrial and commercial enterprises increased their own hauling capacities and the transport departments' haulage work decreased; but compared with 800 million ton-kilometers in 1949, this was an increase of 33.5 times. Passenger turnover was 60.3 billion passenger-kilometers, an increase of 15.7 percent over the 1978 figure of 52.1 billion, and an increase of 65 times over 1949.

Not only has the number of highways increased rapidly, but their quality and technical condition have also been considerably improved. Shortly after Liberation the vast majority of highways could not meet any classification standard, the roadbeds were low-lying, subject to waterlogging, and narrow, there was a shortage of bridges and culverts, and there were sharp turns and steep slopes. Now, many highways have met the standards for the 4 state classifications. Most trunk highways have attained class 3. Some important trunk highways are being reconstructed to class 2 status. By the end of 1979, there were 143,000 kilometers of asphalt and oiled roads, 454 times the 315 kilometers that existed shortly after Liberation. Class 1 roads are being built on the access routes to large and medium size cities and between large and medium cities. Those which had been built and were in operation in 1979 included the following: The Beijing-Miyun Highway is 39.1 kilometers long, with a roadbed 25 meters wide and a 2-meter-wide median strip, both highway surfaces 10.5 meters wide and a shoulder 1 meter wide. The Shenyang-Fushun Highway is 27 kilometers long and 29 meters wide, with a highway surface 25 meters wide, and has a total of 6 lanes. The Nanjing-Liuhe highway is 24.7 kilometers long and the roadbed is 23 meters wide, with a 1.5 meter median, 10-meter-wide road surfaces and 0.75-meter shoulders. This is a high-speed divided highway. The Nanjing-Liuhe highway is 24.7 kilometers long and the roadbed is 23 meters wide, with a 1.5 meter median, 10-meter-wide road surfaces and 0.75-meter shoulders. This is a high-speed divided highway. The Nanjing-Liuhe highway can carry 17,500 vehicles a day, a capacity more than 2 times greater than older roads. The new road has reflective lane markers for the convenience of vehicles traveling at night. These 3 class 1 highways are the beginning of China's high-speed highway construction.

In the 36 years since the state was founded the roads that have presented the greatest engineering problems have been the Qinghai-Tibet highway and the Sichuan-Tibet highway. The Qinghai-Tibet highway passes from Xining through Chaka, Xiangride and Golmud to Lhasa in Tibet, the "ridgepole of the world," through the Qinghai-Tibet Plateau, with an altitude of over 4,000 meters, and crosses the upper reaches of the Yangtze River and the Kunlun and Tanggula mountain ranges, among others, extending a total of more than 2,100 kilometers. The Sichuan-Tibet Highway passes from Chengdu through Yaan, Ganzi and Manigange to Lhasa, passing over the Erland, Zheduo and Queer Mountains and the Daduhe, Jinshajiang, Lancangjiang and Nujiang rivers. Its average altitude is over 3,000 meters, and it is a total of over 2,400 kilometers in length. These two highways are important lines of communication between Lhasa, the "ridgepole of the world," and China proper, and each of them took 3 or 4 years to construct, presenting engineering difficulties practically unprecedented in world highway building. The road surface of the Qinghai-Tibet highway is being continually upgraded to an oiled surface.

Highway Bridges

By the end of 1979, there were about 128,000 highway bridges in China, with a total length of more than 3 million meters, 93 percent of them permanent bridges. Many major highway bridges have been built over large rivers where bridge building is difficult. More than 30 bridges have been built across the Yellow River, including China's longest highway bridge, the Loyang Yellow River Bridge in Henan, which is 3,429 meters long. In 1979 a 5-span continuous prestressed concrete bridge, the Lanzhou Yellow River bridge, 304 meters long and 21 meters wide, was built at Lanzhou.

Bridge building technology has also been greatly improved. In stone arch bridges, for an example, before Liberation the largest span remained the 37.37 meter span of the Chaozhou Bridge, more than 1,300 years old. Now the longest span of a stone arch bridge is 116 meters. The bridge builders in Wuxi, Jiangsu absorbed into their work of developing stone arch bridges the best aspects of modern bridge design and construction, and developed a new bridge type: the hyperbolic arch bridge.

While energetically developing bridge building technology, we have also actively adopted new foreign bridge building techniques and designs. For example, the Huoshiyan bridge over the Han River at Ankang, completed in 1975, uses a recently-developed design, the oblique tension bridge. The main span is 120 meters long, and is currently the longest oblique tension bridge span. In addition, China's first combined aircraft runway-highway overpass bridge, on the route to the Capital International Airport in the suburbs of Beijing, has a net height of 4.5 meters and a breadth of 60 meters. Atop the bridge are an aircraft runway, a motor vehicle road and a exhaust deflector. It supports 500 tons, and below it are a walkway and fast and slow car lanes separated by cinder block or a green barrier. The lower part consists of inverted-trapezoid thin-walled steel-reinforced concrete piers, while the upper section consists of 10 52-meter-long, 310-ton box-shaped beams. The bridge bears the heaviest load of all bridges in China.

Containerized Highway Transport

The use of motor vehicles to transport containers by road is an important way of utilizing door-to-door transport and realizing the maximum economic benefit from container transport. At present, highway container transport in China is in the initial stage, and is generally used only for shipment between truck terminals, harbors and warehouses. According to statistics, in 1979 rail-highway door-to-door transportation performed by motor vehicles accounted for 13 percent of all railroad container transport. In addition, highway shipping departments in such areas as Shanghai, Tianjin, Heilongjiang, Anhui, Jiangsu and Guangdong have begun various degrees of initial development of direct highway transport of containers. The shipping departments have taken many steps to induce shippers to use containers, such as simplifying consignment procedures to make them more convenient for the shippers, drawing up container pricing methods and standards so that they give the shippers the maximum economic advantage, improving truck facilities to meet container-associated requirements for standardization, series design and the like, and developing a system of priority transport for containers so as to bring vehicle efficiency into play. It is forecast that when the shipping departments extend container transport to distant suburbs from the cities, China's highway container transport will undergo rather considerable development.

Highway Transport of Large and Heavy Items

As science and technology have developed, industrial equipment has tended to become larger and heavier; some individual pieces weigh as much as several dozen tons to several hundred tons, with external dimensions up to several tens of meters. This has greatly exceeded the limits set for highway and transport vehicles. Transporting this equipment without a hitch to construction sites for installation is an extremely complex task. Experience shows that in organizing transport of large or heavy items four problems must be solved: 1. selection of a vehicle and preparation of a loading diagram; 2. choice and improvement of the transport route; 3. determination of the loading and unloading procedure; 4. implementing organizational and technical measures for transport. At present China's transport capabilities for large and heavy items are already respectable. The largest load capacity of a single unit is 600 tons; the greatest-length item that can be transported is over 70 meters long. Special transport bases for large and heavy items have been set up in the Tianjin, Wuhan, Kunming, Cangzhou, Shanghai, Beijing, Chengdu and Shenyang areas. These are capable of transporting large or heavy items on a national scale. According to statistics from motor transport enterprises subordinate to the Ministry of Communications, in 1975-1979 more than 28,600 tons of heavy and large items were carried, including more than 150 items weighing over 80 tons; the largest was 354 tons.

Water Transport

River Transport

In 1979 China had 136,000 kilometers of navigable rivers. The Yangtze, one of the four longest rivers in the world, had about 18,000 kilometers of main stream and tributaries navigable by steamers.

Since the founding of the state, a great deal of work supporting river navigation has been done in the areas of improvement of channels, harbor construction, boat construction, installation of navigational signals and the like. In the past there were so-called "natural barriers" on the upper reaches of the Yangtze. There were four conditions under which navigation was impossible: at high water, at low water, at night and in bad weather. By means of channel improvements and electrification of navigation signals, natural barriers have now become thoroughfares. Before channel improvement the Hanyu [Hankou-Chongqing] passenger steamer took 20 days to make a round trip, while now it requires 8.

At present, oceangoing vessels in the 10,000 ton class can enter the river and moor at river ports. The harbor areas and berths of many river ports have been improved, expanded and mechanized, and new warehouses and waiting rooms have been built for passenger and freight transport, further increasing their throughput capacity. Special routes, special ships and special wharves are provided for commodities to be shipped in large quantities or over long distances, and lot shipment and containerized shipment have been expanded; priority shipment, priority packaging and shipment on arrival have been adopted for agricultural products, thereby increasing transport speed and improving quality, so that transportation keeps pace with the agricultural seasons. In recent years, the advanced transport method of sectional pushed barge transport has been greatly expanded. Some 300,000 tons of 300-ton to 1,000-ton sectional barges are operating on the country's rivers; the largest pusher tugs are 4,000 horsepower models which can push 12,000-15,000 tons of goods at one time.

As river transport has expanded, the number of steamers and barges operating on rivers of various sizes has increased by more than 10 times from the immediate post-Liberation figure. Most of these boats were built here after Liberation. At present, there are almost 800 plants serving transport along the main Yangtze River routes alone; these are capable of designing and producing 4,000 horsepower tugs.

In 1979, river transport carried 320 million tons of goods, an increase of 11 times over the immediate post-Liberation figure.

Coastal Transport

China has 18,000 kilometers of continental coastline, several thousand sea islands and many excellent ice-free harbors. In the 30 years since Liberation, China's coastal transport has expended greatly, and the amount of goods carried has doubled and redoubled. In 1979 coastal transport carried 68 million tons of goods and performed 45.6 billion ton-kilometers of transport work, primarily carrying coal, petroleum and iron ore.

China's coastal transport is centered on Luda, Shanghai and Guangzhou. All coastal ports can be reached from these locations. The most important coastal transport enterprises include the Shanghai Marine Transport Bureau and the Guangzhou Marine Transport Bureau, which primarily are responsible for long-range internal and coastal goods and passenger transport. The Shanghai Marine Transport Bureau carries more than 36 million tons of freight annually. The Guangzhou Marine Transport Bureau carries more than 13 million tons a year. In addition, the coastal provinces have their own marine transport bureaus, which primarily deal with intraprovince coastal transport. New routes opened in 1979 included Shanghai-Hong Kong, Guangzhou-Hong Kong and Amoy-Hong Kong.

Ocean Transport

China's ocean transport is carried out by the China Marine Transport Corporation, located in Beijing. The corporation has branch offices in Shanghai, Guangzhou, Qingdao, Tianjin and Dalian. In addition, there are companies run jointly with other countries, such as the China-Poland Marine Transport Company, the China-Tanzania Joint Transport Company, the China-Sri Lanka Joint Marine Transport Line and the like, as well as the People's Republic of China Business Agency in Hong Kong.

In all the areas where the transport companies are located and in the main harbors there are also such training and support organizations as seamen's schools, crew bases, seamen's hospitals and ship supply stations, which directly support ship personnel's transport work and the sailor's daily livelihood.

By 1979 China had constructed an ocean-going transport fleet consisting of more than 400 bulk cargo ships, miscellaneous cargo ships, tankers, passenger ships, liquid cargo ships and container ships with a capacity of more than 7 million tons. This fleet has become the main force for foreign trade, and has fundamentally altered the past situation of relying primarily on rental of foreign vessels.

China's marine routes originate in Shanghai, Guangzhou, Qingdao, Tianjin, and Dalian. There are four main routes:

The eastern route, from the major coastal ports east to Japan, and across the Pacific to Canada, the United States and Latin America;

The western route, from the major coastal ports westward through the Indian Ocean, the Suez Canal, the Mediterranean to the Atlantic, or south around the Cape of Good Hope into the Atlantic, with stops at ports in various countries of South Asia, Africa and Europe;

The southern route, from the major coastal ports southward to the countries of Southeast Asia and Oceania;

The northern route, from the various coastal ports north to Korea and the east coast ports of the Soviet Union.

In 1961 China's maritime vessels stopped only at 13 ports in 5 countries. By 1979, they were stopping at more than 400 ports in more than 100 countries and regions.

Some of China's maritime transport vessels were bought abroad and some were built in China. In 1968, China used imported materials and equipment to assemble the 10,000 ton freighter Yuejin, and in 1965 by its own efforts it produced the 10,000-ton steamer Dongfeng. By 1979, China had already constructed a 25,000-ton freighter, a 7,500-ton passenger ship and freighter, and a 50,000-ton tanker, which helped China in foreign trade and the import of large-sized manufacturing equipment and badly-needed commodities.

Construction of Coastal Ports

Coastal ports are important nodes in the connection between land and water transport and important thoroughfares by which domestic and foreign commodities are exchanged. There are 15 major harbors on China's extensive coastline, and in 1972 their handling capacity was about 100 million tons. With the steady increase in foreign trade and the steady development of the domestic economy, the original port facilities and capabilities became inadequate for the needs of the developing situation. In 1973 the state decided to expand port cargo handling facilities, and after several years' effort it completed construction of a group of bulk cargo and miscellaneous cargo wharves, making a considerable change in the appearance of the ports. Originally the only crude oil facilities where Dalian's facilities for 20,000-ton vessels, which had very small capacity. There are now 4 ports with moorings for 100,000, 50,000 and 20,000 ton tankers. The annual petroleum transport capacity can be as high as 41 million tons. The coal and miscellaneous cargo docks' handling capacities have also been rather considerably increased. Container docks are being built at the Tianjin, Shanghai and Huangpu harbors, and will soon be in operation.

In 1979, 42 10,000-ton or higher larger deep-water moorages had been built in China's 15 coastal ports, so that their handling capacity was up 66 percent over the 1973 figure and 22 times greater than shortly after Liberation. In 1979, 212.57 million tons of cargo was handled, up 6 percent from the 1978 figure. At the same time, 150 production lines have been opened at old wharves, and the passenger facilities and fuel and water supply facilities have also been modernized.

Aviation

The Development of China's Civil Aviation

After 30 years of development, by 1979 Chinese civil aviation already had 173 routes, including 158 domestic routes and 15 international routes. The total length of all air routes, eliminating duplication, is 159,971 kilometers, including 108,658 kilometers in domestic routes and 51,313 kilometers in international routes.

More than 80 cities are on the domestic routes. Chinese civil aviation's production equipment is being gradually modernized, and currently with the exception of medium and small aircraft used for industrial and agricultural aviation work (such as aerial surveys, mineral prospecting, insect control, seeding, weed eradication, fertilizer application, forest protection, sea rescue and the like), the primary aircraft used in air transport are the AN-24, AN-12, Viscount, Il-18, Trident, Il-62 and Boeing 707. To meet the needs of expanding tourism and the opening of new international routes, in 1979 3 Boeing 747SP wide-bodied jets were imported, officially entering scheduled service in 1980. These aircraft can carry 291 passengers, have an average speed of 950 kilometers per hour and can fly nonstop for about 15 hours.

In the last 30 years, Chinese civil aviation's carrying capacities have developed at a rate of 20.65 percent a year. In 1979, total transport turnover was 380 million ton-kilometers, up 26 percent over 1978; passenger transport amounted to 2.93 million passengers, up 26 percent over 1978; parcel post capacity was 77,000 tons, up 22 percent over 1978. Specialized aviation logged 39,700 hours, up 37 percent from 1978.

In 1979 17 new routes were opened, including 3 international and 14 domestic routes.

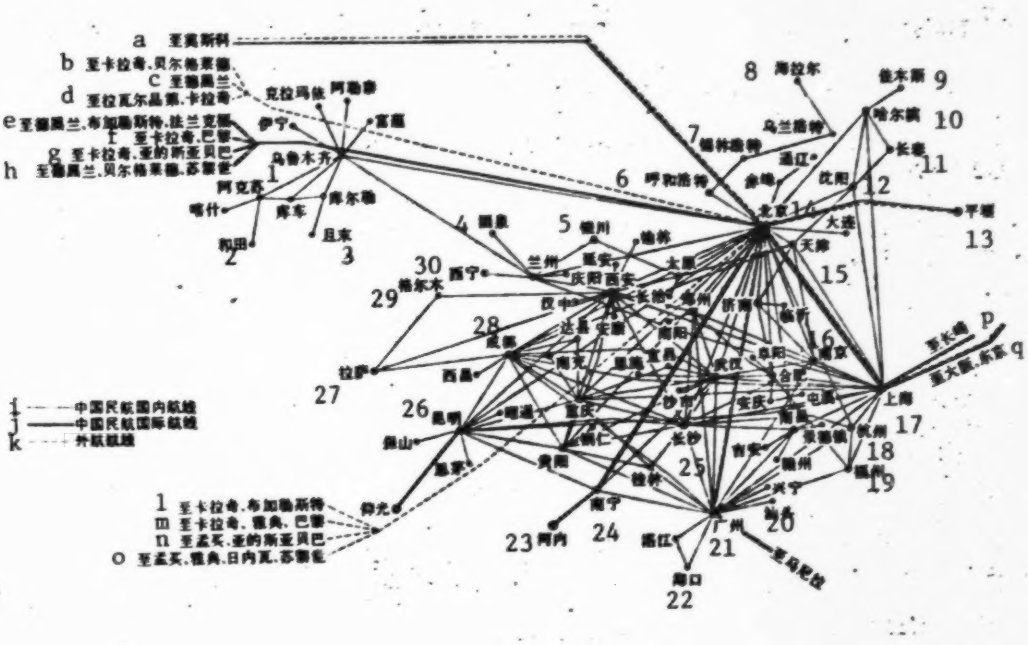
The three newly-opened international routes are: Beijing-Guangzhou-Manila, Beijing-Tehran-Bucharest-Frankfurt and Beijing-Shanghai-Nagasaki.

The 14 new domestic lines are: Guangzhou-Fuzhou, Guangzhou-Xingning, Xi'an-Lhasa, Shanghai-Hefei-Wuhan, Urumchi-Ku'erle-Qiemo, Shanghai-Wuhan-Chengdu, Shanghai-Chongqing, Tianjin-Nanjing-Guangzhou, Tianjin-Shanghai, Chengdu-Guangzhou, Beijing-Wuhan-Guiyang, Beijing-Wuhan-Nanning, Wuhan-Xi'an and Beijing-Harbin.

According to preliminary plans for Chinese tourism, in 1983 the number of foreign tourists entering the country will be 1 million, and by 1985 the figure will increase to 3-3.5 million. This is a forecast for a rather large expansion of China's civil aviation, requiring the provision of even greater transport capacities. It is forecast that by 1985 total transport turnover will increase to 0.8-1 billion ton-kilometers, while at the same time the number of passengers carried will increase to 7-10 million.

China's Largest Modern Airport: the Capital International Airport

The Capital International Airport is located in Shunyi County, in Beijing's northeastern suburbs, 25.2 kilometers from Tian'anmen in the center of the city. This airport was put into operation in 1958. Its original runway (the east runway) was 3,200 meters long, 60 meters wide and 25 centimeters thick; the waiting terminal had an area of 10,711 square meters. In order to meet the needs of international traffic and to accommodate large aircraft, in 1974 expansion was undertaken. The new expanded runway and terminal were officially put into operation on New Year's Day 1980.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Key to map:
a. To Moscow
b. To Karachi, Belgrade
c. To Tehran
d. To Rawalpindi, Karachi
e. To Tehran, Bucharest, Frankfurt
f. To Karachi, Paris
g. To Karachi, Addis Ababa
h. To Karachi, Belgrade, Zurich
i. Chinese Civil Aviation domestic routes
j. Chinese Civil Aviation international routes
k. Foreign routes
l. To Karachi, Bucharest
m. To Karachi, Athens, Paris
n. To Bombay, Addis Ababa
o. To Bombay, Athens, Geneva, Zurich
p. To Nagasaki
q. To Osaka, Tokyo

1. Urumchi
2. Khotan
3. Qiemo
4. Jiuquan
5. Yinchuan
6. Huhehot
7. Xilinhaote
8. Haila'er (Hailar)
9. Jiamusi
10. Harbin
11. Changchun
12. Shenyang
13. Pyongyang
14. Beijing
15. Tianjin
16. Nanjing
17. Shanghai
18. Hangzhou
19. Fuzhou
20. Shantou
21. Guangzhou
22. Haikou
23. Hanoi
24. Nanning
25. Changsha
26. Kunming
27. Lhasa
28. Chengdu
29. Golmud
30. Xining

The runway built during the expansion (the west runway) is 3,200 meters long, 50 meters wide and 38 centimeters thick and can support 400 tons; it can be used by the world's largest aircraft, such as the Boeing 747, the DC-10 and the Concorde.

The new terminal includes a main terminal building and two satellite buildings connected to it by arcades. Each of the satellite buildings has 8 stations to accommodate the large and medium sized aircraft. The terminal was designed to accommodate 1,500 travelers at peak periods, and has a total space of 59,500 square meters. The parking lot can accommodate 400 automobiles. In order to provide for future expansion of passenger accommodations, space for an additional satellite building has been reserved west of the terminal. In addition, a little way to the south of the terminal is a 12,750-square-meter guest house with 300 beds.

The new terminal has five floors, including a basement and the equipment floor, and arriving and departing passengers use different levels.

There are private entrances for distinguished visitors at each end of the terminal on the first floor, including a VIP lounge and various special facilities. The first and second floors also have group lounges and boarding lounges. On the south side of the east end of the first story are the foreign airlines' offices. Travelers service facilities in the terminal include: telegraph, telephone, postal facilities, banking, automobile rental, baggage checking, information, broadcast, arrival and departure information and baggage transport display systems, and various guide facilities. Transport support facilities include: closed circuit television, teletypewriter, dispatcher telephone and loudspeaker communication.

The new terminal has an in-situ poured concrete framework, steel roof trusses and a raft-type foundation and is designed to withstand an earthquake of magnitude 8. The decoration of the building aims at simplicity and light, and has allowed for thermal insulation and sound absorption. The external walls and the main hall use traditional Chinese construction techniques and have murals rich in national flavor, as well as such artistic adornments as lacquer and colored ink pictures. In addition, new building materials have been used. Building facilities include air conditioning, heating, liquid petroleum gas, fire protection, running water, sewage, hot water and lighting systems.

The expansion of the capital airport is still under way. In 1980 it is planned to complete conversion of the original east runway into the main runway by extending it to 3,800 meters and increasing its thickness to 42 centimeters; at the same time, a major effort is being made to complete the construction of the new tower for the flight control and dispatching center and the like.

Developing Tourist Charter Aviation

In order to develop tourism, Chinese civil aviation has actively promoted tourist charter flights. On the basis of incomplete statistics, in 1979 China's civil aviation organizations carried out 2,500 tourist charter and international charter flights. The tourist charter routes include routes from Europe to Beijing, from Japan to Shanghai and Beijing, and from Hong Kong to Beijing, Guangzhou, Shanghai, Hangzhou, Nanjing, Guilin and Kunming. In order to transport tourists to the Beidaihe River and Changde, special Beijing-Beidaihe and Beijing-Chengde unscheduled tourist charter routes have been opened. The relevant departments of the Shanghai Civil Aviation Management Office and the Shanghai Travel Agency have operated various tourist charter and extra flights; in 1979 they arranged a total of over 180 tourist charter flights, carrying more than 22,800 Chinese and foreign passengers. Tourist packages, including 8-day and 10-day trips from Hong Kong to Nanjing and Hong Kong to Hangzhou, 3-day trips from Shanghai to Guilin, 1-day trips from Shanghai to Beijing and honeymoon trips from Shanghai to Nanjing have been arranged, in addition to which many tourist charters for foreign visitors, overseas Chinese and residents of Hong Kong and Amoy from Shanghai to Beijing, Guangzhou, Guilin, Qingdao and Hangzhou have been organized. The Guangzhou Civil Aviation Management Office organized 84 tourist charter flights from Hong Kong to Guangzhou, Guilin and Kunming and elsewhere between 20 September 1979 and the end of the year.

Goods Turnover of China's Modern Transport Facilities
(hundreds of millions of ton-kilometers)

Type	1949	1952	1978	1979		
				turnover	increase over previous year %	1949=100
Total goods turnover	255	762	9,806	10,897	11.1	4,273.4
Railroad	184	602	5,333	5,588	4.8	3,037.0
Highway*	8	14	274	268	-2.2	3,350.0
Water transport	63	146	3,779	4,564	20.8	7,244.4
Civil Aviation	0.2		1.0	1.2	20.0	600.0
Pipeline transport of oil or gas			419	476	11.1	

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* The highway transport figure refers to transport by the Ministry of Communications and does not include transport by the industrial enterprises.

Posts and Telecommunications

Historical Survey of China's Posts and Telecommunications

The people's postal services in China began during the revolutionary war. In 1928, in the Jinggangshan Revolutionary Base Area, the Xianggan Border Workers and Peasants Democratic Government formally established the "Red Post Office," serving workers, peasants and soldiers, and in 1929 issued stamps depicting a red star and a sickle and axe. During the first reactionary "bandit encirclement" struggle Red Army fighters captured a 15-watt radio station and set up a wireless brigade. The birth of the "Red Post Office" in the Jinggangshan Revolutionary Base Area and the formation of the Red Army's wireless brigade marked the Chinese people's acquisition of their own post and telecommunications operations; this was the beginning of a new chapter in the history of Chinese posts and telecommunications.

In 1 November 1949, the Ministry of Posts and Telecommunications of the Chinese People's Republic was formally established, to centrally manage and administer the nation's posts and telecommunications activity; during the 3 years' recovery and the subsequent work of development and construction, it developed into a posts and telecommunications network centered on Beijing and reaching out into the vast countryside. Posts and telecommunications serve as an important component of the social productive forces and are playing an increasingly important role in socialist construction and the people's livelihood.

In 1979 the country had 49,647 posts and telecommunications bureaus and offices, 1.9 times as many as in 1949; there were a total of 791,189 posts and telecommunications personnel, 7.7 times more than in 1949; the total business done by posts and telecommunications was 1,255.46 million yuan, 12.9 times more than in 1949.

Posts

In 1979, the total length of postal routes throughout the country was 4,812,271 kilometers, including 161,610 kilometers of air postal routes, 148,876 kilometers of railroad postal routes and 574,732 kilometers of motor postal routes. A total of 99.8 percent of rural people's communes and 96.9 percent of production brigades were on postal routes.

In 1979 the posts handled 3,079,000 letters, 15,919,000 documents and 70,746,000 parcels. The number of periodical issues carried was 126,804,000. The total number of copies of periodicals issued was 16,069,059,000.

Postal codes. In January 1981 the Ministry of Posts and Telecommunications held a conference and decided that starting on 1 July 1980 a nationwide postal code system would be instituted. The postal codes are based on the routes taken by letters and on the delivery areas. The country's several tens of thousands of posts and telecommunications bureaus and offices are each assigned a 6-digit number in Arabic numerals, the postal code. In this 6-digit number, the first 2 digits indicate the province, municipality or autonomous region, the third digit gives the postal region, the fourth gives the county or city, and the last 2 digits give the delivery office and its delivery area. The implementation of the postal code system creates the conditions for using machinery to sort letters and for gradually developing a modern posts and telecommunications network, makes manual sorting simpler, decreases handling time and makes mail delivery faster and more accurate.

Postage Stamps. China's postage stamps are issued by the Ministry of Posts and Telecommunications. They are divided into ordinary stamps, commemorative stamps and special stamps. Ordinary stamps are for general use. Commemorative stamps are issued to commemorate some historical event or outstanding or heroic person. Special stamps are used to propagandize some valuable or significant event. In the period immediately after Liberation, postage due and airmail stamps were issued.

China's first postage stamps were issued in 1865 by the chancery of the Ministry of Works in the Shanghai concession. In 1878 the Shanghai Customs Office issued the Qing Dynasty government's first postage stamp, which bore the image of a dragon's head, and the stamps were accordingly called "dragon heads."

In 1928 the Xianggan Border District Worker-Peasant Democratic Government in the Jinggangshan Revolutionary Base Area established the "Red Post Office," and in 1929 it issued the first postage stamps, bearing a red star and a sickle and axe.

In 1979 the Ministry of Posts and Telecommunications issued 83 varieties of stamps in 26 sets. Of these, there were 32 varieties of commemorative stamps in 15 sets and 4 small-size stamps in 4 sets; 50 varieties of special stamps in 10 sets and 4 small-size varieties in 3 sets were issued; and there was 1 issue of 1 variety of ordinary stamp.

Between 1949 and 1979, a total of 1,606 stamp varieties in 386 sets were issued.

Telecommunications

In 1979 China was operating the following main telecommunications services: telegraph (including public telegraph and telex), telephone (including long distance telephone, long distance conference telephone, urban telephone and rural telephone), and facsimile (including photograph transmission and facsimile). In addition it was in charge of broadcasting radio and television programs.

The quantities of telecommunications work in 1979 were as follows: 134,950,000 telegrams sent, 54,000 facsimiles, 205,869,000 long distance telephone calls, 1,270,160 urban telephone sets in operation by the end of the year, 762,842 rural telephone sets in operation by the end of the year.

Currently, China has 711,925 kilometers of long distance open-wire equipment and 29,092 long distance voice channels.

China started constructing microwave trunk lines in 1969, and now has more than 14,500 kilometers of these lines; 960-channel and 600-channel microwave links connect 26 provinces, municipalities and autonomous regions, and transmit telegrams, telephone messages, facsimile, and television and radio programs. Newspaper facsimile service has been instituted between Beijing and 9 cities including Chengdu, Guangzhou and Nanning.

China's first 1,800-channel coaxial cable, the Jinghuhang [Beijing-Shanghai-Hangzhou] coaxial cable carrier-wave project, was begun in October 1973. Now circuits are open between Beijing, Tianjin, Shijiazhuang, Jinan, Hefei, Nanjing, Shanghai and Hangzhou. This equipment has been used to initiate automatic and semiautomatic long distance dialing.

The country's urban telephone exchange capacity is 1,852,470 circults, including 1,161,630 automated telephone exchange circuits. On average, there are 0.4 telephones per hundred inhabitants.

The Beijing Telegraph Building is China's domestic and international telecommunications center; it forms a national telegraph communications network centered on Beijing and connecting all of the provinces, municipalities, autonomous regions, areas or cities, and counties. It primarily uses electrical cables, short wave, microwave and satellite transmission methods to transmit public telegraph, telex, facsimile, newspaper facsimile, and data link communications.

In recent years, because of the rapid development of telex, the telegraph building has adopted domestically-produced electronic fully automated telex exchanges, thereby further developing China's telegraph services.

The Beijing Long-Distance Telephone Building is the center of China's domestic and international long distance telephone communications. It contains 1,800-channel coaxial carrier wave equipment, 960-channel microwave equipment, coded distribution frame long distance automatic telephone exchanges, simple cordless long-distance telephone exchange consoles and image transmission equipment. This equipment was all developed by the scientific and technical personnel and workers of the China Posts and Telecommunications system with the support of its brother departments. The use of this new equipment has made available important communications capabilities, and has made telecommunications service more intensive and extensive, as well as providing some foundation for future implementation of large-channel-based communications equipment.

International Communications

China has established direct postal relations with 100 countries and areas, and has established circuits to 47 countries and areas.

Three communications satellite ground stations in Beijing and Shanghai maintain direct satellite voice channels with 27 countries via international communications satellites over the Indian and Pacific Oceans.

In addition, an undersea cable has been laid between China and Japan. It has a capacity 480 channels and was officially put into operation on 25 October 1976.

China's Relations with International Postal and Telecommunications Organizations

On 13 April 1972 China recovered its lawful rights in the International Postal Union. China is currently a member of the Executive Council and Advisory Council of the organization.

On 29 May 1972, China regained its legal rights in the International Telecommunications Union. Currently it is a member of that organization's executive committee.

On 17 November 1975 China joined the Asia-Oceania Postal Union, and participated in its Third Conference and in all executive and consultative conferences since 1976.

The International Telecommunications Satellite Organization is a commercial organization of national governments aimed at developing global satellite communications. In August 1977 China formally joined this organization.

The Asia-Oceania Regional Telecommunications Organization was formally established on 8 May 1979. On 25 October 1976 China signed the charter and formally joined the organization.

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25 August 1981

China Report

ECONOMIC AFFAIRS

No. 165

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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REFORM OF SICHUAN BANKING SYSTEM DESCRIBED

Beijing ZHONGGUO JINRONG /CHINA'S FINANCE7 in Chinese No 6, 1981 pp 16-18

/Article on Sichuan Branch of the People's Bank of China: "Practice and Knowledge of Sichuan's Banking Reform"7

/Text7 A restructuring of the system of Sichuan People's Bank organizations was gradually carried out in the course of implementing the policy of readjustment rectification and improvement of the national economy during 1980.

Along with the readjustment, restructuring and development of the national economy, banking operations were confronted with many new situations and new problems, with which our existing banking system and methods were incompatible. In the winter of 1979, leading comrades of the provincial party committee discussed with the bank many times the necessity of restructuring the banking system. In accordance with the decision of the provincial party committee and the headquarters of the people's bank, the people's bank organizations in Sichuan began experimenting with restructuring the system. They took reform of the banking system and the readjustment of the national economy as the central tasks and actively launched this work. It is necessary to look back on the practice of restructuring the banking system over the past year to search for patterns so as to bring into play the regulatory role of the bank in readjusting the national economy and in promoting readjustment and development of the national economy.

The reform of Sichuan's banking system during 1980 had the following features: expansion of credit service and start of intermediate and short-term equipment loans to help enterprises tap their latent power and carry out innovations and transformations; reform of the credit planning and management system and implementation of the "centralized planning, decentralized management, linkage of loans to deposits, and control over balance" measures so as to organize funds and use funds more efficiently; change in the fund control system of unified receipt and payment, introduction of business accounting, and trial implementation of measures such as retention of a share of profits, underwriting of costs, and reward according to points recorded, so as to bring the enthusiasm of the banks and their staff into play. The practice over the past year has shown that this experimental reform was in the right direction, it is a road that can be taken; the steps were steady and the results were good; the reform played an active part in bringing the role of banks into play, regulating social production and accelerating economic readjustment; and it was well received by party and government organs and enterprises in all localities.

Initial Results of Reform

The reform of the banking system achieved initial results quickly. Deposits with the bank organizations in the province grew, loans were flexibly utilized, the turnover of funds was accelerated, the quality of work improved, the banks' profits increased, and the reform played an active role in the readjustment and development of the national economy. The main results may be summarized in three aspects:

I. Strengthening the Banks' Regulatory Role, Accelerating the Readjustment and Development of the National Economy

The start of intermediate and short-term equipment loan service was a major reform as well as an important link in strengthening the banks' regulatory role. The people's banks in Sichuan arranged 1,590 projects financed by intermediate and short-term equipment loans and granted loans totalling 388 million yuan during 1980. By the end of last year, 807 projects had been completed and put into operation, thereby increasing the output value by 382 million yuan, and 63 million yuan in loans had been recalled. The remaining projects are expected to go into operation during 1981. On the basis of the economic results estimated item by item, each 100 yuan in loans can increase output value by 298 yuan and increase tax and profits by 64 yuan. Compared with the allocation of funds to build plants, equipment loans take a shorter time, get quick returns and achieve greater gain and better economic results.

The principle of "dealing with each case on its merits and aiding the good" was another important link in strengthening the banks' regulatory role. In 1980, the people's banks in Sichuan moved from the selection of good enterprises to the selection of good products. Taking "meet the needs and produce good-quality, low-cost products" as the standard, in granting loans the banks gave priority to products of good quality and in great demand, aided products that were in short supply, restricted products that were in excessive supply and urged enterprises to produce according to needs. The banks tightened control over loans to finance production of inferior quality and unsalable products, and promoted adjustment and change of products.

II. Arousing the Enthusiasm of Banks for Raising and Utilizing Funds, Improving Fund Management

After implementation of the system of planned management of credit loans--"centralized planning, decentralized management, linkage of loans to deposits, and control over balance"--the banks acquired the power to make unified fund arrangements, to lend more against more deposits, and to regulate loan projects. This plus the direct linkage of deposit and loan service results to retention of a share of profits and bonuses for the staff brought into play the enthusiasm of banks for organizing funds and utilizing funds and improved fund management.

After reform of the banking system, the attitude of attaching no importance to deposits was changed, the banks began to organize deposits as their main line and gained a firm grasp of three aspects: 1)organizing savings; 2) organizing deposits by industrial and commercial enterprises; and 3) organizing deposits of small amounts of money.

After reform of the banking system, the banks made flexible use of funds. They could regulate the targets of industrial and commercial loans by themselves and could use the earmarked funds (transferred from the higher authorities for intermediate and short-term equipment loans) to meet the short-term needs of other enterprises to take their latent power and carry out innovations and transformations. Because of this and also because of the vast number of credit work personnel who went to enterprises to help them improve their operation and management and strengthen their business accounting, the turnover of credit funds was speeded up. In 1978, industrial and commercial credit funds turned over 4.95 times; the turnover was speeded up 0.96 times during 1980. With the turnover of funds speeded up, the saving of funds reached 1.59 billion yuan.

III. Increasing Banks' Internal Economic Dynamics, Promoting Fulfillment of Various Economic Targets

Formerly, the people's banks followed the practice of "eating from the same pot"--unified receipts and payments. The banks' operations and the bank staff's contributions were not linked to the interests of units and individuals, and the principle of material benefits was overlooked. Now, business accounting has been strengthened; retention of a share of profits and underwriting of costs has been tried out; the interests of the state, units and individuals have been combined; power, responsibility and interests have been combined; and retention of a share of profits and reward according to points recorded have been linked to fulfillment of economic targets. These measures increased the banks' internal economic dynamics and aroused the enthusiasm of the bank staff. This found primary expression in three aspects: 1) Widespread interest in the results of bank operations. Credit personnel became interested in both loans and deposits. Accountants became interested in both internal accounting and external use of funds. Even personnel officers, general service personnel and cooks became interested in the way the economic targets of their units were fulfilled. 2) Greater initiative in work, higher attendance rate and efficiency, and better quality of work. In the past, some staff members were unwilling to serve behind busy counters. Now, they began vying with one another to carry the heavy load. In the past, some units used to complain about too much to do and too few employees and they wanted additional personnel. Now, they insist that less personnel do more work. 3) More diligent study. In their spare hours a vast number of staff members have learned a trade from veteran workers, attended evening schools for workers, attended lectures, drilled at posts, and have taken part in periodic tests. In these ways they have studied basic theories, and dug into professional techniques, thereby raising their professional level.

Several Points Learned in Practice

In order to insure that reform of the banking system conforms to and promotes the readjustment and restructuring of the national economy, it is imperative to solve the following problems:

I. Know the correct aim of reform and maintain the reform criteria.

Banks are a comprehensive branch of the national economy and an important lever to regulate the social economy. Reform of the banking system should be centered on the economic results achieved internally by the banks and, more importantly, on their economic effects on society. Thus, reform is the means to the end of gradually operating banks in economic ways and arousing workers' enthusiasm so that the bank activity is made more flexible and the role of banks as a lever is brought into fuller play, thereby promoting readjustment of the national economy and the proportionate development of various branches of the national economy. On the basis of correctly knowing the aim of reform, six criteria should be set to measure the results of reform: 1) whether more funds are accumulated than in the past; 2) whether funds are used more flexibly than in the past; 3) whether the economic results of loans are better than in the past; 4) whether successful experience has been acquired; 5) whether the level of bank management is raised; and 6) whether personnel are trained. In the process of reform, the aim and criteria of reform were repeatedly emphasized and adhered to from beginning to end. As a result, the reform made smooth progress in the correct direction.

II. Overall point of view, overall balance.

Bank work involves many aspects and closely follows policy. It is important to adopt an overall point of view and pay attention to overall balance. For example, to grant intermediate and short-term equipment loans, it is necessary to adopt an overall point of view, uphold the readjustment policy, maintain direction over loans, and insure an overall balance. Provided we adopt an overall point of view, pay attention to overall balance, obtain the necessary information, and strengthen investigation and research, we will be able to avoid blindly granting loans and to achieve good results.

III. Strengthen unified leadership, bring the role of the whole into play.

After reform of the banking system, the power of basic-level banks to make unified arrangement and use of funds has been expanded, making it necessary for the banks at various levels to become independent operating units. In view of this, many banks have set up fund control groups composed of planning, credit, accounting, and savings departments under the concrete leadership of the bank presidents. At the same time, they have instituted some essential systems of management such as fund analysis and control; business accounting, registration and examination; management of large depositors; and cutting expenses. The role of the bank as a whole has been strengthened by unified operations under the bank president and the coordinated activities of specialized departments. The presidents of many banks preside over fund analysis and control meetings and business accounting meetings monthly and every 10 days, respectively, to check up on how funds have been raised and used and how various economic targets have been fulfilled, and to arrange work promptly to solve problems. The president of a bank said with deep feeling: "I have been a bank president for more than 20 years, but I am just now beginning to go over reports, calculate the money supply and analyze fund changes every month and every 10 days. The reform of the banking system has 'forced' me to do it." The presidents of some banks said: "The responsibility of a bank president is now heavy but he has greater power, making it easy for him to work and direct operations." These gratifying changes show that many administrative cadres at banks are advancing along the road to operating banks properly.

Continued Reform Called For

The economic structure of our country is irrational to a severe degree and proportionate relations are thrown into a severe imbalance. This is an outstanding problem calling for urgent solution in our economic life. For this reason, in implementing the eight-character policy in our national economy, we must begin with readjustment and carry out reform centered on readjustment, reform that is subordinate and conducive to readjustment. The pressing matter of the moment confronting banking departments is to strengthen credit management and exercise strict control over money put into circulation so as to insure the smooth progress of economic readjustment.

But, readjustment and reform affect each other and promote each other. Coordination of proportionate relations is the prerequisite for overall reform, while success in certain essential reforms will bring grist to the mill of economic readjustment. Therefore, we should continue to uphold the reforms that have been found effective and consolidate and develop the gains of the reforms. Experiments on new reforms that are essential should be systematically carried out under leadership.

First, we should go a step further and improve our handling of intermediate and short-term equipment loans. The fundamental way out for the Chinese economy is to traverwe a new road of improving economic results. This makes it imperative to tap the latent power of existing enterprises vigorously, develop production of consumer goods energetically and carry out overall reform of the structure of the national economy, centering on production of consumer goods. Banks should grant intermediate and short-term equipment loans mainly to aid production of consumer goods for daily use, to help existing enterprises tap their latent power and carry out innovations and transformations and, in particular, to supply the needs of major cities and to insure the funds necessary for production of products in short supply. When granting loans, we should pay serious attention to economic results and speed up fund turnover. Vigorous support should be given to projects that need less investment, get quick returns and achieve big results, or projects that can produce economic results in 1 or 2 years; after determining the purpose of the loans, we should pay serious attention to the speed and operation of the projects, to increasing income and repayment of loans, and strive to improve the effective use of funds.

Second, in granting all types of loans, we should observe the principle of "dealing with each case on its merits and aiding the good." With a view to placing our economy on a new road of improving economic results, banks granting loans must change the former system of supplying funds and aid the good and restrict the bad. The difference in good and bad should be distinguished by industry, by enterprise, and by product, and it is essential to determine the direction in which loans are used according to the standards of salability, good quality and low costs. Vigorous aid should be given to the promotion and development of good-quality and low-cost products that are in great demand. There should be strict control of loans for products that are of inferior quality, high cost, and do not have a ready market. Adjustment of these products should be pushed. By carrying out this reform successfully banks will be able to bring into fuller play their regulatory role in order to aid end products, cut down on intermediate products and uphold the aim of socialist production.

Third, reform of bank management systems such as planned management of credit lines, business accounting, retention of a share of profits, and underwriting of costs should be continued and improved. To meet the requirements of controlling the money put into circulation and promoting economic readjustment, banks should work out annual and biannual plans for bank credit loans and cash receipt and payment. Banks are required strictly to fulfill the targets of underwriting the credit balance and the targets of intermediate and short-term equipment loans without breaking through them. In order to place business accounting on a more scientific basis, banks have changed the method of computing interest on inter-bank funds from the former practice of computing interest on deposits or borrowed funds to one of computing interest on balance in inter-bank accounts; at the same time, banks have appropriately adjusted the targets of business accounting and examination.

Fourth, bonus management should be strengthened. Reward measures should be enforced according to the requirement of economic readjustment and the unified provisions made by the State Council and the provincial people's government. Bonus lines may not go beyond these provisions. Bonuses for units and individuals should be linked respectively to the way the economic targets have been achieved and the way tasks have been fulfilled. Last year, the people's banks in Sichuan put into effect the practice of rewarding according to points recorded, and the provincial branch of the people's bank ruled that those organizations that did not follow this regulation would be given no bonuses. This system played an active part in implementing the "more pay for more work" principle and preventing egalitarianism. We should continue to uphold, consolidate and improve this system.

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CONTROLLING MONEY IN CIRCULATION NECESSARY TO READJUSTMENT

Beijing ZHONGGUO JINRONG /CHINA'S FINANCE7 in Chinese No 6, 1981 pp 5-6

/Article by ZHONGGUO JINRONG commentator: "Controlling Money in Circulation in the New Direction of the National Economy"7

/Text7 The recent conference held by the People's Bank to analyze the nationwide circulation of money, in the spirit of the central work conference and on the basis of analyzing the national economic situation and the circulation of money, proposed that to control the money in circulation we should adhere to the principle of withdrawing money from circulation on the one hand and carefully stimulating the economy on the other. We must continue to tighten control where strict control is called for, and resolutely stimulate what should be stimulated. We should keep a constant watch on the market and be aware of the tightness or ease of money on the market at all times. This is an effective measure for tightening control over the money in circulation as well as an important guiding thought we should follow in our work. It conforms to the requirements of the policy of economic readjustment and to the objective law that circulation of money must be suited to the development of commodity production and commodity circulation.

In the readjustment of our national economy, we should on the one hand cut down on capital construction and expenditure and strive basically for financial balance, credit balance and a stable economy; on the other hand, we should go a step further and adjust the economic structure and improve the economic results on the basis of a stable economy. Our economic readjustment is aimed not only at overcoming our present difficulties and eliminating latent dangers but also at opening a new road of economic development that is suited to the national conditions of China. Traversing this new road, we can achieve coordinated development and steady growth of the economy and create a prosperous cycle in which the people can gain more tangible benefits and bring the superiority of socialism into full play. In accordance with the requirements of economic readjustment, the circulation of money should be controlled in such a way that money put into circulation is brought under strict control, withdrawal of money from circulation is vigorously organized, credit loans are balanced and monetary stability is ensured, and the economy is further stimulated by fully utilizing the economic levers of credit loans and interest rates and by properly regulating the money supply on the market. To solve the problems of imbalance in the national economy, financial deficits and rising prices, it is absolutely essential to tighten control over credit loans and money in circulation, and we should persistently undertake this task. But we should not simply pursue the "tight control" cycle. Our fundamental way out still lies in developing production, adjusting the economic structure and improving economic results. Therefore, simultaneously with cutting down on capital construction and expenditure, we must vigorously support and develop the light and textile industries in order to increase production of consumer goods; give support to the needs centered on production of consumer goods, reorganize the entire industrial structure and promote reorganization and combination of enterprises; and give support to development of tertiary industries. By doing this, on the basis of developing production and expanding circulation, we can create adequate conditions for withdrawing money from circulation and on the new road of economic development discover new ways to tighten control over money in circulation. Thus, continuing to tighten control over money in circulation while stimulating economic growth does not mean that our tasks will be light but that they will be heavier and our work will be more complicated and difficult, making it necessary for us to redouble our efforts in order to accomplish them.

Some people argue: "If you want to tighten control, you can't stimulate the economy; if you want to stimulate the economy, you must loosen control." This shows that not all comrades have a correct understanding of the relationship between "control" and "stimulation." The contradictory aspects of all things lie in the dielectical unity of opposites. They are indispensable to each other and complement each other. But some comrades are accustomed to thinking in absolute terms. When it comes to "control," they always try to keep things under rigid control, giving little thought to the consequences that follow from an excessively tight money supply. When it comes to "stimulation" they think that all the measures for control can be eased or that breaches can be made at will. It should be understood that control and stimulation are absolutely not antagonistic to each other. The withdrawal of money from circulation in the first quarter was satisfactory. On the one hand, this was the result of balancing financial income and expenditure, balancing credit loans, and cutting expenditures; this was the effect of "control." On the other hand, it was the result of implementing the party's policies on stimulating the growth of the economy, agriculture, the light and textile industries; this was the gain from "stimulation." In our opinion, we should resort to control or stimulation as occasion demands. We must tighten control where tight control is called for, and we must stimulate what should be stimulated. For example, banks must tighten control and supervision over capital spending, administrative expenses, the "four continues," arbitrary expansion of negotiated purchases, raising of negotiated purchase prices, and financial squeeze and misappropriation of credit funds. Banks should vigorously support the development of agricultural production and production of consumer goods and sideline products; they should support the commercial departments in purchasing agricultural and sideline products that are suitable and in demand and in expanding sales and clearing overstocked goods, and in such cases our control measures should be somewhat flexible. Only strict control can achieve credit balance, satisfy the normal needs for construction funds, and stimulate the economy. With the economy stimulated and a prosperous cycle brought about, sources of credit loans can become abundant and the material foundation can be reinforced for withdrawing money from circulation. It should be understood that "stimulation" does not amount to "loosening of control," and that we should give support to stimulation of the economy and on no account can we loosen control. Control and stimulation are two aspects of management. The more it is necessary to stimulate the economy, the more it is necessary to tighten control. Control and stimulation should be appropriate and in balance.

Some people say: "Withdrawal of money from circulation in the first quarter was satisfactory, leaving the amount of banknotes on the market not too large. Is it still necessary to firmly withdraw money from circulation and control the amount of money put into circulation?" These remarks are another indication that these comrades, not understanding the basic situation regarding circulation of money on the market, are unable to make a correct appraisal of the relationship between control and stimulation. The withdrawal of money from circulation was satisfactory in the first quarter and, along with the penetrating implementation of economic readjustment, the circulation of money on the market will gradually become normal. But the situation regarding an overabundance of money on the market has not fundamentally changed either nationwide or regionally. The situation regarding circulation of money on the market is an overall reflection of the state of the national economy. The imbalance in the national economy is a problem that has accumulated over the years; therefore, the task of readjustment can by no means be accomplished in 1 or 2 years. Coordinated development of various proportionate relations in the national economy, fundamental improvement in the financial situation, a fundamental solution of the problem of stabilizing market prices, all-round improvement in market supply--all these problems will have to be solved through sustained efforts throughout the period of economic readjustment. And circulation of money on the market, which comprehensively reflects these situations, can only be gradually normalized along with the solution to these problems. To be sure, the circulation of money is not merely a negative reflection of these situations; the vigorous withdrawal of money from circulation and control over money put into circulation will accelerate the effect and progress of the national economy. Therefore, we must maintain firm control from beginning to end and must not slacken this in the slightest. When we talk about the relationship between control and stimulation, we have in mind stimulation tempered by control. If we undertake control but not firmly, or if we simply loosen our grip, this will have a most undesirable effect on economic readjustment, production development, and the stability of people's livelihood.

Money circulates throughout the country and follows commodities. There are many factors in the outflow and inflow of money between various regions. Economic growth may be faster, commodity supply may be better, and circulation of money may also be better in a certain region. However, this is only in the relative or comparative sense. On the whole, the general effect of an overabundance of banknotes on the market cannot but be felt. For this reason, the withdrawal of money from circulation is an important task that must be undertaken firmly and effectively by all regions without exception.

We still remember what some of our comrades said before the beginning of the year: "The withdrawal of money from circulation is a task of overall importance which cannot be undertaken by the banks alone." The situation regarding withdrawal of money from circulation in the first quarter has dispelled the misgivings on the part of some comrades. We hope that the few comrades who still have such misgivings will also stop worrying. At present, party committees and government at all levels have taken the withdrawal of money from circulation as an important task in implementing the readjustment policy and have strengthened their leadership, and all departments concerned working in coordination have taken many effective measures. Now things will depend on how the departments in charge of money circulation move. We should conscientiously carry out the State Council's "decision to tighten credit control and exercise strict control over money put into circulation." We should continue to tighten control where strict control is called for and resolutely stimulate what should be stimulated. Simultaneously with controlling money put into circulation, we must exert great efforts to organize the withdrawal of money from circulation. We should bring the initiative and enthusiasm of the economic departments into play, carry out thorough investigation and research, and give scope to the role of overall reflection. We should carry out a regular study of socioeconomic conditions and of the conditions of the economic departments, correctly analyze problems that arise in light of the overall interests of the national economy, put forward practical measures and methods from the standpoint of economic results, and do a good job under the leadership of party and government organs and in cooperation with the departments concerned.

The tasks for the second quarter and the second half of the year are very heavy and beset with many difficulties. But there are many favorable conditions. As long as we persistently carry out arduous and penetrating work, we will certainly be able to make great contributions to the task of exercising control over the money put into circulation annually.

9780
CSO: 4006/410

SPECIALIZED HYDROENERGY PLANNING COMMITTEE SET UP

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 3, 12 Mar 81 p 11

[Text] The Chinese Hydropower Generation Engineering Society held a founding conference for the specialized committee on hydroenergy planning and dynamic economy and an academic discussion meeting in Nanning from 5 to 11 December. Over 100 persons from 52 units of departments, higher educational schools and scientific and research organizations related to the hydroelectric power frontline of each region throughout the nation attended the conference.

During the conference, 35 members were nominated for the first membership on the specialized committee. It was unanimously decided that the main duties of the hydroenergy planning and dynamic economy staff committee should be to develop special topic discussions, exchange of experience and popularization of science, training of personnel and similar academic activities according to the demands of the task of constructing hydroelectric power and plans to develop hydroenergy in our nation, and explore the technical policies related to the major development of hydroelectric power and the feasibility and rationality of major projects. At the present time, special attention should be given to promoting and developing out nation's hydroenergy technology and economy and to developing the function and characteristics of the organization of the society, paying attention to mutual combination and exchange between neighboring scientific fields, and it should serve as a bridge between different departments and fields and provide counseling for policymaking organizations. In 1981, the main activity of the staff committee is to conduct small academic exchanges and organize one or two special topic research classes in coordination with the revision of rules regulating technical and economic computation related to hydroenergy and topics of dynamic economic research in hydroelectric power stations. During the conference an information network for technical and economic information on hydroenergy was set up.

During the academic discussion meeting, comrades of the Guangxi Electric Power bureau systematically described the general situation of planning for the Hongshui River and existing problems. The conference proposed that the nation's related departments and commissions pay attention to the work of development of the Hongshui River, coordinate the plans of related departments, combine them, and give extensive support to the related design units to present feasibility studies, actively organize discussions and reviews, and on this basis, carry out one or more preliminary designs for the first-phase construction so that when the conditions are ripe and the forces are in hand, it can be built in time. As to the basic experience and lessons in hydroenergy planning and technical and economic calculations of hydroenergy, the conference proposed that the nation establish laws and carry out work according to the laws. The state's departments in charge of technical and economic work must strengthen the leadership of each department engaged in technical and economic work, unify research concerned with basic theory and principles, coordinate the technical and economic indicators and parameters, and mutually exchange related information and methods. Related departments must pay attention to training specialized personnel in hydroenergy technology and economy and strengthen scientific research in hydroenergy technology and economy in order to facilitate the progress of the work.

9296
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ECONOMY OF HYDROELECTRIC, THERMAL POWER STATIONS COMPARED

Beijing SHUILI FADIAN [WATER POWER] in Chinese, No 3, 12 Mar 81 pp 7-11

[Article by Shixican [2457 3356 3503], Cai Ansi [5591 1344 0934], and Lin Xiangyue [2651 5046 1471] of the Hydrology and Hydroelectric Power Station Teaching and Research Group of the Water Conservancy Department of Qinghua University: "The Problems of Making Dynamic and Economic Comparisons of Hydroelectric and Thermal Power Stations"]

[Text] During the 30 years since the founding of the nation, our nation's hydroelectric power construction has realized definite progress. But among the types of energy consumed throughout the nation, the main resources are still coal and petroleum; hydroelectric power constitutes a relatively small proportion. Therefore, regardless of whether we view the present composition of energy consumption or the proportion of the amount of hydroelectric or thermal power generation, we see that the scale of our nation's hydroelectric power construction and our nation's rich water energy resources are not well matched.

Why has hydroelectric power not developed faster? One important reason is that for a long time, the study of the economy of hydroelectric power construction in producing electric power was not given the proper emphasis. Scientific research and statistical analysis concerning the study of the economy of hydroelectric power did not develop well, and even related standards lacked the necessary rules concerning the study of the economy of hydroelectric power. This situation should not continue and it must be changed quickly.

I. Use of the Number of Years for Compensation and for Return on Investment

In the economic comparison of development plans for electric power construction projects, each plan must have the following comparable conditions: Each plan must satisfy the demands of development of the national economy; must be technically feasible; must be assured the required manpower, material and capital; and must be compared on the same basis regarding consumption costs, price index and time factors. Otherwise, incorrect conclusions may be drawn from the comparison.

To prove the economic results of the plans, they must take into account the quantity of the product to be provided (amount of power generated, amount of water supply), the quality (percentage of assurance, voltage, cycles, water quality), productivity (installed capacity, amount of flow of water drawn), raw material and fuel consumption, actual indicators of flooding and moving, and the economic indicators expressed in monetary units of investment, cost, profit, and the number of years for a return on investment of the project. Therefore, there should be a whole set of technical and economic indicators for use to measure the economic results of the plans on an overall basis. In this system of indicators, the number of years for a return on the entire investment and the number of years for compensation of the investment balance are two relatively important comprehensive indicators. Each of these indicators has its use and they should not be confused.

To account for the economic results of labor required and labor consumption on an overall basis, when making an economic comparison of different plans in the combined electric power system of both hydroelectric and thermal power stations (for example, when making an economic comparison of plans for the installed capacity and plans for different reservoir parameters), the method of the number of years for compensation of investment differences of the system was used. In recent years, some people have also used the number of years for a return on total investment of the hydroelectric power station or the number of years of retrieval of the differences in investment for hydroelectric power stations as the criteria for economic comparison of the plans. The formula for calculating the number of years for a return of total investment is:

$$T_{\text{return}} = \frac{\text{investment}}{\text{net income}} = \frac{\text{amount of investment}}{\text{gross gain - annual cost}}$$

The number of years for a return on total investment in an engineering project is an important indicator to measure the economic results of investment in an engineering project, but it cannot serve as a criteria for economic comparison of plans. This is because as the scale of the hydroelectric power station grows, the rate of increase in investment will speed up, and after reaching a certain scale, the rate of increase of gain will become slower and slower; if in an economic comparison the plan with the shortest number of years for a return on total investment is chosen as the best plan, then the scale of the hydroelectric power station may be too small.

Using the number of years of retrieval of investment differences between two plans for a hydroelectric power station, $T_{\text{return}} = \frac{\text{Investment Differential}}{\text{Net Income Differential}}$ as the criteria for comparing the plans is similar in form to the method of using the number of years of compensation, but they are different in principle in two points: 1) The method of the number of years of compensation (or calculated expenditure method) is used to measure the merits of a plan based on the economic results of the entire system of electric power generation consisting of hydroelectric and thermal power stations. The method of the number of years of retrieval of investment differences of hydroelectric power stations does not consider the effects brought about by the economic gain to thermal power stations in the system as a result of a change in the plans of the hydroelectric power station. Therefore, the best plan viewed simply on the basis of the economic results of the hydroelectric power station itself may not be the best plan for the entire electric power system consisting of hydroelectric and thermal power stations. 2) The method of the number of years of compensation has a prerequisite requiring that the annual demands of industry and agriculture for electric power load and generated capacity are satisfied jointly by hydroelectric and thermal power stations in the system. It is a kind of criteria for the most suitable plan for the selection of hydroelectric and thermal power stations and for dynamic and economic comparison of hydroelectric and thermal power stations of the electric power system. The method of the number of years of retrieval of the investment differences between two plans for hydroelectric power stations does not take into consideration how to satisfy the needs of the load and the generation capacity of the system, and it does not make a dynamic and economic comparison with the thermal power stations in the system, so it cannot be used as the criteria for the selection of the most suitable plan for hydroelectric and thermal power stations in the system.

Therefore, the indicator of the number of years for the return on total investment of a hydroelectric power station and the indicator of the number of years of retrieval of investment differences between two plans for a hydroelectric power station are both unsuitable for comparing the dynamic and economic properties of plans for the generation of electric power by hydroelectric and thermal power stations and for use as the criteria for economic comparison to determine the rational scale of hydroelectric and thermal power stations. But the number of years for return on total investment in a power station serves an important function in mutual comparison and cross-reference among power stations, and it is an important indicator to measure the economic results of investment.

II. Accounting for the Investment Indicators

Investment in capital construction is a comprehensive indicator of the manpower, materials and financial capital required to realize the capital construction project expressed in monetary units. It can generally reflect the material labor used by the engineering project. After deducting the retrieval cost from the investment in capital construction of a power station and floating capital investment, we arrive at the building cost, which constitutes the fixed capital of the power stations. According to preliminary statistics, the total building cost of our nation's hydroelectric power stations averages about 87 percent of the total investment. Therefore, accounting for the capital used by the power station should be based on the building cost. In this article, the traditional term construction investment is still used, but it refers to the cost of building construction.

When making an economic comparison of the plans for hydroelectric and thermal power generation, calculation of the investment in the hydroelectric and thermal power station (plant) should be made on the same basis to assure the comparability of the plans. But in the past, the investments in hydroelectric power stations and in thermal power plants were not calculated on the same basis, and thus the investment in hydroelectric power stations ordinarily appeared to be much greater than the investment in a thermal power plant of the same capacity, giving rise to the mistaken concept that the average investment per kilowatt of installed capacity of a hydroelectric power station was far greater than that of a thermal power plant; in the economic comparison of the hydroelectric power station and the thermal power plant, the hydroelectric power station is at a disadvantage, and to a definite degree, this has affected the development of hydroelectric power construction. Here there are mainly three problems: 1) In the construction of large, medium and small hydroelectric power stations, most possess comprehensive gains in flood prevention, irrigation, water supply or shipping. But when calculating the investment in construction, the necessary investment distribution among the various sectors of comprehensive utilization of water conservancy resources was not made or was seldom made, and thus the investment in hydroelectric power stations appeared larger. 2) When calculating the investment in thermal power stations, the necessary investment for the construction of coal mines and railroad construction was not included, and thus the numerical value of the calculated investment for thermal power plants was smaller. 3) Because the number of years of construction necessary for the development of coal mines directly related to the thermal power plant were not included, it was generally believed that the number of years required for the construction of a hydroelectric power station was much longer than for a thermal power plant.

For these reasons, in electric power construction, the view that "the investment in a hydroelectric power station is much larger than a thermal power station and that the period of construction is much longer than that of the thermal power station" has been popular for a long time. This does not coincide with the actual situation.

In the following, several problems in the calculation of investment will be separately discussed:

1. Problem of Distribution of Investment in Construction of a Hydroelectric Power Station

A hydroelectric power station project built for comprehensive utilization not only provides the gain of power generation, but it also provides comprehensive gain in many aspects such as flood prevention, irrigation, water supply, shipping, and fish culture. In examining the economic results of investment of such a project, especially when compared with the economic results of thermal power, it is obvious that the gains in every aspect should be considered, not considering only the gain of hydroelectric power generation and ignoring the economic gains in other aspects. When separately evaluating the economic results of each water department of the project, the economic gain obtained by each department from this project must be calculated separately, and at the same time, the investment in this project should be rationally dispersed among all sectors.

In the economic calculation of projects of comprehensive gain, we must disperse the investment in the project so as to analyze in greater detail the investment gain of the entire project and account for the economic result of investment of each department using water especially, so that the investment borne by the hydroelectric power station is more rational; thus, in making economic comparisons of the development plans of hydroelectric and thermal power generation, a more correct evaluation can be made. If we believe that since under socialist conditions, investments in construction projects are all funded by the state anyway and that it is not necessary to expend efforts to study the problem of dispersion of investment and if we include all investment in the cost of hydroelectric power stations, creating a false view of large investment in hydroelectric power and giving rise to an incorrect conclusion unfavorable to the development of hydroelectric power, then this will produce an unfavorable effect upon the development of the entire national economy. In addition, if we do not consider dispersion of investment, if we do not carry out the necessary analysis of the economic results of investment for each department using water, then sometimes inappropriate and overly high design standards and demands upon departments using water will be proposed, and this will also inappropriately enlarge the scale and investment in the project. Therefore, implementing a rational dispersion of investment is entirely necessary. This is needed not only in doing things according to economic patterns, it is also beneficial to coordinating the conflicts among the departments using water and to stimulating each department to propose rational design standards and demands in planning and design.

Many methods have been proposed to disperse investment in key hydroelectric power construction projects; for example: 1) proportional dispersion according to the economic gain obtained by each department using water; 2) proportional dispersion according to the investment required by substituting measures of each department possessing the same gain; 3) proportional dispersion of investment required by each construction project when developing single projects of each department; 4) proportional distribution of the capacity of the reservoir used by each department; 5) proportional dispersion of the amount of water utilized by each department, 6) proportional dispersion of the investment in specialized buildings of each department of the construction project. There are also other methods, which will not be listed here.

Among the various methods of dispersion of investment described above, the first method, in principle, is relatively more rational: it is to allow the investment borne by each department to possess the same investment gain coefficient; but the difficulty is that the calculation of the gain of some departments is more complex, and the calculation of the gain of each department in flood prevention, electric power generation, irrigation, water supply, and shipping lacks a unified and comparable foundation both in principle and method. But to correctly evaluate the economic gain of investment in a construction project, including the unavoidable calculation of the economic gain of each department, the calculations should be gradually perfected and coordinated on the presently available basis of the methods for calculating the gain of each department. All of the other methods have shortcomings, but under specific conditions they can also be tried.

2. The Problem of Including Corresponding Investment of Coal Mines and Railroads in the Investment of Thermal Power Plants

The energy for our nation's thermal power plants is mainly coal; the amount of coal used for generation of electric power constitutes about one-sixth of the total amount of coal produced, so power generation is one of the major users of coal. In the past, when making economic comparisons of hydroelectric and thermal power stations (plants), only direct investment in the thermal power plants themselves was calculated, while the consumption of coal used for fuel each year was included in the annual operating costs of the thermal power plants according to the price of coal shipped to the plants. Because of the difference between price and value, the price of coal was slightly lower, and this shifted a portion of the net income which should have been obtained from the production of coal mines to the thermal power plants, and thus exaggerated the economic gain of the thermal power plants.

Because coal is a necessary gross commodity needed for consumption to maintain the production of the thermal power plants, especially when coal and railroad shipping in our nation are both in tight supply, building a new large-scale thermal power plant correspondingly requires building new or expanding some coal pits and coal mines and increasing the investment in railroad transportation. Therefore, the construction or expansion of coal mines and railroads should be regarded as a component part of a newly built thermal power plant system; the investment in coal mines and railroads built to supply energy to the thermal power plants should be included in the investment of the thermal power plants. If we calculate on the basis of an annual consumption of 3.5 million tons of raw coal to produce 1 million kilowatts by the thermal power plant, and the investment in capital construction of the coal mine per ton of coal is 100 yuan, then building a new coal mine producing an annual yield of 3.5 million tons requires about 350 million yuan of investment in capital construction. For each kilowatt of installed capacity of the thermal power plant, an increase of 350 yuan of investment in coal mines is needed, and adding the corresponding investment in railroads, the investment per kilowatt of the thermal power plant system approaches 1,000 yuan. If we consider dispersion of the investment in public construction projects of the hydroelectric power network and thus reduce the investment borne by the hydroelectric power station, then the investment per kilowatt of hydroelectric power and of thermal power is not too different.

3. The Time Factor in Investment Accumulation

Whether for a hydroelectric power station or a thermal power plant, in calculating the investment, we should include in the construction period the accumulated loss in investment produced by failure of the investment to develop, so as to assure comparability of each plan according to the time factor. Under ordinary situations, the cumulative loss in investment in hydroelectric stations is larger because the construction period is longer, but in the calculations of a thermal power plant system, we should also include the corresponding cumulative loss in investment of the coal mine, and the construction period of the coal mine is also relatively long.

The effects of investment during the period of construction and the time factor should include the following three parts: 1) The loss in the accumulation of capital for construction and cooperation which could not be given to society to provide gain; the loss of this portion can be calculated by the investment gain coefficient demanded and the capital used. 2) The loss produced by visible and invisible loss of buildings and facilities already built before they begin production; this part of the economic loss can be estimated by depreciation of the buildings and facilities already built. 3) The increased cost of construction due to an extension of the construction time; for example, wages of construction personnel, administrative costs, and maintenance costs of various enterprises;

this part of the loss should be estimated based on actual situations and calculated in the investment plans for each year during the construction period.

Consideration of the time factor of investment accumulation coincides with the objective economic pattern and assures the comparability of each plan in economic comparison; it is beneficial to promoting and hastening the progress of construction, shortening the time of construction, and it can spur part of the construction to enter into production earlier during the construction period so that the investment can produce a gain even faster and increase the economic result of investment.

III. Accounting for Annual Production Costs

Annual production costs are the total of the various costs expended each year by the enterprises in the production of products. It approximately reflects labor consumption in production and is the accounting reference of unit cost of products of enterprises. It is also an important indicator for a comparison of the plans of hydroelectric and thermal power stations (plants).

In the cost of electric power sales of each electric power network in our nation, fuel costs constitute 56 percent and depreciation costs constitute about 20 percent. In the cost of electric power generation by the thermal power plant, fuel costs constitute 60 to 70 percent and even more. In the cost of electric power generation by a hydroelectric power station, depreciation constitutes about 60 percent and more. Therefore, these two costs affect the economic comparison of the plans of hydroelectric and thermal electric power stations (plants) to a great extent, and it is necessary to give them full attention.

1. The Problem of Depreciation of Fixed Assets

Depreciation of fixed assets includes basic depreciation and depreciation due to major repairs. These two costs constitute 16 percent and 4 percent, respectively, of the cost of electric power sales.

Basic depreciation is the value of fixed assets expressed in monetary units transferred to the products due to visible or invisible losses. The basic depreciation of fixed assets currently in force in our nation generally does not take into consideration the invisible losses, and basically, the withdrawal and deposit each year are calculated by the number of years of the fixed assets used.

From 1971 to 1977, the average basic depreciation of our nation's electric power industry was about 3 percent, and the basic depreciation of certain hydroelectric power stations was only 2 percent. If we consider invisible loss, the number of years of depreciation of fixed assets should be shorter than the useful life, i.e., the basic depreciation rate should appropriately increase.

2. Problem of Fuel Costs in Thermal Power Plants

In the cost of electric power generation by thermal power plants in our nation, the proportion of fuel costs is about 72 percent in high-voltage heat supply type power plants and high-voltage steam condensation type power plants, and about 62 percent in sub-high-voltage steam condensation type power plants. The fuel costs as a proportion of the cost of electric power generation are not only related to the type of power plant, but are also related to the scale of the electric power plant. For example, the fuel consumption cost in a thermal power plant with a single generator capacity of 200,000 to 300,000 kilowatts is about 56 percent, while that in a thermal power plant with a single generator capacity of 100,000 kilowatts is about 76 percent, and in a thermal power plant with a single generator capacity of 25,000 to 50,000 kilowatts it is about 80 percent. It can thus be seen that in the economic comparison of plans for hydroelectric and thermal power stations, full attention must be paid to comparing and selecting the type and scale of the plants to replace the thermal power plant.

Hydroelectric power stations with a definite regulatory reservoir capacity frequency serve to regulate peaks and frequency in the electric power system. To assure comparability of the plans, the plans in which a thermal electric power plant is substituted should also correspondingly consider the consumption of standard coal required in regulating the peaks and frequencies. For example, in 1976 there were two electric power systems, in which the number of hours of utilization of installed thermal power generation was 3,300 hours and 6,080 hours, respectively, while in the consumption of standard coal for electricity generation, the former was 1.48 times that of the latter. In addition, if we include the corresponding investment in coal mines and railroads in the investment of thermal power generation, then in calculating the annual operating costs of thermal power generation, we cannot calculate the cost of coal consumption by the thermal power plant according to the price of coal shipped to the plant, but we must calculate the production cost and the transportation cost of coal.

IV. Problem of the Investment Gain Coefficient

The investment gain coefficient is an important economic indicator in the economic comparison of plans for hydroelectric and thermal power stations. In 1956, the Ministry of Electric Power Industry issued dynamic design standards for hydroelectric power stations and it suggested the use of a compensation of 10 to 15 years, i.e., the established investment gain coefficient was 0.1 to 0.067. Later, some units used a compensation of 5 to 7 years in planning and design, i.e., an investment gain coefficient of 0.15. As to the investment gain coefficient which electric power departments should use, this still has not been standardized, and it should be established as soon as possible. We believe the following factors should be considered:

1. When establishing the investment gain coefficient of each department and enterprise, we should refer to the average investment gain coefficients actually realized by the various material production departments of the national economy and the trends in their development and evolution. For example, in the 1960's, the average number of years of investment retrieval of the entire society of our nation was about 6 years, i.e., the entire society's average investment gain coefficient was about 0.16. The concerned economic leadership departments can establish the average investment gain coefficient of the entire society and of industrial departments in accordance with the demands of development and using

the actual conditions of economic development of our nation as important reference factors for establishing the investment gain coefficients of the departments of each sector.

2. In the development of our national economy, as electric power is the first to be developed, the demands upon the investment gain coefficient of the electric power department can be slightly lower than for other material production departments to facilitate development of the electric power industry as a priority.

3. Considering the rational utilization and the long-range benefits of energy, hydroelectric power should be developed extensively in the construction of electric power; therefore, when making economic comparisons of hydroelectric and thermal power, we can use slightly lower investment gain coefficients to stimulate the development of hydropower for electric power generation so that hydroenergy resources can be more fully utilized, thus conserving coal and petroleum resources.

4. The established investment gain coefficient should have a definite scale of variation so that suitable indicators can be selected in accordance with the characteristics of various aspects of the energy, natural and economic conditions of different regions of our nation.

V. Conclusion

1. Our nation's hydroenergy resources are very rich, but at present only 2.5 percent have been developed. Some of the reasons were that economic studies for electric power construction were not given the proper emphasis, economic accounting and the method of analysis did not completely coincide with the actual objective situation and the economic patterns, and for a long time the incorrect view prevailed that "even though hydropower generation is good, it requires a much larger investment than thermal power generation," thus affecting the development of hydroelectric construction.

2. To simultaneously calculate the economic results of labor consumption and labor used, in the past when doing economic comparisons of proposals for electric power construction we have generally used the method of the term of repayment and the least expenditure method of calculation of investment differences of the systems. Although these have had shortcomings, they are relatively rational, and the annual expenditure method of calculation is more convenient to use than the method of the term of repayment. Although the number of years of return on total investment or the number of years of retrieval of investment differences are important technical economic indicators, they are unsuitable as standards for judging the merits of the plans in economic comparison of hydroelectric and thermal power plants.

3. When carrying out dynamic economic comparison of the plans for hydroelectric and thermal power stations (plants), the investment in hydroelectric power and thermal power generation and the scope of calculating the production costs should all begin from the supply of energy and extend to the time when electric power is transported to the region of electric power users. For the hydroelectric power station, accounting for the investment and the operating costs which should be borne should take into consideration related reservoir engineering projects,

hydroelectric power plants and transmission and transformer power construction as a unified hydroelectric station system. For thermal power generation, accounting for the investment and the operating costs which should be borne should take into consideration related coal mines, railroads, thermal power plants, transmission and transformer power engineering construction as one thermal power station system.

4. The magnitude of investment gain coefficients to be used by the electric power departments still lacks sufficient study, and efforts should be organized to conscientiously carry out research.

5. In the work of electric power construction, economic study should be strengthened greatly, and scientific research in related fields should be actively developed. In the present situation, the various problems existing in past theoretical and analytic work should be summarized, and at the same time, the various economic theories and methods that benefit our nation's socialist construction should be conscientiously absorbed, so that hopefully we can finally establish a set of standards and calculation methods for economic comparison that suit the actual situation of construction of our nation's electric power industry.

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ENERGY

MERITS OF PUMPED STORAGE POWER STATIONS DISCUSSED

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 3, 12 Mar 81 pp 40-42

[Article by Wang Yifu [3769 0122 1788] of the Huadong Survey and Design Institute of the Ministry of Electric Power Industry: "Clarification of Several Problems Related to Our Nation's Construction of Pumped Storage Power Stations"]

[Text] In some regions in our nation, especially in northern China, eastern China and the northeastern regions, where the number of large peak regulating hydroelectric power stations which can be newly built is small, we should begin research in the construction of pumped storage power stations. But some comrades have raised some questions concerning our nation's construction of pumped storage power stations. They can be condensed into five questions. Some opinions are presented to clarify these questions.

I. Our Nation's Hydroenergy Resources Are Rich and the Degree of Exploitation and Utilization Is Low; Isn't It Too Early Now To Talk About Building Pumped Storage Power Stations?

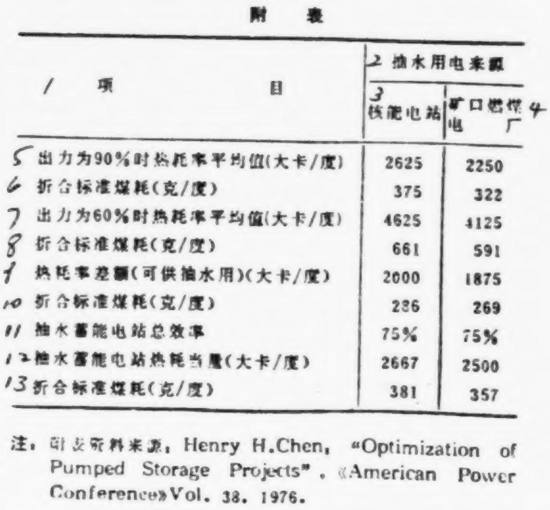
The reserve of hydroenergy resources is indeed very rich. Calculating the amount of hydroenergy resources that can possibly be exploited and utilized for power generation, they are equivalent to the annual generation of 1.9 trillion kilowatt-hours, but the amount developed so far is less than 3 percent, and the rate of utilization is also indeed very low. They are also unevenly distributed among the regions of our nation. They are mostly concentrated in the southwest, south-central and northwest regions, constituting 94.4 percent, whereas the northern, northeastern and the eastern regions have only 5.6 percent. Coal resources in northern China are of high quality, the reserve is large, and they lead the nation, but hydroelectric energy resources are lacking; the latter are mainly concentrated in the middle reaches of the Yellow River. The development of that section of the river involves the problems of comprehensive utilization for flood prevention, irrigation, power generation and blocking sand, and it is far from the major users of electricity in the regions of Beijing, Tianjin and Tangshan. Therefore, the peak regulating capacity of the electric power network in northern China must depend on large pumped storage power stations and large thermal power stations used specifically to regulate peaks. The northeastern and eastern regions are our nation's important industrial and agricultural bases, and they lead the nation in the amount of electricity generated by the two electric power networks. But the two regions are not self-sufficient in coal, which has to be imported from other regions. The hydroelectric power stations already built or being built utilize 25.7 percent of the hydroenergy resources that may be developed in the northeast and 20.6 percent in eastern China. Of the hydroenergy resources that have not been exploited yet, some power stations have been asked by other departments using water to limit their operations, and thus hydroelectric power cannot be completely used for regulating peaks. Some electric power stations are far from the load center, and require ultrahigh voltage transmission and transformer equipment. Some reservoirs have displaced many people, the area of cultivated land being submerged is large, construction investment has been increased, and some projects can hardly be built. In the northeast, some power stations are situated on rivers that form international borders, and they cannot be easily developed right now. Therefore, in the near future, the number of large hydroelectric power stations that can be built and can share the work of regulating the peaks of the main networks in these two regions is few. Also, an economic study of similar types of peak regulating power stations (including pumped storage power station) is needed as part of the long-range planning for the electrical power system in order to select the best. Therefore, at present, we should firmly undertake to do well the preliminary work for river hydroelectric power stations and pumped storage power stations, clearly understand their conditions of construction and economic results, and based on need and possibility, build them selectively; it is not too early to carry out this urgent task in today's hydroelectric power construction.

II. The Pumped Storage Power Station Is a Type of Electric Energy Conversion and Storage Measure Which Consumes Energy. When Our Nation's Supply Is Tight and Capital Is Limited, Do We Have the Strength To Build Pumped Storage Power Stations?

The present pumped storage power station total efficiency is between 70 and 75 percent. It is commonly said that pumped storage power stations use 3 to 4 kilowatt-hours in exchange for providing 2 to 3 kilowatt-hours of electricity. At first glance this seems to be an irrational consumption of electrical energy, but actually it is not so simple. Let us first examine the seasonal regulation by the pure storage power station. During the flooding period, it utilizes the surplus force of the electric power system to pump water, converting electric energy into potential energy from water stored in the reservoirs of mountain valleys. When the dry period arrives, the water is used to generate electricity to supply the electric power system. If the surplus force during the flooding period is not utilized, it will be wasted, and the electric energy produced during the dry period is like an assured force of the hydroelectric power station, it has the same value of utilization. Obviously, this converted economic value cannot be measured only superficially in numerical values.

The daily (weekly) regulatory pumped storage power station's working principle is also the same. It utilizes the surplus capacity to pump water and store energy during the low trough load period of the thermal power plant or nuclear power station, and generates electricity when the load is at high peak. Because the thermal efficiency of the basic load thermal power plant (or nuclear station) is different from the peak load thermal power plant (the unit consumption of coal of the basic load is lower than the peak load), according to foreign data, "even when the efficiency of one cycle of a pure storage power station is 70 to 75 percent (calculating the electrical energy), the fuel energy consumed by the high-efficiency pump may approach or be smaller than the fuel consumed by the less efficient peak load thermal electric power generator substituting for the storage power station's generators in generating electricity." Utilizing the surplus forces of the basic load to pump water for generation of electricity at the time of peak load also means consuming the fuel of which we have rich reserves (coal) and conserving fuel that is in short supply (oil and gas).

Furthermore, the rate of heat loss of a thermal power station or a nuclear power station, when other conditions (such as characteristics of the generators, load characteristics, operating conditions, fuel quality, etc) are the same, decreases as the capacity of the power station (the ratio between the average output of the power station within a definite period and established capacity) increases. A U.S. report shows the heat loss under different average output of some nuclear power stations and coal-fired power stations at mines. The figures have been selected, converted and listed in the following table.



附　表

1 项　　目	2 抽水用电来源	
	3 核能电站	矿口燃煤电厂 4
5 出力为90%时热耗率平均值(大卡/度)	2625	2250
6 折合标准煤耗(克/度)	375	322
7 出力为60%时热耗率平均值(大卡/度)	4625	4125
8 折合标准煤耗(克/度)	661	591
9 热耗率差额(可供抽水用)(大卡/度)	2000	1875
10 折合标准煤耗(克/度)	286	269
11 抽水蓄能电站总效率	75%	75%
12 抽水蓄能电站热耗当量(大卡/度)	2667	2500
13 折合标准煤耗(克/度)	381	357

注：附表资料来源：Henry H.Chen, "Optimization of Pumped Storage Projects", «American Power Conference» Vol. 38. 1976.

1. Item
2. Source of electricity for pumping
3. Nuclear power station
4. Coal-fired power plants at mines
5. Average value of heat loss at 90 percent output (kilocalorie/kilowatt-hour)
6. Converted to loss of standard coal (gram/kilowatt-hour)
7. Average value of heat loss at 60 percent output (kilocalorie/kilowatt-hour)
8. Converted to loss of standard coal (gram/kilowatt-hour)
9. Difference in heat loss (can be used for pumping water) (kilocalorie/kilowatt-hour)
10. Converted to loss of standard coal (gram/kilowatt-hour)
11. Total efficiency of pumped storage power station
12. Equivalent value of heat loss of pumped storage power station (kilocalorie/kilowatt-hour)
13. Converted to loss of standard coal (gram/kilowatt-hour)

Source of data: Henry H. Chen: "Optimization of Pumped Storage Projects," "American Power Conference," Vol 38, 1976.

We can see from the accompanying table that when the thermal power plant or the nuclear power station in the electric power system is operating at a reduced output, the fuel consumed for each kilowatt-hour of electricity increases a lot; therefore, the generators should operate evenly and close to full load to conserve fuel costs. But there is always a difference between the high peak and the low trough on the load graph. At low trough, several thermal power plants or nuclear power stations must also operate at reduced output; at some thermal power plants the generators even have to be shut off and wait to be turned on again just before the high peak, thus increasing unit consumption of coal and creating invisible waste. If the system has a pumped storage power station, then when the load is at a low trough it can use electricity to pump water, and thus the operating condition of the thermal (nuclear) power plants can be improved, their capacity can be increased, and their unit coal consumption can be lowered. Therefore, even though storage power stations use electricity to pump water, partial compensation can be obtained from the avoidance of invisible waste by related power stations.

III. Our Nation's Electricity Pricing System Is Different From That of Industrially Developed Nations; We Do Not Differentiate Between Peak and Base Loads. Is There Any Economic Gain in Developing the Pumped Storage Power Station in Our Nation?

The price of electricity in foreign nations varies in different seasons and the time of use of electricity. For example, in the joint system in Western Europe, generally speaking, the price of electricity at peak load during the daytime in winter is about three times the price at night. The price of electricity during the peak in the daytime in summer is about two times that at night. Because of the difference in the structure of the power source of the electricity network of each nation participating in the joint operation and the different cost of generating electricity, the prices of exchange of electric power between the networks are also not entirely uniform. For example, Switzerland is at the center of the joint system, and it owns a massive amount of seasonally adjusted electric energy; therefore at night it takes in the cheapest low trough electrical energy from foreign nations for domestic consumption, including electricity used by the storage power stations, while during the daytime at high peak, the seasonally adjusted hydroelectric power station and storage power station generate electricity to supply their own nation and foreign nations. The quantity, time and price of exchange electric power between the systems are determined by normal commercial negotiation between the power companies. In the costs of generation of electricity of the storage power station, the cost for pumping water is about 40 to 50 percent; adding fixed costs of depreciation, operation and maintenance, the cost is still much cheaper than other peak load power sources, so it is competitive. For the other power systems, at the low trough they can increase output of electric power and thus reduce cost, while at high peak load they can buy electric power at a lower cost than producing it themselves and thus realize a gain, and this is profoundly welcomed.

In the unified power system, as the load increases, whether to increase the building of pumped storage power stations or other types of peak regulating power stations must be considered on the basis of the technical and economic results of the entire system for comparison and selection. Besides considering river hydroelectric stations as a priority, in foreign nations, there are also fast start-up generators used specifically for regulating peak loads and generators of the condensed steam type which can operate at variable voltages. Sometimes regular large-scale thermal power generators have to be used to share the burden of the mid-load or the peak load. Economic comparison of the peak regulating thermal power plant with the pumped storage power station shows that the main differences are: the peak regulating thermal power plant's building cost per kilowatt-hour (not including costs of coal mines, shipping equipment) is lower, while the annual costs are higher. The annual costs include fixed costs (depreciation, operation, maintenance, major repairs) and fuel costs that increase or decrease according to the amount of electricity generated. The building cost per kilowatt-hour of the pure pumped storage power station is slightly higher than that of the ordinary thermal power plant, but the annual costs are lower. The annual costs also include fixed costs and the pumping costs that vary with the amount of electricity generated.

According to statistics of foreign nations, the construction cost per kilowatt-hour of the pure storage power station is about 100 to 130 percent of the peak regulating thermal power plant; the civil engineering construction part constitutes a larger proportion, the useful life of the electromechanical facilities is also longer, and therefore its basic depreciation and fixed costs are all lower than those of peak regulating thermal power plants. The pumping costs of storage power stations are generally believed to include only calculations of the direct increases in fuel costs to generate electricity used for the supply of pumping water for the power station (because other expenditures do not increase or decrease with the use of electricity for pumping water). This fuel cost approaches or is smaller than the fuel cost of the peak regulating thermal power plant. In addition, the economic gain obtained from the use of electricity supplied by the related power station for pumping water, the gain from the adjustment of frequency by the storage power station, the gain from supplying zero work output, the gain from serving as a backup in case of accidents or loss in receiving and transmitting electric power if the storage power station is relatively far away from the power source for pumping water and the load center, must all be calculated item by item. The entire economic analysis frequently shows that the pumped storage power station provides the cheapest and most reliable electric power to satisfy the need for regulating peaks, and realizes many gains for the system.

IV. The Development of Pumped Storage Power Stations Abroad Began With the Mixed Type and Then Developed Into the Pure Storage Type. Should Our Nation Also Develop the Mixed Type First and Then the Pure Storage Power Station?

Checking the course of development of pumped storage projects of each nation, we see that there is no set pattern as to the type of power station. At the end of the last century, Switzerland built the world's first seasonal regulatory pure storage power station. Later, the comprehensive utilization hydroelectric power stations of many nations could not completely operate according to the needs of the electric power system because of the demands of irrigation, shipping and water supply departments, and so pumped storage facilities became mixed power stations to respond to the need for regulating peaks. Some hydroelectric power stations added pumped storage generators to utilize surplus output during low loads in the system and to increase the capability to regulate peaks. The United States has built the most pumped storage power stations. Before the 1950's, two hydroelectric power stations already built were utilized to install reversible generators that could pump water and generate electricity in order to obtain experience in design, manufacturing and operation. After the experiments were successful, pure storage power stations developed rapidly on a large scale. The three pumped storage power stations built in the early days in Japan are equipped with normal hydraulic turbine generators and electric water pumps. During the past 20 years, because the number of hydroelectric power stations on rivers worth developing has lessened, in accordance with the needs and possibilities of rebuilding and expanding the existing hydroelectric power stations, we should build new storage power stations in a big way.

The pumping and generating facilities of mixed power stations can fully utilize the hydraulic buildings and facilities of power stations. If the costs of damming rivers and reservoirs are not included, the unit building cost is cheaper than that of pure storage power stations of the same capacity and using the same flood peak. During the flooding period, some additional seasonal electric power can be obtained. This is a favorable condition of the mixed storage power station. But it also has an unfavorable side. First, it is limited by the conditions of natural resources and social and economic conditions. Its geographical position and the scale of its construction are unlike those of the pure storage power station, which are almost unrestrained by the limitations of the river and water flow and which can be selected more widely. In our nation's eastern and northern regions, the number of mixed storage power stations which can be built for the major networks is few; their flood peak is mostly under 100 meters. A low flood peak has a large amount of flow, and the corresponding storage generators, regulatory reservoirs and water pipes and channels must all be larger; therefore, the cost is higher than the pure storage power stations with a high flood peak. Second, the falling depth of reservoirs of hydroelectric power stations over rivers is generally 40 to 50 percent of the highest flood peak. Such a large variation if not readjusted frequently renders the single-speed reversible generator unsuitable, and two-speed generators have to be used, thus increasing the building cost of the generator and the cost of maintenance. The best sites for hydroelectric power stations on rivers frequently are far away from the load center and the pumping power source. Sometimes they are too remote and the loss in power transmission is too large, and so it is not suitable for them to add storage generators.

Pure storage power stations do not rely on the natural falling differences and the discharge, there are more choices of sites for the stations, the reservoir capacity is smaller, and the loss of area covered by water is smaller. The design standards for hydraulic buildings are lower and large spillways are not needed. During construction, expensive flow guideways are not needed, construction is not affected by flood water, and construction can be carried out throughout the year. Therefore, the construction cost per kilowatt-hour of pure storage power stations, according to statistics of building such power stations by foreign nations, is only 40 to 50 percent that of power stations on rivers, and the unit cost for power generation including the cost of pumping is only slightly higher for storage power stations. The statistics of domestic plans present a similar picture. In recent years, the unit construction cost of power stations on rivers has differed more markedly from that of the pure storage power stations because of the relatively large increase in the cost of moving reservoirs.

The building cost of the pure pumped storage power station when the capacity and the storage capacity are the same generally drops as the flood peak heightens. The higher the effective flood peak, the smaller the flow and the reservoir capacity required, and therefore the unit building cost is lower. Therefore, foreign pure storage power stations are developing toward a high flood peak: the highest flood peak of mixed flow type pump and hydraulic generators already reaches over 500 meters. But we cannot say accordingly that "the water source of the storage power station must be above 500 meters," because the height of the water source is only one factor that determines the building cost of the power station; it is not the only factor. For example, our nation is still at the beginning period of building storage power stations, we lack experience in the design and manufacturing of reversible water pump and hydraulic generators; we must start out from this actual situation, and for the pure storage power stations to be built in the near future, it appears that a flood peak of 150 to 250 meters and a single generator capacity of 100,000 kilowatts are more suitable.

In general, when our nation's electric power networks build storage power stations in the future, regardless of the locality, type, scale, etc, everything must be based on the objective conditions of the locality, and the best time and the best type must be selected after seeking truth from facts through technical and economic comparisons. We must follow the principle of doing things according to natural patterns and economic patterns.

V. Have We Found a Superior Site for a Storage Power Station in the Eastern China Region? Can the Electric Power System Assure Power for Pumping?

Since 1973, the Eastern China Electric Power Administration Bureau has organized concerned units to survey southern Jiangsu, southeastern Anhui, northern Zhejiang in the area of the load centers and the ultrahigh voltage lines in the regions north and south of the Huai River, and Xuzhou up to northern Zhejiang and southern Jiangsu, and has found nine possible sites for power stations. At present, the Eastern China Survey and Design Institute of the Ministry of Electric Power Industry is doing further work to examine the building conditions at each site in order to select the best plant site.

The daily load graph of the electric power system shows natural peaks and troughs. In industrially developed nations, the late night low trough loads frequently reach only 50 to 60 percent of the peak load, and so there is a definite surplus capacity which can be supplied to storage power stations for pumping. During the 10 years of chaos in our nation, electric power construction lagged behind the need for power, there was a shortage in the supply of fuel for thermal power plants, hydroelectric power stations were out of control, and the supply of electricity by each electric power network was in short supply. Taking the Eastern China electric power network as an example: around 1975, it was deficient in power and in capacity, and measures to use electric power by shifts had to be carried out. At high peaks, frequently limitations had to be imposed on the use of power. But beginning in 1979, when the policy of readjustment of the national economy was implemented and carried out, each factory implemented cost accounting and became responsible for its own profit and loss, the conflicts in the supply and the use of electric power within the network gradually improved, the daily load factor gradually dropped to 87 percent, and the lowest load factor dropped to 73 percent. The quality of the cycles and voltage all met the standards. In the future, the proportion of consumption of electric power by the light and textile industries and by the people for daily living in the Eastern China region will further improve, the proportion of electric power consumption by the industries that consume large amounts of power will drop relatively, and therefore the daily load factor will continue to drop; it is estimated that after 10 years, if the highest load within the network reaches 16 million kilowatts, the peak and trough difference will be over 5 million kilowatts. For the safety, versatility and economic operation of the network, the optimum combination of various types of peak regulating power stations should be used. Besides the hydroelectric and thermal power stations (plants) that are operating, being built or being planned, it is necessary to consider plans for pumped storage power stations. An installed capacity of several hundred thousand to a million kilowatts will serve to cut the peaks and fill the troughs. Such a large difference between the peaks and the troughs in the entire network should provide sufficient surplus capacity for electric power for pumping. Sites for storage power stations at Fushan in Fanchang and Fahaiwu in Suzhou have superior building conditions and technical and economic indicators and they are worth further study. In view of the above situation, we suggest that a pumped storage power station of over 200,000 kilowatts be built first in the eastern region. Instead of workers working at night, it can use the electricity at night to pump water so as to generate electricity the next day during daytime. Its entire building cost, including compensation for extra wages for overtime, can be retrieved within 2 years after operation begins. By using it, several hundred thousand workers who use electricity on shifts will be able to return to daytime labor, wealth will be created for the power network, and experience will be gained in the building of large pumped storage power stations in our nation.

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HYDROLOGICAL SURVEY WORK ESSENTIAL IN HYDROPOWER CONSTRUCTION

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[Article by the Planning Department of the Hydroelectric Power Construction Bureau: "Several Opinions Concerning Hydrological Survey Work in Strengthening Hydroelectric Power Construction"]

[Text] I. Major Achievements

Hydrological survey work is an important part of the early stage of hydroelectric power construction. Since the founding of the nation, hydrological survey work has realized great achievements and has contributed its share in the construction of hydroelectric power. This is mainly manifested in the following:

1. A technical team has been trained in hydrological surveying, and a group of specialized hydrological survey stations directly serving hydroelectric power construction has been established. At the beginning of the 1950's, hydrological survey work for hydroelectric power was basically a blank. According to statistics of the hydrological departments, at the time of liberation, basically the nation had only 353 hydrological survey stations, and information was extremely deficient. There were no hydrological stations along the rivers where hydroelectric power stations were being planned, such as the Yili River, Liulangdong, or the Lushui River in Yunnan. The work to determine the hydrological and meteorological characteristics of the power station localities and to provide the necessary hydrological data for the design of the power stations was very difficult. We conducted training classes and trained a group of young people, and through work and practice, they quickly became a technical and hydrological survey team which could carry out hydrological tests, hydrological surveys and organize hydrological data. By 1958, the number of hydrological survey personnel directly serving hydroelectric construction grew to 1,400 persons; 400 specialized hydrological survey stations of various types were established (after 1958, some of the hydrological survey stations were placed under local jurisdictions); and various types of observational, surveying and investigative work were launched, filling the deficiency in observational data and basic stations of the nation, and the necessary hydrological and meteorological information was gathered for our nation's hydroelectric power construction.

2. Testing facilities were renovated, testing methods were improved, testing accuracy was improved, and a reliable reference was provided for the rational

determination of engineering and hydrological calculations. During the 1950's, equipment used to test the flow of water was relatively simple: generally the surveying boat was anchored and a tachometer was used to measure the rate of medium and low speed flow. Measurement of high speed water flow was mainly dependent upon a buoy. The precision of the information was low. In the 1960's, most of the survey stations used cables of floating cranes pulled across the river to measure the speed of flow; individual stations also set up electrically powered cables and improved the capability of measuring the flow by the tachometer. During recent years, hydrological cables have become the major flow measuring equipment of our nation's hydrological survey stations; the scale of flow measurement using the tachometer has grown greatly, and favorable conditions have been created for improving the quality of testing. Of the presently existing 14 specialized hydrological survey stations of the hydroelectric power system, 9 have set up electrically powered flow measuring cables. In July 1976, the Naigesha special hydrological station built for the Lubuge Power Station Design Institute at the Huangni River in Yunnan, using the cable tachometer, measured the greatest peak flow of flood water since the founding of the station in 1958, and the water level-flow relationship curve was rationally revised accordingly. The designed peak flood flow for each 10,000 years was revised from 12,700 cubic meters/second to 9,350 cubic meters/second; therefore the scale of the original design of the flood relief structure of the power station was changed, allowing the saving of capital for the state.

3. In combination with the design needs of hydroelectric power stations, greater achievements have been realized in specialized surveying and experimental research. For example:

A. The observations and surveys of ice conditions, investigations of ice conditions, and forecasting and research on the formation of rivers carried out for the reservoir region of the Second Baishan Power Station of Songhuajiang and its upper reaches served well to solve the problems of draining ice and guiding the flow during the construction period of the Baishan Power Station. The data obtained from the observation and research of the ice conditions of the Yellow River and its upper and lower reaches for the reservoirs of the power stations at Liujiaxia, Yanguoxia and Qingtongxia also provided precious measured data and practical experience in analyzing the conditions of the formation of ice jams and ice dams and in the method of calculating ice jams.

B. In the analysis and calculation of floods in the design of the Ankang Power Station on the Han River, observation and study of the specific drop of flood water on the section over 10 kilometers downstream from the power station revealed that the downstream valley acts to control and confine the water of the measured flow section during high water level periods; the specific drop of the water surface slows down as the amount of flow increases. From this pattern, the originally established water level-flow relationship curve was revised, and based on this, we calculated that the peak flow of each historical flood was less by 7.3 to 13.3 percent. This rationally readjusted the design of the peak flow of floods so that the standards for construction to handle floods were improved without changing the designed peak flow of floods.

C. Experimental research on reservoirs carried out on the Yanguoxia, Qingtondxia and Liujiaxia reservoirs along the Yellow River showed in time the changes in alluviation of incoming water and incoming sand in front of the dam and in the reservoir and provided a scientific basis for proposals on the rational utilization of the reservoir. For example, observation of the abnormal density currents of the tributary Tao River flowing into the Liujiaxia Reservoir (the average amount of sand over many years flowing into the Liujiaxia Reservoir constitutes 30.6 percent of the total amount of sand entering the reservoir) enabled us to grasp the opportunity and the appropriate time to open a drain in order to extract the sand and to improve control of the rise of the alluvial surface in front of the dam and the amount of sand passing through the generator. Experience in the operation of the Qingtongxia Reservoir and the results of extracting sand were summarized by analyzing the data on tests of the mud and sand.

D. During the latter part of the 1950's, testing and research on shoved and shifting mud and sand were carried out in the Xinan River and the Min River. At present, testing and research of large shoved and shifting pebbles are continuing at the Jiangshe Dam and in the Baisha River on the upper reaches of the Min River. Preliminary achievements have been realized in the method of testing and in the efficiency of experiments to develop sampling machinery and sand extraction.

E. Observations of water surface evaporation were carried out at the special hydrological stations on the Xinan River, the Fengman Reservoir, Shangquan on the Yellow River, the Shangyou in Jiangxi, the Mapei in Shangzhi in Hunan, and Fuxian Lake in Yunnan. However, because most of the test stations were reassigned to local authorities, the gathering of data stopped. In 1975, using Yangzuoyong Lake in Xizang for the study of hydroelectric power generation in natural lakes, because of a lack of sufficient information on water surface evaporation on plateaus, an evaporation observation field was established in the empty land next to the lake; an evaporation pool of 20 square meters was built and different types of evaporation bowls were used for comparison and observation. The Xiaodeshi special hydrological station on the Yalong River established for the Ertan Power Station also set up large evaporation pools to carry out observation and research in evaporation.

In addition, when building hydroelectric power stations in karst regions where hydrogeological conditions are complex, leakage of the reservoir is also a key problem. In analyzing the pattern of leakage of a reservoir and judging the development of leakage, hydrological surveying and research are also important means. For example, it was discovered that the Shuicaozi Reservoir in Yunnan leaked after it began storing water, and through analysis of hydrological and observed data, we found the scope of the leakage and were able to understand the pattern of leakage and to provide a scientific basis for correctly establishing procedures to handle the situation.

II. The Main Tasks at Present

In 30 years, our nation's hydrological work has undergone great change. The basic network of hydrological stations of the nation has developed greatly (as of the end of 1978, the nation had 17,584 hydrological test stations of various types), testing equipment has been improved, the precision of the various types of observed and test data has been improved to varying degrees, basic hydrological information can be provided for hydroelectric power construction, and compared to the 1950's the situation has visibly improved. In the new situation at present, to adapt to the needs of the development of hydroelectric power construction, we believe the following three aspects should be grasped well.

1. Distribution of special hydrological testing stations. At present, the development of the nation's basic network of hydrological stations is not evenly spread throughout the nation. The density of the network of stations in the southwest and the northwest is still sparse, and the water energy resources in these regions are extremely rich, especially in the southwest, where the reserve of water energy resources constitutes over 70 percent of the nation's reserve of water energy resources. The presently existing basic hydrological stations cannot satisfy the demands for hydroelectric power plans and designs in these regions. For example, the mainstream of the Lanchang River valley, which is about to be developed, extends for 2,000 kilometers in our nation, but at present there are only five basic hydrological stations there. Therefore, while actively seeking the cooperation of hydrological departments to hasten and increase the establishment of basic stations, the present planning and design needs must be taken into account in planning for the development of hydroelectric power construction, and a group of special hydrological stations must be established on the present foundation of the network of basic hydrological stations. In other regions, where certain hydrological aspects of the rivers are more complex, the presently existing network of basic stations cannot control the characteristics of water and sand, and so when the present network cannot meet the demands of hydroelectric power construction design, special hydrological stations must also be added.

2. Observation of the water level at plants and dams. Except for the damsites where hydrological stations have already been built, generally water level observation stations need to be established at plant sites and damsites to gather information on the water level and the flow on the upper and lower reaches of the dam in order to draw a water level-flow relationship curve for the plants and dams. The number of water gauges to be established depends mainly on the situation of the rivers in the dam area and the concrete demands of engineering design.

3. Specialized hydrological surveys and experimental research. Because a lot of the information needed in the design of power stations cannot be observed and measured by ordinary basic hydrological stations, specialized survey and research work must be organized. For example: 1) To fully grasp the characteristics of the testing station, observation and testing of the patterns of variation in the specific drop of the surface of flood waters within a relatively long section downstream from the section of the testing station must be carried out. 2) Comparative tests of the buoy coefficients and the flow velocity coefficients of the water surface must be conducted. 3) Ice conditions in the river channels and reservoirs of frozen rivers must be observed and studied. 4) To study flood water entering reservoirs, hydrological observation and testing of the evolution of flood waters in the reservoir area and the unstable flow in river channels must be carried out. 5) Observation and experimental research in hydrology and mud and sand of reservoirs must be carried out. 6) Observation and study of

evaporation of water surfaces must be conducted. 7) Hydrological observation and research in special regions such as hydrological surveys of karst regions and observation of leakage of reservoirs must be conducted.

Under ordinary conditions, when carrying out the planning of river valleys (river sections), after fully studying the various aspects of technology and economics and after selecting the river section for the first-phase construction, we must immediately consider carrying out and strengthening testing work which serves as a reference for various methods of engineering and hydrological calculations for the test stations (basic station or special station) and we must establish the observation of water levels at plants and dams. When there are too few basic hydrological stations, when the hydrological situation is complex, or when the presently existing stations cannot control the characteristics of the water and sand of the rivers, proposals should be submitted to the hydrological departments to establish more basic stations as soon as possible, and when necessary, consideration should be given to the establishment of special hydrological stations. During the preliminary design stage, besides continuing to carry out the various observations and tests during the planning stage, the necessary ground surface meteorological observations must also be carried out to supplement the information needed regarding the climatic characteristics of the dam area. Consideration must be given to the planning of a network of water (rain) forecasting stations to carry out flood forecasting during the construction period. According to the actual situation, when necessary, consideration must also be given to drawing up plans for experimental research work for the reservoir after the reservoir has been built. Also, special surveys and observation and research work related to the items described above must be carried out. The content of the work and the estimated funds required to carry out these observations and tests as well as the personnel needed must be correspondingly included in the documents to be submitted together to the higher authorities for review.

Because hydrological survey work is more important during the beginning period of hydroelectric power construction than other aspects of work, the tasks must be considered, planned and carried out early.

III. Several Suggestions

The present situation of hydrological survey work for the hydroelectric power system and the demands of the development of hydroelectric power construction are very much out of step. Leadership must be strengthened urgently and measures must be taken to change the situation.

The technical force presently available is only one-fourth that available in 1958, the average age of the technical personnel is older in general, and the scientific and cultural level is lower. According to incomplete information and statistics of the several design institutes, the average age of the workers in hydrological surveying is over 45 years, and many are unsuited for continued field survey work. The technical cadres of the hydrological survey teams constitute about 30 percent, and among them, those with a cultural level of university and college education constitute only about 10 percent. The number of various types of special hydrological test stations is nine-tenths less than the number existing in 1958 (some were placed under the jurisdiction of the local hydrological departments), the testing equipment is outdated and backward, and the equipment has not been renovated for many years. Therefore, to enable hydrological surveying work to adapt to the trends of modernized construction, and fully satisfy the demands upon hydrological work in the various stages of design, construction and coperation, we suggest the following:

1. We must emphasize hydrological survey work. Many years of practice prove that where the hydrological survey work has begun early and the work has been done fully, the results of hydrological analysis used as the basis for planning and design of construction along the river have been more rational. Conversely, where the work has been passive, it has even affected construction. Each level of leadership should give sufficient emphasis to hydrological survey work, strengthen the leadership, and insist on correcting the mistaken view that hydrological survey work is not important or even that hydrological analysis can be carried out without hydrological survey work. Without carrying out a definite amount of geological survey work, it is not possible to propose a reliable geological conclusion; without complete hydrological survey data, similarly it is not possible to provide reliable hydrological data. At present, the significance of hydrological survey work in hydroelectric power construction has not been fully recognized, so the work cannot be done, the difficulties of the work cannot be easily solved. This situation should be quickly turned around, each level of leadership must grasp hydrological survey work as tightly as it has grasped geological survey work to establish a firm and reliable foundation for hydroelectric power construction.

2. We must build up the teams. During the beginning period of the 1950's, because we built up the survey teams, work progressed rapidly. Now, our forces have been weakened, the organization and the agencies are not sound, some design institutes even today do not have agencies and personnel in charge of hydrological survey work, and the work cannot be carried out. In the face of this situation, each design institute must rapidly establish hydrological survey teams and further reorganize and make sound the already existing special agencies. New agencies should be quickly strengthened. Institutes that have not yet established specialized agencies must rapidly assign personnel to establish an organization and quickly begin work. During the course of establishing work teams, we must first undertake the technical training of cadres and workers, such as conducting operations training classes and training and learning sessions during the dry period. Where conditions permit, personnel can be sent to related schools for training, and through various means we must improve the scientific, cultural, technical and operational levels of the workers. Second, we must strengthen the work of political ideology, revive the spirit of hard struggle existing during the 1950's, revive the good traditions and workstyle resolutely, and in particular, we must strengthen the education of young workers so that they can learn conscientiously and work without worries. We must care about the workers, especially workers who work long periods in the field stations; we must care about their learning and their lives and concretely solve their actual difficulties, fully mobilize the enthusiasm of the broad masses of workers, and build up hydrological survey teams that are well trained, versatile, and suited to the characteristics of hydrological surveying work for hydroelectric power construction.

3. We must strengthen management of the test stations. To assure the quality of the research results and the test data, we must establish a sound system of regulations. During the period of interference by the extreme leftist line, many effective regulations were abolished, creating chaos in production. In the present new situation, efforts must be made to study the needs of the work and to supplement and establish new working systems and technical regulations; for example, the duties of the technical positions of each level, how to implement the "four simultaneous tasks" in testing work (simultaneous testing, calculating, organizing, analyzing) to assure precision of the test data, organization and review of data, technical safety and operation of the test stations, and use and maintenance of instruments and equipment should all be subjected to practical regulations and included in working systems, and during the course of implementation we should continuously summarize the experience and gradually perfect the operation. At the appropriate time, we must study the actual situation of hydroelectric and hydrological survey work and establish and supplement technical regulations on the foundation of the "hydrological testing trial standards" of the hydrological departments.

4. We must improve the methods, means and quality of testing. In recent years, there has been a definite improvement in the equipment and method of testing. But many problems still exist. For example, continuous research and improvement are required in measurement of the flow at high water levels, extraction of sand by cable, and testing of shoved and shifting materials. In particular, we should study the use of electrical measurements, automatic recording, long-distance communications and computers and similar new techniques in testing methods and organization of data, keeping in view the characteristics of the work of hydrological testing stations specifically for electric power generation so as to assure the quality of the data and the safety of the testing work, and testing equipment should be developed that is light weight and convenient, easy to transport and easy to assemble. On the basis of our actual situation, we should learn the advanced experience in hydrological survey work at home and abroad, appropriately introduce new types of instruments and equipment from abroad, and improve the standard of testing techniques.

5. In accordance with the task of planning and design for hydroelectric power, we should establish plans for hydrological survey work for the next 2 to 3 years. Combining the planning and design tasks of one's own unit, we should study and draw up working plans for the next 2 to 3 years to serve as the basis for launching the work. The plans should include the distribution and reorganization of specialized hydrological testing stations, specialized hydrological surveys and experimental research, reform of the testing equipment, and how to implement organizational measures and technical measures. As to the distribution of specialized hydrological stations, we should first consider establishing them along rivers in border regions where the water energy is rich and where the network of the state's basic stations is sparse. This is a strategic work. In the early days of the founding of the nation we paid attention and took more initiative in the work; now we must strengthen that work. The establishment of specialized hydrological testing stations must be different from the state's basic hydrological stations: the distribution must be decided on at an early stage, the construction must be quick, and after the plans have been completed, they can be transferred. To assure that the plans are carried

out smoothly, in drawing up the plans we must closely match the requirements of the plans and the design, and we must fully carry out surveys and research to insure that they are practical.

6. The responsible departments must start out by doing a good job of building the early stage foundation work for hydroelectric power; the necessary material foundations must be provided to solve well the problems of funding, equipment and personnel for hydrological surveying and experimental research, which must be carried out early to assure the smooth progress of the work.

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ENERGY

SERIOUS LONG RANGE BIOGAS PRODUCTION EFFORTS REPORTED

Wuhan HUBEI RIBAO in Chinese 12 Jul 81 p 1

[Article: "Hubei Province's Biogas Construction Begins To Take Root Among the Masses; Seeking After Truth in Facts and Proceeding From Reality in Everything"]

[Text] The program of seeking truth in facts and proceeding from reality in doing everything, advocated by the CCP Central Committee, has sparked biogas construction in Hubei Province.

Statistics from relevant departments show that in the 3 year period since 1978, 134,000 new biogas pits have been constructed in Hubei, 2½ times the number built in the 12 year period from 1958 to 1977. Half the newly built biogas pits were built last year when there was an agricultural disaster and funds were comparatively scarce. This situation demonstrates that during the past several years, biogas construction in Hubei Province has developed fairly rapidly, that biogas construction has begun to take root among the masses, and that its reputation is going higher and higher.

Hubei Province's rural villages have a severe shortage of firewood. As early as 1958, in a search for new rural energy sources, some places began to pool funds to make biogas. Subsequently, because of a tendency toward overanxiousness to get results and oversimplified and rapid planning in the guiding mentality, many places proposed unrealistically high standards, onesidedly emphasized conservation or substitution, did not seek quality, and did not put emphasis on benefits. As a result, after several flipflops, and various ups and downs, by 1977, more than 30,000 of the 52,000 biogas pits constructed had become ailing or abandoned pits. The masses attributed these ailing and abandoned pits as gripe pits saying, "A waste of work and use of money for nothing; it would have been better to have lost it doing something else."

Since the 3rd Plenary Session of the 11th Party Central Committee, a policy of proceeding from realities has been followed in biogas construction. First of all, on the basis of economic conditions in individual places, the extent of firewood shortage, the labor foundation and technical strength available for making biogas, biogas construction has been divided into four different kinds of counties. Some are required to spread biogas throughout the county; some are to extend their use of it; some are to have more demonstration areas; and some are to operate only test sites. In this way, the biogas construction battlefront is shortened, leadership relatively strengthened, and limited material resources and funds put to better use. Second is the abandonment of the former lopsided seeking after quantity and replacing it with emphasis on quality in the building of pits, and measures being adopted, at the same time, to assure quality in construction. Methods include spread of a system of contracts for pit construction, formulation of training tests, and acquisition of certificates of proficiency by biogas technicians before undertaking construction. Some counties have also set up special biogas service companies.

There is a concern for benefits and steady development so that biogas can establish a new reputation among the masses, and develop faster rather than slower. In 1980, the province used about the same amount of funds and cement as in 1979 for biogas construction, but 75 percent more pits were constructed than in 1979, and the pit success rate was better than 97 percent. Luoji Commune in Zhongxiang County is a place with a serious firewood shortage where, as a result of steady development, 58 percent of all peasant households in the commune have built biogas pits. In the course of a year, the commune has conserved 8.97 million jin of vegetation used for firewood; commune members have increased manure collections by 280,000 man-days; and production teams have saved 84,000 yuan that would otherwise have been spent for fertilizer. Shuangyan Production Brigade, Yaqueling Commune in Yichang County, which could not assure proper quality construction watched others for 2 years and waited for 3. After taking action to assure pit construction quality, the masses realized benefits, and this production team has developed biogas everywhere in only a year.

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ZHEJIANG OFFICIAL OUTLINES REQUIREMENTS FOR INDUSTRIAL GROWTH

Hangzhou ZHEJIANG RIBAO in Chinese 26 Jun 81 p 1

[Article: "Expansion of Sources of Raw Materials and Conservation of Energy To Maintain Hubei Province's Steady Industrial Growth Pointed Out by Li Fengping [2621 6265 1627] in Analysis of Industrial Production Situation at Provincial Industrial Exchange Conference"]

[Text] How can Zhejiang's industry grow steadily and continuously? On 24 June, the final day of the provincial Industrial Exchange Work Conference, Li Fengping, the provincial governor, spoke in detail about Zhejiang Province's industrial production situation, giving emphasis to analysis of the underpinings and weak links in Zhejiang Province's industry. He emphatically pointed out that the key to maintenance of steady and continuous growth of industry lies in a fundamental policy in which self-reliance is dominant and getting outside support is ancillary.

Comrade Li Fengping said that since the smashing of the "gang of four," and particularly since the Third Plenary Session, Zhejiang's industrial production has developed very rapidly. Last year total industrial output value for the province was two and one-half times that of the period before the smashing of the "gang of four." Between January and May of this year, output value had increased 13.5 percent over the same period last year. These accomplishments were the result of the CCP Central Committee's correct leadership since the Third Plenary Session, and the result of the implementation by people throughout the province, particularly by the broad masses of cadres and workers on the front line of industry and transportation, of the "Eight Character Policy." However, the difficulties Zhejiang industry faces in continuing steady growth are considerable. Energy is in seriously short supply; there are many shortages in raw materials; capital is scarce and problems in foreign trade exports are numerous. Therefore, our leadership comrades on all echelons must maintain clear heads and not develop feelings of arrogance and conceit as a result of the rapid growth of industry during the past several years, nor should they develop apathetic and pessimistic feelings because of the fairly numerous hardships to be faced. If leadership comrades on all levels will diligently carry out a fundamental policy in which self-reliance is dominant and gaining outside assistance is ancillary, will rely on the broad masses, and actively do a good job, these hardships can be surmounted, and the industry of Zhejiang can continue steady and protracted growth.

More than 70 percent of the raw materials for Zhejiang's light textile industry derive from agriculture. A dependable road to self-reliant solution of the problems of raw materials for the light textile industry is planned building in rural villages of various kinds of raw materials bases. Raw materials bases may be built for cotton, hemp, silkworm cocoons, sugarcane, sheep wool, rabbit fur, lumbur, mao bamboo, aquatic products, leather, various minerals, fruits, vegetables, etc. In short, the farming industry and the hatching industry of rural villages can be built into bases for industrial raw materials. Some of these industrial raw materials may be given to industrial units for processing, and some can be rough processed by communes and brigades, the semifinished products given to industrial units for fine processing. The building of raw materials bases should be combined with the development of diversification in rural villages, and should be led by planning departments, with the participation of industrial, agricultural, forestry, commercial, supply and marketing, and foreign trade departments in making a raw materials production plan. Next industry, foreign trade, and supply and marketing departments should form direct links with rural communes and brigades to establish raw materials bases. The building of raw materials bases will not necessarily require the use of grainfields. Zhejiang Province has spacious mountain areas, sea beaches, hills, and river flats, which should be fully developed and used, adapting general methods to local situations for the building of various kinds of raw materials bases. In the building of raw materials bases, there has to be an adherence to the principle of equality and mutual benefit. Industrial plants and rural communes and production brigades must be linked together and sign economic contracts, which are examined and authenticated by industrial and commercial administration and management departments, each bearing economic and legal responsibilities. In order to do a good job in the building of raw materials bases, the three echelons of province, prefecture, and county should establish raw materials base funds, allotting money from reserve financial resources to make non-interest bearing loans. Subject to concurrence of fiscal departments, industrial departments and industrial enterprises should allocate some funds for construction of raw materials bases.

The shortage of energy is not a short-term matter, but a long-term one the solution to which lies in conservation. Right now, energy is short, while at the same time energy waste is a common phenomenon. This is very serious in some places and departments. Therefore, it is necessary to implement the pertinent instruction of the CCP Central Committee and of the State Council to devote serious attention to conservation work. There are three ways of doing this. One is inciting the masses so that every individual saves. The second is adoption of economic measures and administrative measures. The third is improvements in wide-ranging economic cooperation. Any ideas which a person thinks he can carry out himself without seeking the help of others are unworkable. In Zhejiang Province, in particular, where processing industries are numerous, and the proportion of market adjustments great, economic cooperation is all the more necessary. In our economic cooperation, we must keep our eye on cooperation to have a flow into the province of raw materials that are in short supply here, in order to enliven production. It is necessary, first of all, to do a good job among prefectures within the province and among departments. Everything must be done in accordance with the principle of equality and mutual interest, mutual exchange between haves and have nots, and use of strengths to make up for weaknesses. Some can supply raw materials; some can provide semimanufactured goods and odd components; others can supply technology and equipment. The forms of cooperation may be diversified, as for example joint industrial and trade, joint agricultural and commercial, joint agricultural and trade, etc. So long as it can promote production and can arouse the enthusiasm of all quarters, any form may be adopted. The focus of cooperation with other provinces lies in organizing the importation of fuel and raw materials, and bringing in of technology and equipment that Zhejiang Province lacks to launch domestic compensatory trade and to receive goods brought in for processing. For this purpose provincial and prefectural cooperation offices should be strengthened and broughtup to necessary strength. In addition, it is necessary to launch economic exchange activities outside the country, and actively get into processing of materials brought in from foreign traders, bring in specimens for use in writing orders, bring in parts for assembly, and engage in compensatory trade and joint capital ventures. The prevailing management system is overly centralized, has numerous links, and a proliferation of procedures. This should be gradually changed. Different projects should be permitted a relaxation of jurisdiction for examination and approval, and a simplification of procedures to enliven the economy.

At the conference, Comrade Li Fengping also said that for Zhejiang's industry to continue stable and protracted development, it was also necessary to intensify administration and management work. He said we should study advanced domestic and foreign administration and management experiences, and train large numbers of administrators and managers in order to elevate the administration and management of Zhejiang's industry, commerce, and foreign trade. There should be a planned dispatch of sales personnel and technicians to rural villages, to other provinces, and even to foreign countries to understand market changes and the needs of consumers, to promote sale of products, and to purchase raw materials. Every means should be used to spread information over a wide area about name brand goods, traditional goods, and high quality goods, using newspapers, broadcasts, television, advertising, trademarks, samples, and explanation booklets. Information should be disseminated not only inside China, but also in the Hong Kong-Macao market and in foreign countries. Once sales work has been enlivened, Zhejiang's industrial output will enjoy wide markets.

Finally, Comrade Li Fengping spoke on the issue of combining scientific research and production. He said that without this provision, continued, stable, and protracted development of Zhejiang's industry would not be possible. The development of both the domestic and foreign economies has more and more demonstrated the importance of science and technology. In maintaining quality and quantity of existing industrial manufactured goods, in developing and increasing output of new goods, and in making technological improvements in enterprises alike, if one departs from science and technology that is like a "blind man riding a blind horse"; it simply will not work. Conditions in Zhejiang are very good in this regard. There is Zhejiang University, Hangzhou University, agricultural universities, medical schools, and the Zhejiang Academy of Engineering. There is also a group of researfch organizations in the Provincial Academy of Agricultural Sciences, and numerous scientists and technicians in industrial and mining enterprises. Zhejiang Province has made achievements in scientific research in the past, and progress has been made in the spread of research results. However, some industrial departments and industrial enterprises give insufficient attention to research, and they do not pursue vigorously the application of research results. Some industrial departments even refuse to use research results. Such attitudes are extremely wrong. Leadership comrades at all echelons must increase their understanding, make full use of the role of scientists and technicians of all kinds, and actively spread the results of research to promote development of production.

Comrade Di Xiwu [5049 5047 2976], the deputy governor, also spoke at the conference.

The Provincial Industrial and Transportation Work Conference began on 6 June and lasted a total of 9 days. Delegates to the conference included leadership comrades responsible for industry in all prefectures, municipalities, and counties, responsible personnel in economic committees and financial offices, and comrades in charge of relevant departments at the provincial level and in provincially operated plants and mines, totaling more than 300 people.

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ECONOMIC REFORM IN SICHUAN PROVIDES VALUABLE EXPERIENCE

Hong Kong CHING-CHI TAO-PAO (ECONOMIC REPORTER) in Chinese No 23, Jun 81 pp 4-7

[Article by Lin Ling [2651 0407]: "Reform of China's Economic Organization Tested in Sichuan"]

[Text] An experiment in reform of the economic organization was begun in China's Sichuan Province in the fourth quarter of 1978. The reform was conducted in accordance with the guiding principles determined by the Third Plenary Session of the 11th Chinese Communist Party Central Committee. The objective of the experiment was to test, without creating a great disturbance, whether the present economic system, with its principal characteristic being highly centralized administration and management, could be transformed to suit the characteristics of China's socialist economy--an economy that would fully develop the regulatory function of the market under the guidance of state planning--to suit the needs of developing productive force and accelerate the advance of the four modernizations.

The biggest drawbacks to our country's economic management system are, for one thing, that authority is too centralized, and for another, in eating from the common pot, enterprises become an accessory to the administrative organ, depending on the superiors to come and move the "abacus beads," and fettering the initiative and activism of the enterprise and the workers. This creates economic rigidity and loss of mobility. Our country has carried out many reforms of the economic system since the founding of the nation, but these involved mainly the delimiting of boundaries between central and local authorities, and documents as to whether the central or the local authority was to control the enterprises. These [reforms] concentrated only on motivating the activism of the center and the locals, and paid no attention to mobilizing that which directly bears a burden of building the socialist economy--the activism of the enterprises and the workers--and so the result was that no matter how much they were reformed, the [reforms] never touched any vital parts of the system and were extremely unsuccessful.

After the smashing of the "gang of four," a movement to liberate thinking was begun in our country, encouraging us to reexamine socialist economic theory in the light of almost 30 years of our practice. Through conscientious discussion, we gradually realized that our socialist economy, besides being a planned economy, is also a commodity economy. Enterprises under the system of ownership by all the people are opposite independent commodity producers. Our country's economy cannot be brought to life until the management system is reformed in accordance with the principles of commodity economics, the principles of socialized large producers, and the principles of socialism, motivating the activism and initiative of the enterprises and the workers. Starting from this realization, Sichuan chose the path of trial reform of the system by taking as a point of departure the expansion of the authority of enterprises to decide for themselves.

The experiment in expanding the authority of enterprises to make their own decisions was conducted initially in six industrial enterprises; in 1979 it was extended to 100 industrial enterprises and 40 commercial enterprises. As of the present, 417 industrial enterprises, 250 commercial enterprises, and a few transport and construction enterprises have been selected as the test base. In this way we will be able to promote reform of the management system in planning, materials, commerce, finance, banking, capital construction, and other fields to a relatively large degree.

The point of departure for expanding the authority of enterprises to make their own decisions is: liberate the enterprise from the fetters of the existing system and make it truly become a socialist commercial producer. To achieve this, we require a developmental process. This process more or less includes: implementing retention of a portion of the profits, appropriate expansion of the enterprise plan arrangements, marketing of products, and expansion of authority in re-production and such areas; implementation of "independent accounting, figuring taxes as profits, and assuming sole responsibility for profits and losses" (here we should explain that with enterprises under the system of ownership by all the people, because the means of production are owned by all the people, most of the enterprise's profits must be turned over to the state; when the enterprise suffers a loss, the state must still guarantee basic living expenses to the employees; therefore, this sole responsibility for profits and losses has a certain relativity); liberate the enterprise from its subordinate relationship to department and districts; and make the enterprise truly able to carry on production management activities independently under the guidance of the national plan. At present a great many enterprises in Sichuan are practicing retention of a portion of the profits, and five enterprises are trying to practice sole responsibility for profits and losses.

There are a great many problems associated with the beginning of expansion of the authority of enterprises to make their own decisions, and the principal of these are in five areas: Should enterprises be given definite planning authority, or should they be allowed to organize production according to the requirements of the market under the national plan? Should enterprises be given specific product marketing authority, or should they be permitted to sell part of the product, including the means of production, on their own in the market? Should enterprises be given specific economic benefits, or should they be permitted to retain part of the profits, depending upon whether management has been good or bad, to serve as enterprise capital? Should enterprises be given the authority for a specific expansion of re-production, or should they be permitted to raise their own capital for development of potential, renew, rebuild, and expand reproduction according to the value of their fund?

Should enterprises be given specific personnel authority, or should enterprises be permitted to carry out their own recruiting of workers and promoting of cadres? The posing of these problems of course touches on the various aspects of the present system and on the traditional theoretical concepts that are reflected in the present system. This will provide a kind of bottom-to-top motivation for the reform of the economic system, and it will provide an objective basis for carrying out the reforms correctly.

After 2 years of experimentation, it is no longer possible to assume that a socialist enterprise can carry out production only according to targets that are like instructions from the state, because an enterprise can set up its own supplementary plans outside the state plan, according to the needs of the market, and can make its own adjustments where the state plan does not suit the need of the market. This without doubt represents a great reform in the planning system. The fetters are of the theory that the means of production are not commodities have already been broken, and except for a few products that have to do with the national economy and the people's livelihood, dangerous goods like explosives, and products that are in short supply, which are still subject to unified purchase and allocation, most means of production go into circulation, and an enterprise can satisfy its requirements either through direct supply contracts or through free purchases in the market. The system of unified purchase and exclusive selling rights has been replaced by several forms of buying and selling, such as unified purchase, pick and buy, negotiated purchase, self-marketing, etc. Enterprises can market a portion of their product themselves, and large shops can lay in stock directly from the factory, without going through the wholesale stage. The core of the reform is the acknowledgement that enterprises under the system of ownership by all the people occupy a primary position as far as the national welfare is concerned, and that they should have their own relatively independent economic interests. This is something that could not be discussed or thought of in the past. Now an enterprise can enjoy a certain profit proportionate to whether the management has been good or bad and can use it to develop potential, renew, rebuild, and otherwise expand re-production as directly related to simple re-production, or to provide increased bonuses to the employees or improve their collective welfare. The principal investment is still controlled by the state, however, and enterprise investment must be appropriate to the guidance of the state plan, bank funds must be subject to control, and norms have been set for any increase in wage funds. The only thing that has not been reformed to any extent is the labor system. Because our country must keep as many people employed as possible, we are not able to select and recruit only the best.

These reforms have caused what has always been considered a resource alien to the socialist economic system--market regulation--to enter into our economic lives and begin to become a powerful force invigorating our economy.

Traditional theory assumes that under conditions of socialism, the law of value has no regulatory function in the sphere of production. After an enterprise formulates supplemental plans according to the requirements of the marketplace and then carries out production accordingly, supply and demand changes in the market begin to regulate the direction of employment of the enterprise's capital, and to transform the enterprise from one working only to complete its duties to one working for the needs of the market. As far as the enterprise is concerned, this is a fundamental change, greatly transforming the situation in which production was divorced from requirements. It shows that the production sphere cannot be separated from market regulation.

Traditional theory assumes that the law of value has a regulatory effect in the sphere of circulation but limits it to the circulation of consumer goods, excluding from it the means of production and thus creating a serious disjointing of supply and demand. This is the same as winding oneself up in a cocoon. The reform has put large amounts of the means of production similarly under the effects of the market mechanism and has brought about a marked improvement in the situation of supply and demand separation.

In the final analysis, market regulation is a question of price. Although we have not yet carried out a reform of the price system, the implementation of market regulation made it impossible that what is now in effect simply a planned price structure would not come into conflict with it. From the present view, this price structure has already begun to disintegrate, and four forms of prices have begun to appear: (1) Fixed prices--principally those means of production, livelihood materials, and a relatively large portion of commodities--still employ prices set by the state. (2) Floating prices--principally those means of production for which supply exceeds demand, such as electrical machinery products, etc.--float under prices set by the state. (3) Negotiated prices--principally a few commodities for which supply cannot match demand--have prices arrived at through negotiation between buyer and seller. (4) Free prices--which are the trading prices in rural markets, and which change with the changes in market supply and demand. This transformation of the price structure will readily allow some prices to rise, but in general its use has for some time begun to alter the situation of deviation between prices and values, opening the way for the full employment of price leverage to encourage the development of production.

The most striking effect of market regulation is that its influence on the economic benefit to the enterprise gets greater and greater, and the economic benefit to the enterprise has already begun to become linked with the competitive capability of its products in the market. When competitive ability is strong, economic benefits are large; when competitive ability is weak, economic benefits are small. In this way, competition, viewed by traditional concepts as a characteristic of capitalism, can appear quite unwittingly between enterprises engaged in the same trade. Market competition is like a formless but powerful propeller, moving the enterprise to produce, at all costs, products of good quality and low cost and of sorts that suit the market, to provide good service, and to obtain the greatest economic benefit, and constantly urging backward units to emulate those which are advanced. Sichuan is one of China's relatively backward districts as far as industrial development is concerned. The quality and variety of local industrial products are far from being the equal of those in the coastal areas. In the past they adopted a policy of protection, restricting products from the coastal areas from entering the Sichuan market, assuming that this would allow local Sichuan industries to develop. However, the result was just the opposite. Now competition has destroyed this protection policy, and large quantities of products from the coastal areas are pouring into Sichuan. People are concerned that local Sichuan industries will lose out in this competition. The facts tell us that competition on the one hand has presented a serious threat to local Sichuan industry, but at the same time it has provided a strong impetus that no administrative force could match: it has encouraged the enterprises to strengthen what they already had, to improve techniques, and to improve management. More and more of the products of local Sichuan industry are beginning to find their own places in competition throughout the country.

Competition has appeared among enterprises under the socialist system of ownership by all the people and has obtained a positive economic result, so it cannot make people wonder whether competition is after all a peculiar economic phenomenon of capitalism, or whether these conditions do exist in socialist production forms. Our country's economic academic circles have come to the conclusion, on the basis of an examination of the history of commodity production, that competition is not associated only with capitalism, but that it is associated with the production of commodities. Where there is commodity production there is competition. In the history of human society there have been small commodity producers, capitalist production of commodities, and socialist production of commodities, so there is competition under small commodity production conditions, capitalist commodity production conditions, and socialist commodity production conditions. Since our country's economy is a socialist, planned commodity economy, the appearance of competition cannot be avoided. However, competition under socialist conditions is not the same as competition under capitalist conditions. Capitalist competition is established on the foundation of the system of private ownership, and it represents competition of conflict between the fundamental interests of capitalists. Competition is like a merciless whip, constantly urging the advance of technology, while at the same time creating an anarchic situation for the development of production, the failure of enterprises, the loss of jobs by workers, and other results. Socialist competition, however, is established on the foundation of the system of public ownership, and it represents a competition of unanimity of the fundamental interests of socialist enterprises. We are completely capable of consciously mastering the laws and, under the direction and control of the plan, eliminating those negative aspects, and retaining and developing the positive. Therefore, socialism certainly does not exclude competition but instead should propagandize the "protecting of competition." This is just what our government is presently doing.

Competition between Sichuan enterprises is drawn from two specific factors. One is a market where supply exceed demand, and the second is that enterprises have independent economic benefits. The second factor is obvious. If an enterprise does not have independent economic benefits but eats from the big pot, it loses their internal motivation for competition. The problem lies in the first factor. In the economic life of our country, there is no question but that there has long been a situation whereby supply have been unable to meet demand, both in the means of production and in consumer goods; sellers of products have been in an advantageous position, while consumers (including consumers of the means of production) have had no alternative choice with regard to most products. "The daughter of the emperor need not worry about finding a husband," and so naturally there could not be any competition between production enterprises. Since last year our country has carried out a readjustment of the national economy, and a situation of supply exceeding demand has developed with regard to some commodities, giving consumers the possibility of a choice with regard to those commodities. The consumers' choice is merciless. This kind of choice is really an evaluation and a reward or penalty for the results of an enterprise's production management. Under such circumstances, the advantageous position devolves to the consumer, forcing the productive enterprise to develop competition in a struggle for the consumer market. As a result, social requirements are satisfied and the economic results for the whole society are improved. It should be pointed out that although a market in which supply exceeds demand is a condition for the formation of competition, the process of supply exceeding demand must be controlled. As for the measures that would be appropriate, this can be regulated by economic organs through the plan and through various kinds of economic levers.

Along with the expansion of competition and enterprise authority to make their own decisions, enterprises have begun to break through the boundaries of trade, territory, and system of ownership and to establish direct lateral realtionships between industrial enterprises, between industrial enterprises and commercial enterprises, between industrial enterprises and agricultural enterprises, between civilian and military industrial enterprises, and between industrial enterprises and scientific research organs, giving rise to many kinds and forms of professional cooperation and joint bodies. Of these, there are joint producers' bodies for joint cooperation in turning out a given product, joint marketing bodies for the joint marketing of products, joint product research bodies for joint cooperation in carrying out the development of new products and new technologies, and agricultural-industrial, or agricultural-commercial bodies for the processing of subsidiary agricultural products. In every kind of joint economic body, there is some process of concentration of production or concentration of capital that has not come to the people's attention, and the professional cooperation and union have given rise to a noticeable new production force. Capitalist professional cooperation and alliances developed out of competition. Free competition elicits a concentration of production and concentration of capital, and when that concentration reaches a certain stage, it produces monopoly, the emergence of alliances of medium and small enterprises, and the annexation of medium and small enterprises by large enterprises, producing trusts, cartels, concerns, and other such monopolistic special cooperation and joint organizations. Will professional cooperation and alliances follow this same route under socialist conditions? Of course not. Because we have a socialist planned economy, the organization of various kinds of joint economic bodies can constitute a unified program, a rational arrangement, and can be carried on step by step in a planned way. However, in the same way, it is impossible to avoid competition within certain limits. Because we can produce only an internal requirement for professional cooperation and alliances by developing competition between enterprises, that alliance can succeed only when the economic benefit of the enterprises is protected and expanded under professional cooperation and alliance. If it is not like this, under circumstances rather in which the enterprises have not felt this need, even to the injury of their interests, joint economic bodies can be forced upon the enterprises by administrative order, but such alliances would only be one of form. We have had this lesson.

Expansion of the authority of an enterprise to make its own decisions brings with it the corresponding problem of who is to make policy on the important questions concerning the enterprise. Our enterprises are socialist enterprises, and from the standpoint of theory it of course is the workers who shoud be the masters in their own house. However, since the enterprise has no authority to make its own decisions, although one may say that the workers are participating in management, they are actually being allowed to complete the tasks that have been handed down by their superiors; they are certainly not taking part in making policy for any of the enterprise's important questions. Expansion of the enterprise's authority to make its own decisions solves the problem of the enterprise having or lacking authority, but after it has the authority, the question of who will exercise it has still not been answered. One of the important questions here is that we must clarify and solve the relationship between enterprise management and the workers. In some socialist countries, there is still a kind of subordinate relationship between management and the workers, and the operating situation of the enterprise is always determined by the management. Yugoslavia practices worker autonomy, and management is responsible to the workers' committee. Starting from the actual situation in China, in some enterprises we conducted experiments making employee representative congresses the highest organ of authority in the enterprise and gradually developed management through election by the employees' congress, with simultaneous appointment by the state. Thus, management was responsible to the employees' congress and also responsible to the state. The employees' congress made policy regarding important questions of the enterprise, and management participated in the whole policy making process and also implemented the resolutions of the employees' congress. This kind of policy making system seems to be more suitable to the present reality of China's enterprises.

In the foregoing we have briefly related several aspects of the Sichuan experiment in the reform of China's economic system. These reforms gave the Sichuan economy a strength it has not had before. Comparing 1979 with 1978, in 84 local industrial enterprises out of the 100 experimental enterprise units, gross product value increased by 14.9 percent and profits turned over to the state increased 24.2 percent--figures higher than those in enterprises not involved in the experiment. In 1980, five enterprises experimentally taking responsibility for profit and loss displayed new vitality. Compared to 1979, their gross product value increased 41.2 percent, profits increased 81.7 percent, and collection of revenues turned over to the state increased 47.6 percent. In industries experimentally retaining a portion of the profits, the rate of economic growth was not as great as in 1979 because of adjustments to the national economy, increased prices of some raw materials, reduced prices of some products, and a general increase in employees' wages. There were, however, striking advances in improved quality, improved economic benefits, reform of the product structure, increased social wealth, and satisfied consumers. This is a complete turnaround from what was required by our former route of economic development of heavy capital construction, light production, high accumulation, and low efficiency. In addition, there was unprecedented progress in matters of the collective welfare of the enterprises, particularly with regard to housing construction, and there were relatively large increases in the income of individual workers. A point was proposed here: The results of the reform of the economic system should not be measured simply by the rate of economic growth for a given time, but should be measured by the degree to which they satisfy the needs of consumers. We should also consider that expansion of the authority of enterprises to make their own decisions transforms enterprises from "beads of the abacus" into organisms with great vitality that can propagate themselves, gives employees real content and a material base for being masters in their own homes, and provides a vast world for the full development of talent among leading cadres, managers, and technical personnel. These changes have more far-reaching significance than any increase in economic results for a single period.

Of course, the past 2 years of experiments in reform of the sytem in Sichuan have not all been smooth sailing. Because of contradictions between new systems that had already been reformed and old systems that had not yet been reformed, contradictions between adjustment and reform, etc., our reforms could not help being faced with many complications and difficulties. However, we have already basically determined the general direction of the reform, that is: to consciously employ economic laws according to the requirements for developing a commodity economy and encouraging the socialization of large production, under conditions whereby the dominant position of the system of public ownership of the means of production would be maintained; to transform the system of highly centralized state policy making to a system of combined policy making by the state, the economic units, and the individual workers; to transform the simple plan regulation to full development of the effect of market regulation under the guidance of the plan; and to transform management of the economy through administrative methods to management of the economy principally through economic organization, economic methods, and economic laws. Therefore we are fully able to resolve these contradictions by summarizing the economic lessons of our experiments in the guidance of the general direction, we are fully able to continue to proceed with the reform experiments in the midst of economic adjustment.

At present, an extraordinarily important problem posed in the course of practice is: when the reforms produced by the expansion of the authority of enterprises to make their own decisions reach a certain point, we must have a further solution of the question of how to strengthen the plan guidance of the whole national economy under the new conditions of market regulation entering into economic life, and to combine planning closely with the market.

The expansion of the authority of an enterprise to make its own decisions and the implementation of market regulation have a positive effect on motivating that enterprise to increase production of products suitable to the market, and on improving economic results, in order to achieve the socialist production targets and satisfy the material, cutlural, and livelihood needs of members of the whole society. However, when state-operated enterprises are relatively independent commodity producers, retain a portion of the profits, and especially take responsibility for profit and loss, the quality of management and the amount of profit have a direct effect on the vital interests of the enterprise and its employees. Therefore, they must not only consider the needs of the whole society in their production management, but they must also consider the interests of the enterprise itself. So, an enterprise might easily develop contradictions with the requirements for the development of the whole national economy in the direction of its production management, in decision to utilize capital is has raised for itself to expand re-production, or in the allocation of bonuses; it might cause redundant production or redundant construction to occur; or it might award bonuses indiscriminately. We are presently encountering these problems. However, the method of solving them is definitely not to hobble the production management activities of an enterprise, but to strengthen planning guidance from a larger angle while continuing to enliven that enterprise, and to combine the interests of that enterprise with the interests of the whole society. For example: an enterprise can carry out production management activities on its own, but it cannot change the production direction formulated by the state for that enterprise, and it must accept state orders for goods and complete the state plan. An enterprise can utilize capital it has raised itself in expanding re-production closely related to simple re-production, but the direction of investment must match the requirements of national development and must undergo comprehensive assessment and approval by state planning organs. Under profitable circumstances, an enterprise can award additional bonuses to its employees or promote them to higher wage levels, but these may not exceed the range of increase specified by the state for total wages. There must be a multichannel circulation for both means of production and consumer materials, and an enterprise can sell a portion of its product itself, but state-operated materials enterprises and commercial enterprises should always be the main bodies of the various kinds of circulation channels. In short, an enterprise's production management activities must satisfy these two conditions: they must suit that enterprise's own economic interests, and they must also suit the requirements of national economic development.

Solutions to the foregoing several problems are easy to talk of but extremely difficult to carry out. We must formulate correct policies, adopt appropriate economic methods, and conduct strict economic legislation and economic supervision to be able to achieve them. In the relationship between planning and the market, market regulation is like a fine horse, and planning guidance is the rider controlling this horse. What we need in a rider is this: although he cannot beat the horse to death, neither can he let it go uncontrolled, allowing it to become a wild horse without reins, running wildly everywhere; he must control it while advancing along the track of socialism. This is a kind of driving skill for controlling a commodity economy under the socialist system. Learning this kind of driving skill is difficult, but it must be learned, for otherwise we will have no way to maintain the correct direction or to realize the objectives of reform of the economic system.

In the midst of the reform experiments, we solved the problem concerning what relatively independent economic interests an enterprise under the system of ownership by all the people should have and we devised and tried several forms of allocation of profit between state and enterprise; all of this constituted a great breakthrough in both theory and practice. If an enterprise has its own economic interests, it will have an internal economic motivation, and the whole economy will have vitality. However, just as can happen in the development of any matter, no sooner are old contradictions resolved than new problems arise. For its own development and growth, an enterprise must always increase the proportion of profit retained; however, state finance departments are then afraid that the enterprise will get more and reduce the income of public finance. These contradictions tell us that it is not enough just to acknowledge that enterprises under the system of ownership by all the people ought to have relatively independent economic interests. We must formulate rational restrictions on the amounts of profit allocations between state and enterprise. Speaking concretely, even after an enterprise has been changed from the system of uniform receipts and expenditures to retention of a percentage of profit or responsibility for profit and loss, there must be a clear delineation as to what portion of the simple receipts that is has created should be concentrated with the state and what portion retained by the enterprise, as well as which expenditures will be taken care of by the state and which expenditures are the responsibility of the enterprise. This should all be done so as to guarantee the the primacy of the state's interest and also guarantee a reasonable interest for the enterprise.

On the basis of these requirements, we suppose that under conditions where an enterprise is responsible for profit and loss, expenses for maintaining simple re-production, expenses for carrying out expansion of re-production closely connected to simple re-producttion, expenses for conducting matters relating to employee' collective welfare, and employees' wages and bonuses can all be considered to be paid by that enterprise. To encourage the activism of the enterprise it should retain a part of the profit obtained as a result of improved production and economic management. The actual method of allocation should be: the above-listed items should first be deducted from the net income of the enterprise, and the portion that is left will be subject to the collection of industrial and commercial tax, income tax, fixed asset tax, resource tax, and other various kinds of taxes that will be paid over to the state. Having gone through this distribution, how much of the net income created by an enterprise will be given over to the state and how much retained by the enterprise will emerge as a rough proportion. Judging by recent circumstances, the size of the ratio of profit retained by the enterprise is limited only by whether or not public finance is able to recoup from the increase in enterprise profit for that year. Only in this way will the reform of the economic system be able to develop healthily within a stable increase in state finance receipts or under conditions where, although receipts do not increase, disbursements are correspondingly reduced.

On problems related to economic interests, besides the contradiction between state and enterprise, contradictions have also appeared between one enterprise and another. In the past the profit of each enterprise, no matter hwo large or small, was all turned over to the state, so there were no differences in interest between enterprises. Since the reform, however, the income of an enterprise has been shifted to how much profit that enterprise makes, and the differnces between enterprises have vecome evident. This illustrates a condition that we often refer to as "hardship and happiness are not divided equal." There are subjective reasons and objective reasons for hardship and happiness being unequally divided and what we will discuss here are the unequal objective conditions of enterprises that result in that inequality of hardship and happiness--such as prices not being set rationally enough, great differences in the level of technical equipment, different degrees of abundance or lack of natural resources, etc. Because, on the one hand, objective conditions are unequal, but, on the other hand the same yardstick is used to measure enterprises economic results, using a single ratio to recover profit for retention gives those enterprises with the best objective conditions an excess profit that they did nothing to create; in the case of other enterprises, disadvantageous external conditions may cause them to go uncompensated for their efforts. These irrational circumstances have a serious influence on the activism of some enterprises and weaken the effects of the reform. We are now striving to change such kinds of circumstances. Practice tells us that the creation of external conditions that are for the most part objectively equal for the enterprises is a basic requirement for the implementation of reform of the economic system. Moreover, this requirement can be realized only in the midst of reform, and the most important part of this is reform of the price structure and the tax system. Reform of prices is extraordinarily difficult, however, and with our country presently in a period of economic adjustment we should be even more prudent. Under these circumstances, we must find some interim method to solve the probelm of the unequal division of hardship and happiness in the economic interests of enterprises.

The economic management system is an integral whole, and the production, circulation, distribution, and consumption systems, etc., are each one aspect of this whole. Moreover, they are linked to one another. They combine in a network that is difficult to loosen or to separate. When you pull one link, it moves everything. Because of this, the reform of the economic system must be linked to form a whole. It will not do to simply conduct a reform of one aspect. The 2-year reform experiment in Sichuan was like this: starting with the expansion of an enterprise's authority to make its own decisions, the reform of several aspects, production, circulation, and distribution, was conducted in mutual combination. Of these aspects, distribution is the core of reform, for without reform of distribution, other reforms are meaningless. Moreover, without reform of production, circulation, etc., reform of distribution cannot be effected. There is one view that says that the reform of a country's economic system must be "complete" and "simultaneous"; otherwise there is little chance for success. Reform of enterprise management can be conducted only after the external conditions of the enterprise have been provided for; otherwise it will create confusion. For this reason, reforms must begin with the formulation of a complete, overall program, and after formation of the program, it should be implemented simultaneously, in every area, throughout the country. There is a certain sense to this viewpoint. Without experimental reform of a part, however, the complete overall reform program will not be successful. In a country like ours of almost 1 billion people, there is no way to implement reform simultaneously throughout the country, even if we begin very early in the morning. Therefore, under conditions in which the overall program has not yet been designed, the reform can first consider small systems, later medium-size systems, and finally big systems. In the plan carried out in Sichuan, beginning with the expansion of the authority of enterprises to make their own decisions, the reform of materials, commercial, and finance organizations was in reality a small system. The later implementation of enterprise responsibility for profit and loss, with the need to carry out simultaneous reform of the price structure, the tax structure, and other aspects, could be a medium-size system. Finally, enterprises still had to be liberated from departmental and district subordination and conduct economic management independently, requiring simultaneous reform of the whole economic guidance arrangement; this could be a kind of large system. In short, it will not do to carry out reform except by systems, but neither will it do to make further changes once a system is complete. The complete reform program includes the theory of reform and the direction dictated by principles, the specific requirement for reforming each kind of organization, as well as the procedures, forms, and methods for implementing the reforms. These are all necessary to for successful reform, but this kind of program must start with the realities of our country and be truly a Chinese type. The procedure, form, and methods of implementation must be positive and safe, and be a gradual transition, to ensure that every reform measure will have a positive effect on the development of production.

The Sichuan experiment in reform was carried out in the midst of our county's readjustment of the national economy. Economic readjustment has destroyed some of the shortage situations that have existed for a long time, whereby the supply of commodities fails to meet demand, and has made it possible to employ the market mechanism to develop competition in economic reform. However, because of the economic readjustment, the production tasks of some enterprises were inadequate, and there was no way to implement the reform. At present, it is absolutely necessary that readjustment be the central task of our national economy and that reform serve readjustment; otherwise there will be no way to overcome the serious difficulties facing our economy.

Taking the long-range view of the problem, however, the fundamental solution for our economic development still lies in reform. The present readjustment is for the sake of establishing the conditions for complete reform in the future. One view is that we carried out readjustment because reform is wrong, but this is completely erroneous. There is nothing wrong with reform. If it had not been for the reforms of the past 2 years, we would not have the present good situation. On the contrary, because of the influence of long-time "leftist" errors in economic work and mistakes in economic policymaking, there has been a serious proportional dislocation influencing the reform. There is also the view that with readjustment as the central task, we should not carry out reform; this too is incorrect. Some reforms might influence the readjustment, but will on the contrary advance it, and some readjustmants could not have any beneficial result without undergoing reform. Therefore, in the readjustment, all reforms beneficial to the readjustment must be carried out actively, so as to encourage readjustment through reform.

At present, the reforms we are emphasizing are: While continuing to revitalize the microeconomy, strengthen plan guidance for the macroeconomy. This is completely consistent with the centralization and unification required by the readjustment. Utilize advantageous opportunities in the readjustment to accelerate the pace of professional cooperation and association. It is perfectly possible to combine this with the closing down and simultaneous shifting of some enterprises. Actively advance the internal reform of the enterprise, the reform of the product structure, and the reform of the guidance system, for this is what is required by the transformation of our production and construction policy, Carry out experiments in responsibility for profit and loss within a certain sphere, and obtain even better experience, as is required to prepare for the adoption of future new reform procedures.

Reform of the economic system is where our hopes for carrying out the four modernizations lie. The experiment in reform of the Sichuan economic system will move forward unswervingly.

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[Article by the Chegdu measuring instruments and cutting tool plant: "On Further Improving the Management and Administration of Enterprises in the Course of Readjustment"--slantlines denote boldface type]

[Text] It was in 1979 that our plant first began to expand its autonomy on a trial-point basis. Since then we have enjoyed varying degrees of autonomy in the six different sectors of personnel, finance, resources, supply, production and marketing. The autonomy served as the motive power for us to arouse the enthusiasm of the workers, promote the development of production, enliven our economy and raise our management and operation to a new high level. Over the past 2 years, we have objectively grasped the following:

/1. Enforcement of an economic contract system within plants./

Following the expansion of our autonomy, we enforced an economic contract system within the plant, based on the characteristics of our production operation activities. The contractual requirements specified that the workshops carry-out "four fixes" and "three guarantees," namely, fixed personnel, fixed machine tools, fixed average working hours' remuneration for advanced workers and fixed production time and production quantity; and guaranteed product variety and specifications, guaranteed product quality and quantity and guaranteed profits. The functional section also imposed on the workshops a system of "10 responsibilities." The responsibilities were for: supply of raw materials and subsidiary materials; supply of workshop equipment; repairs and upkeep of equipment; accuracy and completeness of specifications for products; accuracy, completeness and available use of all technological documents; supply of electricity, water, air and gas; suitable deployment of manpower and punctual availability of fixed working hours; timely issuance of production plans and instructions; provision of safety protection equipment and measures; and timely inspection of the production process and final inspection of the product. Awards were also fixed for overfulfillment of contractual tasks; while for failure to fulfill contractual tasks, penalties according to a fixed schedule are made and those responsible for heavy economic losses are severely punished. These measures ensure the smooth fulfillment of contractual obligations.

The implementation of the economic contract system within plants had changed the administrative relations and service relations between the sections or offices and the workshops and between the supplementary workshop and principal production workshop into economic relations. It has strengthened the sense of responsibility on the part of the workshops, sections and offices of the plant. For example, in the past when there was some trouble with the supply of electricity to the production sector, it could be left unattended to for some time even though the cause was one arising within the plant. But with the economic contract system within plants in force, the rule is that any such incident should be settled within half an hour. Even if the cause is an external one and cannot be fixed immediately, some measure must be brought up to deal with it, otherwise the party concerned will have to bear the economic responsibility. This has forced the plant's motive-power section to be constantly on the watch over the electricity supply system, frequently inspecting it and keeping it in good repair. In the case of trouble, it is attended to at once irrespective of the weather conditions. In this way, the implementation of the economic contract system within plants means the simplification of the procedure of control on the part of the plant's principal administrative section. On the one hand, the workshops are responsible for the economic effects of their operations and on the other hand the functional section or office must provide the necessary production conditions for the workshops. The responsibilities of both sides are clearly marked and there is a basis for making either penalties or awards. In turn, the planned character and serene nature of the economic work of the enterprises is augmented, the efficiency of production organization work is raised, and the normal progress and development of production is ensured.

/2. Implementation of an internal economic accounting system and formulation methods of distribution in accordance with reality./

The workshop is the basic unit for the organization of production within an enterprise. In enforcing relatively independent economic accounting methods in the workshops, sections and offices, we have closely knitted together the relationship between the workshop's authority, responsibility and profits and the economic effect and this in turn has aroused the enthusiasm of the workshop and strengthened the management and operation of the enterprise. The independent accounting in our workshops, sections and offices is carried out under the principles of a unified plan, unified fixed quotas, unified prices, unified tax rates and profits, and a unified method applicable to the plant as a whole. 1) All products of the workshops, sections and offices are regarded as commodities for which accounting and planning of one's own profits and losses is carried out. 2) Business transactions within the plant are settled or transferred as normal debit or credit entries in accordance with the internally planned prices. 3) The former practice of charging losses due to stockpiling and extravagance to the gross production cost has been changed to hold the workshops, sections and offices individually responsible. Losses arising out of rejection due to quality problems are charged to the production cost of the production workshop. 4) Fixed assets and circulation capital used by the workshops, sections and offices are all treated as compensatory, or uses requiring compensation. Thus, to make the workshops, sections and offices strengthen control of their funds and to avoid state funds lying idle or being wasted, the rule is that the workshops, sections and offices should pay to the plant a "tax levy" on the use of the fixed assets and also pay interest on the circulation funds held (2.1 per mill within the norm; 4.2 per mill above the norm; and 8.4 per mill for withholding or allowing an excessive amount to lie idle). In this way, the departments concerned are forced to make effective use of the equipment and funds and curtail their withholding or waste of funds.

The implementation of independent accounting has produced clear-cut economic results. Take, for example, the case of equipment sealed for safekeeping and reducing expenditure. In 1979, the value of equipment sealed for safekeeping was 1.88 million yuan whereas in 1980 it was found to have reached 2.18 million yuan. In former years, external printing expenses had amounted to 80,000 to 90,000 yuan a year but in 1980 the actual amount expended on them was only 10,000 yuan. In order to strengthen the accounting of the workshops' production results and to ensure the marketability of the products, we enforce the ruling that the value of products of which there is a glut produced by the workshops outside the plant's plan should not be counted but the production cost should be counted and in addition that the workshops should bear the economic burden for any stockpiling or funds that lie idle on account of this phase of the output. An interest payment of 4.2 per mill is charged for withholding funds from use and additionally a management fee must be paid. The purpose of this is to make two workshops refrain from engaging in production blindly and make them pay due attention to the requirements of the market. In the past, the supplementary workshop bore no economic burden for the production of rejects and the production cost of such rejects was lumped on the production workshop. Economic accounting now rules that each must take care of its accounts separately and each must bear its own economic responsibility. This has forced the supplementary workshops to strengthen their management and control, to pay due attention to the quality of the products, and to do their utmost not to turn out rejects or substandard products.

To enable the rigid enforcement of economic accounting, we have also provided the workshops, sections and offices with certain economic power. This gives the workshops (sections and offices) the power, on the logical premise of first ensuring the fulfillment of the plant's entire plan and subject to the approval of the production section, based on the demands of the market, to organize the production of additional products or to offer labor and services to society. With regard to the newly added and marketable products, the workshops are entitled to retain within a specified period a rather high proportion of the gross profits as a foundation fund for future development of production. The workshops are given the authority to determine the distribution of the foundation fund. In addition to distributing it to their various sections or directly to the workers on the basis of the conditions upon inspection of the fulfillment of the targets, they have the authority to retain a small portion of the funds to serve as special awards or as subsidies to the employees and workers in need.

Based on the independent economic accounting provisions for the workshops, sections and offices, regulations covering the conferment of awards have been formulated. In 1979 we adopted the method of distributing the award funds which were made up of the "basic awards" plus an award for exceeding the planned profits. This method was meant to make use of economic benefits to eradicate the past one-sided trend of simply seeking value and quantity in production, disregarding the waste of raw materials, and disregarding the economic effect. At the same time, the good or bad performance in the management and operation of the workshops directly influenced the amount of funds available for making awards. In 1980, we took a step further to improve the method of distribution and adopted one calling for the percentile distribution or retention of a percentage of the gross profits from each month's production from the production workshops; the supplementary workshop can retain a percentage of the gross amount of reductions on the production cost; while the functional section or office can set aside funds for a sinking fund on the basis of the gross amount of profits from the sales volume of the current month. To solve the contradiction arising out of the failure to abide by the principle of more work more pay due to the fact that prices do not always coincide with actual value, we have adopted remedial measures which, when determining the percentage ratios due to the various workshops, take into account the requirements of society and the actual benefits received by the workshops. In addition, concerning cases in which changes in the structure of commodities has brought about diminishing sales and considerable reductions in profits in comparison with usual practice in the past, the workshops concerned are given some form of compensation in respect of their products which are in short supply subject to the provision that this has no effect on the gross sinking fund available for distribution. Moreover, in business accounting this year an item under the heading of working hours has been added. This has helped to solve the problem of disparity of joy and hardship in the percentile distribution or retention. It makes the distribution of the benefits more rational.

/3. Firmly implement the party's policies and arouse the enthusiasm of all types of personnel./

Following the expansion of autonomy, enterprises have a certain amount of power concerning the appointment or dismissal of personnel. Over the past few years, we have exercised this power in connection with the appointment and dismissal of our middle level cadres. We have selected a batch of young and healthy people to fill the posts of cadres of middle level or above. The original team of leadership cadres of middle-level or above has been reshuffled and replenished. In particular, we have made special efforts to appoint engineering and technological personnel who are good in organization and leadership work to fill leadership posts at various levels and encourage them to give full play to their talents. The selection of young and strong engineering and technological personnel to strengthen the leadership circle produced the effect of arousing the enthusiasm of the engineering and technological personnel, making the team of cadres young and energetic, specialized, intelligent and well informed, and promoting technological renovation and technological restructuring work in the enterprise.

/4. Cultivating the operational ideology and opening up wide the road to production and marketing./

Following the expansion of autonomy, it is obvious that with the increase of revenue to the state as a prerequisite, whether or not it is possible for the group to be more benefitted and the individual to receive more income depends entirely on whether more profit can be made which in turn depends on increased production and increased sales. In 1979, production orders from the state amounted to only 16 million yuan, or roughly 30 percent of the gross value of the plant's annual output. In 1980, these orders amounted to only 18.5 million yuan, or 38 percent of the gross value of the plant's annual output. This year, there were no such orders from the state at all. As a matter of fact, with the economic readjustment work in progress, the whole machine building industry is short of production orders.

For our part, there is now a glut of many of our major products which we can produce on a large-scale basis. But what the market actually needs is products that are in short supply. Our production of this category of products is small and besides, the required skills to produce them are rather complicated while the production cost is high. Moreover, with regard to the sale of these products competition from our contemporaries is keen. However, on account of our expansion of autonomy, we have taken up the burden of looking out for our own interests. We have decided on the policy of shaping production according to market demand. For example, the workshop turning out percentage meters has found that the market cannot absorb more of this product and its sales have slackened. Accordingly, it has turned to producing new products which its present equipment and technology can easily handle, such as tools for measuring the changes in position of the ceilings of mining tunnels, measuring tools for wheels of railway wagons, leather meters and so on. The workshop making drills and screws has boldly reformed its skills, readjusted the load capacity of its equipment, and is turning out hand-operated drills in quantity and has managed to change losses into profits in the manufacture of this item. This has fulfilled market needs and the workshop has found a way out even in the face of severe competition. Some of the workshops have learned the special needs of certain users and have undertaken to turn out special products complying with the customers' specifications. Some workshops even go so far as to produce goods at the customer's request, goods which provide a slim profit margin but involve a high labor cost. In sales and marketing, we pay special attention to making market forecasts. We augment our sales services and build up special sales relationships. We hold sales sessions to solicit orders and engage in much sales propaganda work for the products, in an endeavor to promote direct sales by ourselves. To increase the competitiveness of our products, we have reinforced the work on quality control. In the manufacturing process, starting from the receipt of the raw materials and ending with the end-products coming onto the market, each and every step on procedure is subject to rigorous quality control, and very commendable results have been achieved. For example, our straight-handle twist drill bit and percentage measuring meters have been awarded by the state with a gold badge and a silver badge respectively, while six of our major products have been acknowledged by the First Ministry of Machine Building as "products of reliable quality." This year, altogether 12 varieties with some 190 specifications of products have been sold to some 10 countries and areas in America and Europe. The gross value of the volume of sales reached 10.3 million yuan. Since the expansion of our autonomy, despite the steadily diminishing orders from the state, our direct sales have been steadily increasing. Last year, not only were all the products that year sold out but also some 2 million yuan worth of quality products which had been stockpiled in the warehouses were sold.

/5. Tap potential, renovate and restructure, and expand the production capacity of products in short supply./

What is stated below also illustrates the motivation provided to us by the expansion of our autonomy. Over the past 2 years, we have made use of the financial power and material resources derived from this source to newly build a workshop and an oxygen and nitrogen chemical section which have greatly helped to improve the quality of our products. We have also expanded the workshop for making straight-handle drill bits and taper-handle drill bits and the area of the compound for making gauge blocks. The cost of expanding the workshop for making the straight-handle drill bits reached nearly 600,000 yuan, but the production capacity of the workshop was thus increased from 18 million sets originally to 30 million sets now. At an average profit margin of 0.19 yuan per set, the entire investment cost can be recovered within half a year, if the production capacity develops normally. In addition, we have taken note of the actual market needs, tapped our production potential and increased the output of products which were in short supply. For example, last year we put into production articles which had been scantily produced before such as broad-angle squares, standard-angle squares, lever micrometers of 1/1000th scale, and lever micrometer callipers. We also actively trial-produced other new products and improved on certain old and established products.

/6. Strengthen political and ideological work and correctly handle the three "three-in-one combinations."/

After the expansion of our autonomy, in addition to making use of material benefits to arouse the enthusiasm of each unit and the staff and workers of the plant, we have also laid special emphasis on political and ideological work for each person and taken political and ideological work as an important constituent part of enterprise management which must be knitted together with modernized production. Since the expansion of our autonomy, we have started to arouse the enthusiasm of the individual and in ideological education, we have paid special attention to correctly handling the relations between the three "three-in-one combinations," namely, 1) relations between economic measures, political work and administrative measures; 2) relations between power, responsibility and benefit; and 3) relationships between the state, the collective and the individual. We believe that the expansion of enterprise autonomy is an economic measure to arouse the enthusiasm of the people, but an economic measure cannot replace political and ideological work or the necessary administrative control. Hence, while firmly insisting on the principle of material benefits, we simultaneously emphasize the full display of the demeanor of communism and have organized a labor production emulation campaign for the entire plant and also an eight-team competition among the sections and offices. We urge making contributions to the four modernization and by means of public appraisal, have chosen pacesetters to pursue this objective. We realize that in strengthening our political and ideological work we should not overlook the need to give the necessary administrative directives otherwise it is not possible to complete the entire task.

In our political and ideological work, we make our staff and workers understand, and correctly assess, the relations of interest between the state, the collective and the individual. After having fixed the tasks for the entire plant this year, we have suggested to the staff the following targets: the profit remittances to the state this year should reach 17 million yuan; the amount retained by the plant should be 3.06 million yuan; and concrete arrangements should be made for the portions available for rewards such as building staff dormitories and collective welfare work. At the same time, it has been strongly pointed out that to achieve the objective of remitting 17 million yuan to the treasury, the gross value of output should reach 52 million yuan and that to justify a retention of 3.06 million yuan, the profits must reach 17 million yuan. This is to make the staff understand that only when the interests of the state have been taken into account can there be benefits for the collective and for the individual. As for the correct handling of the relations between power, responsibility and benefit, it has been especially emphasized that we should not merely talk about benefit and neglect responsibility but that on the basis of a definite amount of authority, there must first be a sense of responsibility. It has further been stressed that expanding autonomy is not tantamount to increasing monetary income but rather increases responsibility. Accordingly, we have adopted the following principle: that economic benefits are determined by the economic effects while economic effects are in turn determined by economic responsibility. We demand that each and every level should be held responsible and that for each and every job there must be someone responsible.

Summarizing the above, it has been found that under the direct leadership of the provincial and municipal party committees the expansion of our plant's autonomy has progressed relatively smoothly and achieved rather obvious economic results. Take for example the profit remittances to the treasury. In 1978, before the expansion of our autonomy, our profit remittances to the treasury amounted to 13.5 million yuan. In 1979, the year when the autonomy of our plant was first expanded, it rose to 17 million yuan, a net increase of 3.5 million yuan. In 1980, the readjustment of the national economy was in progress and as a result the whole machine building industry was in a state of "operating below capacity," but because of the expansion of autonomy, the profits were still found to be 14.5 million yuan, a net increase of 1 million yuan over 1978 when the expansion of autonomy had not yet been implemented. These statistics clearly indicate that the expansion of the plant's autonomy has brought about new changes in the management and operation of the enterprise. It has instilled new vitality into the enterprise unit and helped the enterprise to raise its economic efficiency. Great prospects for future development are thus envisaged.

Nevertheless, a review of the work on expansion of autonomy conducted over the past 2 years has revealed the emergence of many problems. Some of these problems have arisen because ideologically we have fallen behind and because while even better results could have been reaped, we have failed to realize them. More importantly, objectively speaking, certain regulations at present are restricting the fruitful results of the expansion of autonomy. If these problems are not solved then the reform of the economic structure cannot be penetratingly carried out and effects of the expansion of autonomy cannot be augmented or attain great development.

In order to push further the expansion of enterprise autonomy, first of all we should further arouse the enthusiasm of the people. We should provide the enterprises with more of the necessary power of handling personnel. They must be given greater authority on such matters as staff remuneration, appointment and dismissal.

Originally, the expansion of autonomy concerned profit distribution (percentile retention of profits) and what principally affected the individual was the matter of awards. But speaking from the standpoint of material measures, depending on making awards alone is not sufficient. As a matter of fact, at present, due to the combination of various factors, enterprises which have produced good economic results are not necessarily in a better position in the matter of awards than those enterprises which have produced good economic results are not necessarily in a better position in the matter of awards than those enterprises which have put on a poor performance. Moreover, the state has enforced certain regulations covering awards with the result that the distribution of awards has tended to become more or less equalized.

In our opinion, to solve this problem we should endeavor to allow the scale of salary and wages to reflect the caliber of the management and operation of an enterprise and the economic effect. Unfortunately, the present system of the state exercising unified control over salaries and wages is out of joint with, and even runs contrary to the operating conditions of an enterprise. If an enterprise has the power to determine the increase or decrease in the salary and wages of the staff members, then it will be possible to make better use of material benefits to arouse the enthusiasm of the individual. It will also be possible to greatly increase work efficiency and eradicate such phenomena as overstaffing and irresponsibility.

An enterprise must also have the power to cut down redundant personnel, as a measure to increase its economic effect. At present, the enterprises appear to have a rather large number of redundant personnel whose existence objectively speaking restricts the raising of the labor efficiency rate. Naturally, suitable arrangements must be made for those personnel relieved of their posts and we should be careful not to create any serious social problems in this connection.

Second, from the macroscopic point of view we must now endeavor to strengthen the leadership work over the autonomy of enterprises and through the adoption of a sound economic policy determine which type of enterprise to support and which to restrict. We must refrain from the former practice of the departments in control making all the concrete production plans for the enterprise units. In our opinion, with the expansion of autonomy on the part of the enterprises, more rigid and higher demands must be made of the departments in control. Perhaps it may be appropriate to describe the work expected of them with the following words: "service, overall planning, coordination and supervision."

Third, an economic ordinance must be formulated and also concrete policies and measures must be formulated which are in line with the guiding principles. Concretely speaking, 1) A unified statute (basic law) covering industry must be instituted. The establishment of a plant must strictly abide by existing laws and regulations. Violations should be prosecuted by law. 2) With regard to which products are to be promoted and which are to be restricted, we should so regulate them by means of price variations. Economically, we should restrict the production of goods the sales of which are stagnant and that will ultimately be stockpiled. For the blind production of goods resulting in economic losses, the responsible persons must bear the economic burden. 3) The quality standards of the products must be strictly implemented. There should be no production of goods whose quality is not up to specifications and any such goods produced should not be put on sale. Enterprises turning out sub-standard goods should bear the economic responsibility for them. 4) The use of funds must be kept under strict control. Banks must be allowed to exercise their power of independently supervising and controlling the use of funds. They should have the power to stop further loans to, or impose heavy interest rate on, enterprises which have retained for their own use funds in excess of the limit. 5) A law of contracts must be instituted. All enterprises and government industrial departments must be governed by this law of contracts and bear the relevant economic responsibility.

By means of economic legislation and appropriate economic measures, we can avoid all unnecessary interference and place the enterprises truly in the position of relatively independent producers of commodities, and make them treasure such a position for the sake of their own interests. In this way, the state will be able to smoothly make the enterprises obedient to the central task of readjustment and to enable the reform of the economic structure to progress smoothly.

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FINANCE AND BANKING

ROLE OF FINANCE, TAX SPECIALISTS IN CHANGING ECONOMIC SYSTEM OUTLINED

Beijing CAIZHENG [FINANCE] in Chinese No 7, 5 Jul 81 pp 31-32, 12

[Article by Bao Youde [7637 0645 1795], Pei Shian [5952 0013 1344]; "Our Views on the Real Duty of Finance and Tax Specialists in the New Situation"]

[Text] What is the real duty of finance and tax specialists? This is a controversial issue that has not been settled over the past 20 years and more since the start of state-private ownership. With a view to adapting ourselves to the new circumstances, we have held many disscussions since last year on the real duty to be performed by finance and tax specialists in the new circumstances. Some say they should concentrate their energy on "supporting, helping and promoting." Others think their real duty should consist in "inspecting, supervising, and collecting." Still others advocate playing an all-round role and alternating "supporting, helping, and promoting" with "inspecting, supervising and collecting." Below we set forth our fairly concentrated views for discussion with our comrades.

1. What are the new circumstances confronting the financial and taxation work?

Along with further implementation of the 8-character policy centered on readjustment of the national economy, many new problems and new circumstances have arisen in financial and taxation work. As far as the textile and instruments-meters industries covered by the second Shanghai tax sub-bureau are concerned, three main changes have taken place: (1) In the economic system, there have appeared industrial companies, combined industrial-commercial enterprises, jointly operated industrial-argicultural enterprises, jointly operated state-collective enterprises, workshops at state-run plants separated into collectives, and the new economic form of joint Chinese-foreign ventures now being negotiated. (2) Change in the mode of operation. Operation of enterprises has branched out into following lines: processing imported materials, developing compensation trade, setting up sales departments of industrial enterprises, charging technical aids to other enterprises under regional cooperation plans, and expanding floating prices and self-fixed prices among prices of plant products. Instruments and meters enterprises have carried out internal adjustment of prices. (3) Change in the financial system. Five branches of the instruments and meters industries have put into effect the system under which they retain a portion of their profits. Excepting the abovementioned enterprises which account for 85 percent of total number and 90 percent of the financial resources, and which have put into effect the system of profit retention, all the other enterprises have put into effect an enterprise fund system.

All the above changes boil down to one point: gradual expansion of enterprises' power of self-management. The relationship between enterprises which deliver profits to the higher authorities and the state finance which allocate funds is undergoing changes. Although such changes have just begun, tax collectors are already confronted with a contradiction between enterprises and state financial departments fighting for profits. Some enterprises which want to retain more profits and grant more bonuses devise ways and means to put into production cost the expenses that should be defrayed out of their retained profits, and keep sending more and more applications for tax deduction and exemption so as to increase their profits. They invent all kinds of names as pretexts for "squeezing tax and digging up profit." If tax and finance personnel disregard these changed circumstances and cling to the old notion that "the meat is in the pot anyway," it would be difficult for them to bring into the treasury the full amount of profit tax that should be collected. Circumstances are forcing us to ponder seriously over what is the duty-bound job to be done by tax and finance personnel and what should be done by enterprises and the competent departments without its being monopolized by the tax and finance personnel. In this respect, if we face the reality and seriously look back on the past, then we shall find it not difficult to settle the question--what is the duty of tax and finance personnel--that has been discussed for some 20 years.

2. Our understanding about the guiding thought underlying the duty of tax and finance personnel in the new situation.

We think that in the new situation the guiding thought underlying the duty of tax and finance personnel is to achieve the four modernizations. For the present, they should serve the purpose of implementing the readjustment policy in their work, and adhere to the socialist direction, and acquire a political viewpoint, production viewpoint and mass viewpoint. They should strengthen financial supervision, promptly bring taxes on profits into the treasury in full amount, and contribute their part to eliminating financial deficits. In this respect, we must observe the principle that economics determines finance and finance in turn reacts on economics, promote production by performing the inherent function of the socialist finance, and serve production.

As to how to apply the inherent function of finance in promoting production and serving production, we think the following points should be grasped: (1) Financial and taxation policies, decrees, and regulations should be formulated in such a way as to benefit the development of production. (2) Budgets of revenue and expenditure should be worked out in such a way as to benefit the development of production and gradual improvement of people's livelihood. (3) In managing finance and taxation, investigation and research should be conducted, experiences summed up, and the development of production more effectively stimulated. (4) Enterprises should be urged to keep raising their business accounting level. (5) Financial and taxation policies and decrees should be applied in strengthening financial supervision and combating violation of financial discipline. The objective is to insure implementation of financial policies and fulfillment of the financial tasks.

In short, the real duty of finance and tax personnel may be clearly divided into three main points: (1) Determine a starting-point--everything for the four modernizations. (2) Establish a foothold--basing themselves on their real duty and playing their role by performing the inherent function of finance. (3) Determine the end-result--striving for fulfillment and overfulfillment of the revenue targets.

3. Our concrete views on the real duty of tax and finance personnel.

As the saying goes, "The gong beater and the candy pedlar each has his own trade." Not to define clear-cut duty requirements that can be checked and examined is to deny the necessity of social division of labor. We maintain that the job requirements to be met by tax and finance personnel are to do a good job in two spheres: "raising funds" and "reflecting supervision." In other words, they are required to do a good job in "three checks, two management's, and one-collection."

"Three checks" means "inspection, examination and investigation." (1) In accordance with state financial policies and decrees, they should exercise supervision and carry out inspection with regard to enterprises. Such is the duty-bound task of tax and finance personnel, a task no other department can perform on their behalf. They should inspect whether profit tax is fully and promptly paid, how the financial discipline and system are implemented, and how various types of funds are managed and used. (2) Where necessary, they should examine how enterprises deliver profits to the higher authorities and receive allocations from the higher authorities. This is an important link in exercising financial supervision and guarding the financial pass. With enterprise power expanded, more and more things are appearing that require certification, affixing of seals, and declaration of intention by the financial authorities. Moreover, all these things involve the interests of the state, enterprises, and workers. Therefore, inspectors are increasingly required to follow policy and meet work requirements more thoroughly. What should be inspected includes the following: Applications for deduction and examption of tax payments, compensation for losses, write-off of property, compensation-loss allocations and transfers, retention of profits, loans, repayment of loans, as well as enterprise projection of financial costs, and various accounting tables and reports. (3) They should regularly investigate and study the new circumstances and new problems arising from changes in the financial source and from economic growth, so as to keep themselves informed of the circumstances, follow the trends, study measures and reflect developments promptly.

"Two-management's" means, internally, managing taxation and, externally, supervising and urging enterprises to strengthen their financial management. Emphasis should be laid on the former. Internally, management of day-to-day taxation work should be strengthened, normal work order established and perfected and the necessary foundation work overhauled and strengthened to supervise tax payers. In practice, we are of the opinion the day-by-day management of taxation may be concretely divided into ten items: "collection of tax payment, supervision over delivery of profits, projection of income, deduction and exemption of tax payment, return of income to treasury, examination of tables and reports, check-up on finance and taxation, handling of vouchers and receipts, making notes on handbook, asking for instructions and submitting reports." If is necessary to guard against tax arrears, delaying of tax payments, and tax omissions, and to insure prompt fulfillment and overfulfillment of the revenue targets. In short, the real duty of tax and finance personnel must have a relative "limit" in scope and a relative "bottom" in requirement. Everything should follow rule and duties incumbent on each should be clearly defined. In so, the enthusiasm of the vast number of tax and finance personnel can be effectively brought into play and our level of management can really be raised.

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COAL INDUSTRY MINISTER DISCUSSES ENERGY POLICY

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 4, Apr 81 pp 4-8

[Abridged version of speech by Gao Yangwon [7759 2254 2429], minister of coal industry and deputy chairman, Standing Committee of the State Energy Sources Commission on 20 September 1980: "On the Issue of China's Energy Policy"; place not specified]

[Text] 1. The Energy Source Problem Is Crucial Issue Concerning Our Country's Four Modernizations and Construction

Energy sources are at once an important material basis for the development of the national economy and an important condition for realizing the four modernizations. This is quite clear if we look at the history of the world's economic development and the actual status of China's national economy. In 1978, the gross consumption of the world's nonrenewable energy sources was equivalent to 8.76 billion tons of coal, of which petroleum and natural gas accounted for 65 percent, coal accounted for 32 percent, hydroelectricity and nuclear power accounted for 3 percent, thus constituting an energy sources structure chiefly composed of oil and gas. In 1950, the world's total energy consumption amounted to 2.7 billion tons of coal equivalent, of which coal accoumted for 61 percent, petroleum and natural gas accounted for 36.6 percent. The 1973 total energy consumption reached 7.8 billion tons of coal equivalent, of which the proportion of coal dropped to 32 percent, while oil and gas rose to 66 percent. Throughout the 1960's, the mean GNP growth of major industrial nations was 4.5 percent, and Japan's mean GNP growth reached 11.9 percent. By utilizing good and cheap petroleum as their primary source of energy, the major capitalist powers succeeded in bringing about modernization within a very short span of time. After 1973, due to the oil crisis, supply shortage and hiking prices, the major industrial powers generally entered a period of low economic growth; the annual growth tapered off to only approximately 2 percent, and Japan's annual growth also dropped to 5 percent. It is now generally believed in the world that the energy problem centered around petroleum is the gravest problem in the world economy of the 1980's. It follows that economic growth is indeed closely tied to the supply and structure of energy sources. The extensive use of a new type of energy in massive quantities is bound to lead to rapid economic growth; conversely, the entire economic growth will slow down or even come to a standstill.

At present, the worldwide energy crisis indicates that the energy sources problem is at a new turning point. In view of the fact that oil resources can no longer ensure long range needs, every country is seeking new sources of energy which can serve as alternatives. It is generally believed that coal and nuclear power electricity are relatively realistic alternative energy sources. There are great reserves of coal which are widely distributed and not so easily monopolized. The nuclear power technique has already been attested and proven economically reasonable; but it is impossible to replace oil or gas with nuclear power within a short span of time. Thus, the only way is to exploit rationally and utilize coal resources.

Our country's energy sources have undergone 30 years of development, and have formed into a pretty solid foundation. In 1979, China's nonrenewable energy sources reached 630 million tons coal equivalent, which included 635 million tons of raw coal, 106 million tons of petroleum, 14.5 billion cubic meters of natural gas, 50 billion watts of hydroelectricity. But there is still a sharp contradiction between supply and need of energy sources, which has already affected that national economic growth. The main reasons are: First, for a long period of time, too much investment has been put into all heavy industries except energy sources industries, not to mention the low priority given to the construction scale of energy sources, thus resulting in an imbalanced development of energy source industries and energy consuming industries. In 1950-78, the annual mean growth rate of energy output was 11.9 percent. During that period of time, the annual growth rate of iron and steel output was 20.1 percent, chemical fertilizers 28.5 percent, caustic soda 17.6 percent, cement 17.2 percent. Second, due to the backward state of management and technique, especially the previous practice of developing small-scale industries which were great consumers of energy but low output producers (small-scale industries accounted for over one-half of all the industries put together), there was serious wasting of energy sources. Third, the serious imbalance of energy sources industries, especially coal and oil, affected the growth rate of energy sources. Fourth, lack of understanding of the seriousness of the rural energy sources problem, plus lack of effective measures. But, in essence, our country's energy problem is not the same as the energy crisis of capitalist countries. Our country has rich energy resources and does not have to depend on importation. Moreover, China's energy industries already have a certain foundation. So as long as we are willing to regard seriously the experiences of history as lessons to draw from, respect science, strictly adhere to objective laws, and make plans properly, it is entirely possible to solve China's energy problems and even try to do a certain amount of exportation by relying on our own resources and the concerted efforts of various sectors and regions.

2. Stress Development and Conservation While Giving Priority to Energy Conservation in the Immediate Future

China's overall policy toward energy sources is to stress development and conservation at the same time, while placing special emphasis on energy conservation in the immediate future. The philosophy behind this is twofold: First, there is not enough time to rely on development in the immediate future. In recent years, due to the country's limited capital resources, large-scale construction of energy sources was out of the question. Moreover, the period of construction for developing energy sources is long; generally, it takes 8-10 years for large-scale coal, electricity and petroleum projects to come into effective use. Thus, in the immediate future, the growth of the national economy must rely mainly on energy conservation instead of placing hopes on development. Second, the utilization ratio of energy is being wasted. For example, in terms of ton steel comparable energy consumption, China consumes 1.6 tons of coal equivalent, and Japan consumes 0.77 tons. In electric power consumption, China used 2.7 tons. Japan used 1.2 tons. If we can attain Japan's level of consumption in these three aspects only, based on 1979's output, it will be possible to save tens of millions of tons of equivalent coal. Of course, this is impossible to achieve without undertaking any great changes. But it does reflect the tremendous potentiality of energy. China's utilization ratio of thermal energy is less than one-third; if the utilization ratio of thermal energy can be raised 1 percent each year, it is equivalent to saving 3 percent of the energy sources, i.e. increasing production by over 10 million tons coal equivalent. Thus, it is of great realistic significance to emphasize giving priority to saving energy in the immediate future. Third, the process of saving energy is actually the process of modernizing production and life. Everything is aimed at modernization, whether it may be changing or improving equipment, or improving production technology, or proper utilization of energy sources. Because of its significance, both the technical reform of the national economy and the great cutback in energy consumption constitute a long-term strategic task and an important step toward the realization of the four modernizations. Fourth, the energy sources industrial sector has the dual task of developing and conserving energy at the same time, but emphasis should be placed on development. Under permissible circumstances, the foremost task of the energy sources industry is to expand the scale of development and accelerate the speed of adjustment and construction progress.

3. Regard Energy Conservation as Central Point in Technical Transformation and Structural Reform

The practice of regarding energy conservation as the central point in the technical transformation and structural reform of the entire national economy is a major and important step toward materializing social modernization. The fundamental point of departure in energy conserviation is to make all-around improvements in the utilization of energy sources, reduce energy consumption per product and per output value, obtain maximum economic results with minimal consumption of energy and thus attain the end of improving both production and the people's livelihood. There are numerous ways of saving energy. To approach the current problems, it is necessary to stress the following measures:

(1) Strengthen Control Over Energy Sources

The strengthening of control has always been an important way of saving energy. First, it is necessary to start from basic work, such as conducting useful general surveys onenergy sources utilization, maintaining effective heat balances, establishing sound control systems to regulate energy consumption quotas, intensifying first-hand recording of energy sources utilization as well as metrological measurements and statistical analyses, etc. These are the necessary conditions for controlling energy sources scientifically. It is also important to make sure that such large energy consuming processes as heat treatment, casting and forging, welding, oxygen production, etc., should be properly controlled under cetralized production management. For instance, by installing 2 heat treatment centers to serve more than 80 factories, Nanjing City can save approximately 1½ energy sources. Great results in energy conservation can be achieved by earnestly popularizing this kind of experience. It is necessary to establish sound management organizations at various levels to control energy sources. Key enterprises which are large energy consumers (over 5 tons coal equivalent of the overall energy consumption) need special energy control setups with technical people specializing in energy sources managment. Ordinary enterprises should have full-time or part-time specialists with expertise in the techniques and management of energy conservation. Besides enhancing energy sources management of the enterprises, the state should also establish related management systems. For instance, it is not only important to give consideration to such needs as energy consuming equipment, production of machines and tools, importation and distribution, but also the conditions of fuel supplying, and strictly adhering to the state's plan.

(2) Carry Out Technical Transformation Step by Step in a Planned Way

As the technical transformation of the national economy is the main direction of approach toward energy conservation in the future, it is imperative to concentrate our efforts in carrying it out. Our country is technically backward; most of the equipment is old, has poor efficiency, and consumes a lot of energy. For example, diesel and gasoline engines manufactured in this country consume 10-20 percent more diesel oil and gasoline than the advanced types of engines made in foreign countries. According to incomplete statistics, some 3.6 million tons of extra diesel oil and gasoline are consumed each year [by Chinese engines]. The efficiencies of China's water pumps and blowers are 10 percent lower than those made in foreign countries; the annual excessive electricity consumption amounts to 10 billion watts. There are now 180,000 boilers throughout the entire country, half of which are either outdated, old or both; their heat efficiency is so low that half of the coal is burnt and one-half is wasted; as compared with advanced type boilers in foreign countries, the amount of excessive coal consumed in a year amounts to over 60 million tons. Moreover, the currently used medium and low voltage generators which can produce 12 million kilowatts of electricity account for 29 percent of all thermal-power generators put together, and consume one-third more coal than large generating units; the excessive amoung of coal in a year is approximately more than 19 million tons. Therefore, these are the problems that should be focused on when carrying out technical transformation.

First, emphasis should be placed on the renewal, modification and remodeling of major energy consuming equipment (e.g. boilers, generating units, combustion engines, cars, tractors, water pumps, blowers, compressors, electric motors, transformers, etc.), it is necessary to establish a uniform energy consumption standard for all kinds of equipment, machines and tools which will be issued and enforced throughout the whole country. The design or manufacture of any equipment, machinery or tool that use more energy than the standard consumption level will not be permitted; those that have already been approved for mass production must be remodeled within a certain period of time. Firm steps must be taken to stop the production of those which fail to comply with the remodeling regulations within the time limit, and thus enforce the remodeling requirements of the equipment. While the remodeling and modification of equipment will entail an enormous expenditure of capital funds; the production of new equipment will also require huge amoungs of capital investment.

In close coordination with the renewal and modification of equipment, there must be development of centralized heating and combined utilization of heat and electricity in urban residential districts or areas where mining enterprises are concentrated and where they constitute stable heat loads. Generally speaking, by combining heat and electricity production, it is possible to enhance thermal efficiency from the current 30 percent level to over 60 percent, especially high temperature, high pressure, retropressure type generating units which produce even more remarkable results in energy conservation. Tehcnology improvement and the use of new types of heat insulating materials are also important technical transformation projects.

It is imperative to strengthen scientific research on energy conservation so as to provide technical transformation with scientific basis and prepare the technical grounds for carrying out energy conservation work.

(3) Reform Economic Structure

To a certain extent, the economic structure of our country should be gradually changed from energy wasting to energy conserving in line with our country's concrete conditions. At present, most of our country's energy sources are used for heavy industries. In 1978, heavy industries accounted for 55 percent of the overall energy consumption, and the light industries accounted for 8 percent; but as far as the national revenue was concerned, the heavy industries accounted for only 29 percent while the light industries earned 18 percent. That year, there was a 4.6 times difference between the energy consumption rates of the two industries computed in terms of per hundred million yuan. It is estimated that the proportion of light industrial output value in the overall industrial output value rose from 41.6 percent of the corresponding period in 1979 to 45.5 percent; as a result, approximately 10 million tons of coal equivalent was saved. Due to the difference of product composition within the various departments of industry, the rate of energy consumption also varies. For example, the iron and steel ratio is 1.07:1 in China, and 0.7:1 in foreign countries; since the energy consumption of iron smelting accounts for 70 percent of the total energy consumption of the iron and steel industry, based on the current production level in our country, it is possible to save approximately 7 million tons of coal equivalent with each oil drop in iron and steel ratio. In veiw of the actual conditions in our country, it is possible to create even greater wealth for the society with the same amount of energy consumption by continuing appropriately to raise the proportion of light industries, and develop more departments of industry that consume less energy, produce greater output values and have concentrated labor.

Medium and small enterprises must undergo gradual technical transformation. Measures such as closing, stopping, merging or shifting must be taken against those large enterprises which contend for raw materials, hunger for fuel power, consume too much energy and can not be transformed at all.

(4) Utilize Energy Sources Properly

By properly utilizing energy sources in accordance with the characteristics of each kind of energy source and the specifications of each type of power consuming equipment, it is possible to make fuller use of the economic benefits of various kinds of energy sources. At present, the comprehensive utilization of energy sources is poor and wasteful; most cities burn coal directly, thus encountering low combustion efficiency and serious pollution problems. The industrial and communication enterprises make very poor use of residual heat; there are quite a few places which merely generate electricity and do not supply heat at all in spite of the fact that they actually have suitable conditions for producing both heat and electricity at the same time. This means that the heat energy is not being fully utilized. Moreover, energy sources are not being properly distributed and utilized; a great number of coal varieties are being supplied to the wrong users. For example, a fly-high loss of 7 percent is incurred as the result of supplying railway locomotives with raw coal instead of lump coal. For best results, medium-size anthracite coal should be used in manufactuing chemical fertilizers; but, at present, since some 80 percent of anthracite does not go through washing or separation, the proportion of small lumps is quite sizeable and the lower size limit rate is high, thus resulting in 25-30 percent consumption increase. What is more, it is extremely uneconomical to use petroleum as fuel. The following measures are proposed to deal with these types of problems.

Substitute coal for oil; compress fuel oil; put stress on compressing various kinds of boiler fuel oils. Power station boilers, industrial boilers and civilian-use boilers which had been originally designed to burn coal but were subsequently converted into oil burners should all be switched back to coal burners in stages and batches within the shortest space of time; industrial boilers and civilian-use boilers which were originally designed to burn oil should likewise be converted into coal burners. Power stations which were originally designed to burn oil should be used as backups or peak regulators, and replaced by newly built coal burning equipment of adequate capacities. As far as production technology, product quality and combustion temperatures are concerned, there are no special requirements for oil burning industrial pit furnaces; but those which can be replaced by coal or coal gas should also be converted into coal burners in stages and batches.

Such inflammable gases as natural gas, liquified petroleum gas (LPG), coking furnace coal gas, etc. should be properly used. First of all, inflammable gases which are discharged into the atmosphere unused should be recovered chiefly for civilian use. As for inflammable gases which are already being utilized, except for those which are used as chemical industrial raw materials, efforts should be made to find out which of these fuels can be replaced and reserved for civilian use.

Proper utilization of coal for urban residents. First, cities with local coal resources should go into coal gasification for civilian use. The industrial cities should take positive steps toward utilizing residual gas, residual heat for civilian use. Places which do not have any such conditions now should stress molded coal processing; vigorously develop washing, separating and processing; improve quality; increase variety; supply according to needs of users and properly utilize coal.

(5) Adopt Economic Policy To Promote Energy Conservation

At present, the price of energy is universally far too low. In January-April 1980, the capital profit rate of major coal enterprises throughout the whole country was relatively low, and incurred fairly extensive losses, thus accounting for only approximately 17.5 percent of the mean profit rate gained by all the industries throughout the whole country. In some areas, the price of electricity is on the low side, thus incurring extensive losses to the whole nation's heat supplying. Therefore, it is imperative to increase the prices of energy sources products at a suitable time so as to stimulate energy conservation. For those enterprises which exceed the state's quota on energy consumption, such measures as levying reasonable surcharges or taxes on excessive energy consumption should be taken into consideration. To those energy consuming organizations which adopt technical measures to conserve energy, the state should extend a certain amoung of preferential treatment and aid in such areas as credit loans, taxation, financial subsidization, material supply, etc. A strict but fair reward and punshiment system should be enforced in the energy conservation program; bonuses should be awarded to organizations and individuals who achieve outstanding results in energy conservation. Economic sanctions should be applied in serious cases of energy wasting. It is necessary to come up with a unified energy reward/punishment system.

(6) Promulgate Energy Conservation Decree

There should be legislation on energy conservation, and it is imperative to enact a series of energy saving decrees that can be strictly enforced; violations must be investigated and dealt with, thus seriously upholding the decrees.

Careful calculation and strict budgeting must be exercised in energy conservation, and comprehensive economic results should be stressed. Self-sufficicency and arduous struggle ought to be encouraged; positive efforts should be made to raise one's own energy conservation funds and use the funds sparingly. Overall consideration should be given to such factors as safety, environmental protection, people's lives, etc., and thus make all around arrangements and avoid giving too much attention to one thing and losing sight of another. It is important to stress chief regions, key enterprises and priority measures. At present, there are 6 major areas which account for over 60 percent of the nationwide total energy consumption, i.e., electric power production, metallurgy, chemical industry, construction material production, petroleum production and railroad. Approximately 50 percent of the total energy consumption comes from various kinds of boilers (including electric power station boilers, industrial boilers, civilian-use boilers and locomotive boilers). As far as the whole nation is concerned, it is especially important for major regions and industries to proceed with energy conservation. Each region and industry must focus on its own particular key point. Generally speaking, energy conservation measures should proceed from easy to hard, and from quick to slow. Planning should be enhanced in energy conservation work, and the key lies in making a long-range energy conservation plan that is scientifically well rounded. Departments and local places must be closely linked, e.g., the overall planning of centralized heating, combining heating with electric power, utilizing residual heat, etc. should be focused mainly on local places. It is necessary to formulate an energy conservation plan that can serve as a guidance, through close collaboration with the Planning Commision, Economic Commission, Construction Commission, Science & Technology Commission, Agricultural Commission, and Machinery Commission.

4. Give Priority to the Development of Coal and Hydropower

Our country is endowed with rich resources of coal and hydroelectricity, and the conditions for development of these resources are fairly good: there are over 64 billion tons of known reserves of coal, and the petroleum reserves hold excellent long-range prospects. As far as the makeup of energy sources is concerned, the proportion of coal will remain at approximately 70 percent from now to the end of the present century. Hydroelectricity is a cheap, clean and renewable source of energy which can be utilized forever. Thus, for a very long period of time from now and into the future, it will be imperative to give first priority to the development of coal and hydroelectricity.

Departing from the actual distribution of China's resources, the development of energy sources centers should be carried out in north China, northeast China, east China and the central south region where coal and thermal power are the primary sources of energy, as well as in the southwestern, northwestern and central south regions where hydroelectricity is the primary source of energy. Positive efforts will be made in oilfield exploration and exploitation, as well as preparations for building nuclear power bases. Vigorous efforts will be made in developing rural energy sources.

Coal: Put emphasis on exploiting Shanxi coal. Shanxi abounds in coal resources. It has a good assortment of high-quality coal. The deposits are shallow and the seams are stable, which makes it possible to develop coal with a low investment plus quick results. There should be a speedup of construction of coal mines in east China, and a build up of thermal power bases in this region. Energetically develop coalfields in the northeast region; carry out unified planning in the three provinces of northeast China and the three eastern leagues of Nei Mongol; build mines, open hearth pits and large thermal power stations in this region. Develop coalfieds in the central and western portions of Henan; construct thermal power bases; expand the electricity power network in central China. Besides the preceding four regions, other regions should likewise develop oilfields selectively, build thermal power stations, and thus meet the local needs for coal and electricity. Shanxi, Guizhou and the western part of Nei Mongol should also develop coalfields as their transportation capacities are improved.

Hydroelectricity: Continue the construction of hydroelectricity base in the upper reaches of the Yellow River in the northwest region; build hydropower bases in the drainage area of Guangxi's Hongshui River, accelerate the development of hydroelectricity in the southwest region where the inexpensive hydropower resources will be fully utilized, and such power-consuming industries as nonferrous and rare-earth metals will be developed. The construction of two hydropower bases in Hunan and Hubei Provinces will be carried on, i.e. the West Hunan Project and the Sichuan-Hubei section of the Changjiang Project; besides the Gezhou Dam and Wuqiang River Hydropower Stations which are currently under construction, hydropower stations will also be set up in suitable locations. In the northeast, east China and north China regions, medium and small-size hydropower stations can be build in suitable locations so as to make the most of hydropower and thermal power which compensate and backup each other.

Petroleum: Strengthen geological exploration for oil. The oil reserves should be increased and expandedat the same time, and new oilfields should be developed.

Nuclear power: Nuclear power is an important source of energy, and should be developed along positive guidelines. At present, the installed capacity of operational nuclear power stations around the world has reached 120 million kilowatts. Practice has proven that nuclear power is safe and dependable. Although it entails a larger investment than thermal power, it can generate electricity at lower costs as compared with thermal power. The development of nuclear power is also an important measure for making adjustments to offset the uneven distribution of energy resources and reducing the burdensome pressure of power transmission. At present, nuclear power can only be developed chiefly in areas which suffer from acute shortages of energy.

Rural energy sources: The development of rural energy sources is an urgent task. First, methane gas should be energetically developed; this constitutes an important direction. Second, plant forests of trees for rural firewood. Departing from the practical situation and in line with local conditions, allocate limited amounts of private plots and private hills to peasant households and encourage them to plant trees in vacant areas to produce locally some of their own fuel. Third, construct small coalpits and small hydropower stations in suitable places. These are the chief sources of energy in the rural area. While small coalpits and small hydropower stations which are not linked to a [power] network ought to be developed energetically, it it equally important to stress overall planning and real results.

Other energy sources: Our country is also endowed with rich resources of geothermal energy, wind energy and tidal-wave energy; and some regions have excellent conditions for utilizing solar energy. To develop such energy sources, scientific research is required, progressing from small to large-scale projects, and conducting experiments at the same time; the results should be gradually popularized in regions with suitable conditions.

In the course of developing energy sources, it is necessary to attach great importance to the coordination between the distribution of industries and construction of power sources. On the one hand, attention should be devoted to solving the energy shortage in economically developed areas in east China and the northeast territory where communication and transportation as well as the construction of electric power networks are to be enhanced. On the other hand, newly constructed energy-consuming enterprises should be placed as close as possible to energy source bases in the future, and energy-short areas should not be allowed to construct large-scale energy consuming enterprises such as ferroalloy, aluminum, calcium carbide, etc. so as to improve the coordination of energy production and marketing in those areas. To develop energy sources, the distribution of industries must be planned as a whole in coordination with communication and transportation, and efforts should be made to strike an overall balance so as to save investments, reduce transportation costs, cut down energy consumption, and thus obtain optimum economic results.

Our country's energy sources industry already has a sure foundation, but the overall technical level is still very low. Thus, it is necessary to step up the development and popular utilization of energy sources, and give full scope to the role of currently available energy science research organizations. Scientific research should focus on finding ways of developing and utilizing conventional energy sources. Our country's energy sources industries should be transformed and equipped with new technology as soon as possible. Moreover, great efforts should be put into scientific research work on new energy sources. For some time to come, coal will remain as the chief constituent of China's energy consumption structure. Environmental pollution control and energy source transportation problems should not be overlooked. On the contrary, environmental protection and energy source transporation should be put on the main agenda of scientific research work. Moreover, a lot of effort should be put into research on coal gasification and liquefaction techniques, and ultimately transform the backward method of burning coal directly. In addition, serious efforts should be put into tapping the potentialities of energy sources industries as well as carrying out innovation, transformation and expansion, and giving full scope to the role of old bases. This way, it is possible to produce quick results with low investments.

In sum, the development and utilization of energy sources involve a very wide area and greatly affect the national economy and the well-being of the people. To reach the goal, we must seek common understanding, keep in step, and act in unison.

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ENERGY

STATUS, PROSPECTS OF CHINA'S COAL EXPLORATION TECHNIQUES OUTLINED

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 4, Apr 81 pp 9-11

[Article by Fang Jie [2075 2212], board member of China Coal Society and deputy director of the Geological Bureau of the Ministry of Coal Industry: "The Status and Prospect of Coal Exploration Techniques in China"]

[Text] The foundation of energy sources for realizing our country's four modernizations lies in her rich coal resources. With the rapid growth of the coal industry and the fast improvements in coal production and technology, the requirements in coalfield geological exploration are becoming increasingly harder than ever. New problems, both in depth and scope, are encountered in the various realms of science pertaining to coalfield exploration techniques. To ensure rapid and healthy development of coalfield geology and exploration techniques, it is important to work in line with the actual geological conditions of coalfields in this country, and comply with the requirements of coal industry construction. Moreover, it is necessary to consider the current technical status of our country as well as the development trend of advanced techniques in other parts of the world.

Broadly speaking, the actual geological conditions of China's coalfields are: multiple geological ages of coal formation ranging from the Carboniferous to the Tertiary with one or two coal-bearing rock series in each age; wide coal series distribution, covering approximately one-eighteenth of the whole country's land area; great variation of coal grades and complete range of coal varieties. There are numerous kinds of sedimentary formations and geological structures. Moreover, in general, Paleozoic coalfields have relatively deep deposits with remarkable vertical differences and horizontal variations in the coal series and seams. These natural features also vary greatly between the southern and northern parts of the country; as a result, the specific geological conditions of China's coalfields are somewhat diversified. Thus, in order to attain the desired results in prospecting, it is imperative to adopt various kinds of geological exploration methods and means in line with local conditions.

Through nearly 30 years of geological exploration practice, striking developments have been achieved in all kinds of prospecting techniques, and a fairly large amount of experience has been gained, thus giving rise to a comprehensive prospecting method composed of a multitude of probing techniques that coordinate with one another. For concealed coalfields that have flat topographical features and relatively favorable physical conditions, we have already mastered prospecting methods which combine ground geophysical surveying methods (i.e. gravimetric and magnotometric, electrical, seismic) with drilling and well logging; for exposed coalfields, a fairly good amount of experience has been gained in applying prospecting methods which rely on airborne topographic surveys and aerial geological mapping for guidance, and combine mountain stripping projects with exploration logging.

Our technical forces, survey teams, and capacity to manufacture equipment, drills, and geophysical instruments are quite adequate to support several hundred geological prospecting projects each year. In view of our country's coal mine production and construction needs, as well as the technical development trend in foreign countries, it is evident that we still need continuously to improve the accuracy of geological work, expand its scope of surveying work, and enhance the ability to solve practical problems. Various kinds of exploration techniques are being developed toward high quality, versatility, quantitative, microscopic and macroscopic, automatic [recording], series and digital techniques.

Following are some of the author's views on various subjects related to geological work, drilling, geophysics and the procedures of exploration work.

1. The ultimate goal of every operation in the geological exploration sector is to probe for mineral resources meeting certain quantity and quality specifications; and a geological report is the concentrated expression of the results of this particular kind of work. Thus, the quality of a geological report reflects the overall quality of the results achieved in a geological survey through various kinds of operations, disciplines and methods.

As proven by 3 decades of practical experiences, it is imperative to focus on high quality geological reports based on technically and economically sound exploration methods. To attain this end, first, it is necessary to do basic work including gathering and recording all kinds of firsthand information and make corresponding measurements and lab tests so as to obtain more scientific data which will enable comprehensive evaluation of the mineral production and thus bring our knowledge even closer to the objective facts. Second, process the various kinds of geological information and primary analytic data, and conduct comprehensive research on laws governing the natural occurrence of minerals, and how various geological factors contribute to their formation.

In recent years, many geological teams working in the comprehensive study exploration region have achieved encouraging results in such areas in the paleogeography of rock facies in the coal-forming period, research on structural features, and how they affect coal-bearing basins and rich coal zones, and probing into the variation patterns of coal metamorphism.

To improve the quality of geological work; in recent years, we have formulated and enforced certain standards for coal resources exploration as well as all kinds of rules and regulations on relevant techniques. Obviously, as the productive forces develop toward higher levels and are attested to in practice, after a certain period of time it will become necessary to make essential changes and additions in the standards and regulations.

Topographic surveys, engineering surveys, geological mapping, sampling and lab tests, measurements and tests, etc. all comprise the foundation of geological exploration work. From the viewpoint of development, both macro and micro operations are bound to develop in the direction of automatic [recording] and quantitative techniques. The application of mathematical geology and mathematical statistics in solving practical problems in various disciplines will become increasingly extensive. The application of aerial photography in surveying and geological mapping has progressed through a period of development to the present state-of-the-art which enables topographic charts with scales up to 1/10,000, 1/5,000-1/2,000 and corresponding geological mapping tasks to be accomplished by combining aerial pictures with field investigations. The application of satellite remote-sensing data in coalfield geological exploration is merely a beginning, and intensive efforts are being made to study and try out this new technology. The practice of relying on observation by the naked eye and qualitative descriptions in the identification and testing of coal and mineral ores is no longer suitable for the development of modern geological science, and it is necessary to move toward microscopic, quantitative and automatic recording, and gradually expand their application area. More testing methods and evaluation indices are needed for testing coal in laboratories; this will enable measurement and test work to become microscopic, integrated and versatile. Coal petrology is now further removed from the classroom and it has taken a new step forward in such application fields as the determination of coal metamorphism, separability, sedimentary environment, as well as coal composition and comparison.

For some time in the past, hydrogeology and engineering geology developed at a relatively slow pace. But through enrichment and development over the past 5-6 years, it is now possible to solve fairly complicated hydrogeological and engineering geological problems encountered in coal resources exploration. In the area of technical equipment, blowers are being gradually replaced by the introduction of deep well water pumps and submersible electric powered pumps. Moreover, we have also successfully developed flowrate loggers. Through practice, we have devised an engineering geological surveying system which can be used to determine the hard rock contents of large-scale open-pit mines. In the future, continuous efforts will be made to popularize the application of theories on unsteady flows and numerical values as well as computing technology which were developed in recent years. Efforts will also be made to gradually find means of exploring karst water at the bottom of coal formations and solving key technical problems such as water burst prediction, open-pit side-slope exploration, developing new and special instruments and equipment, etc. We will develop an effective system for exploring all kinds of coalbed hydrogeology and engineering geology, and come up with corresponding basic theories and new techniques.

With the ever expanding application of electronic computing technology, the quality and speed of work are bound to undergo fundamental changes.

2. At present, drilling and geophysical surveying are still the principal technical means of coalfield exploration both in China and other countries. In our country, exploratory drilling is even more important. As compared with other countries in the world which are involved in coalfield exploration, China is among those which operate the largest number of drills. In the 1960's, our drilling technique was not so far behind the level of advanced countries. Up to now, we still have a

fairly strong manufacturing capacity. At present, the key to improving drilling technique lies in our ability to use the equipment and techniques currently available in the country in an effort to improve drilling techniques and boring technology, strengthen basic work with emphasis on high quality and efficiency.

Percussion drills constitute the main body of drilling equipment. Our country began to develop percussion drills in ancient times, and we have now developed the fourth generation, i.e., hydraulic rotary power feed drills. Second generation drills (drive boring without vertical shaft) and third generation drills are mostly used in China's coalfield geological exploration system. Our country is currently developing and testing fourth generation drills which we have designed and manufactured by ourselves.

Through many years of practice, we have accumulated a great deal of effective technical experiences in coalfield drilling, including drive-shaft drilling technique, deep-bore hole technique, coreless boring, small diameter boring technique, alloy drill bit, pipe threader, and movable operating platform, as well as the recently produced truck-mounted cranes, artificial diamond bits, etc.

With the growth of modern probe drilling, further and continuous efforts are still required in carrying out research and development projects in such areas as long-life drill bits, cord-coring technique, hole-bottom drag bit replacement, and expansion drill bits, etc., as well as establishing series standards for drilling equipment and pipes. At present, there is an urgent demand for stepping up basic work in drilling technology, e.g. tests on the drillability of rocks commonly found in various kinds of coalfields in our country, and establishing unified indices; development and series standardization of drill bits for all kinds of rock formations; transformation of coring equipment and instruments for determing layers which are related to the rate of rock coal coring; improvements in drilling equipment and loading/transportation machinery....

The innovative development of probe drilling equipment and technology directly affects the speed and quality of exploration work. But how is it possible to develop a drilling techniques that is fairly adaptable and yet materialize series standardization at the same time in such a country as ours which has a multitude of geological teams, and a great variety of topographical and geological features? This is indeed a problem that merits in-depth probing.

3. The types of geophysical methods which are commonly employed in China's coalfield exploration are: logging, ground seismic prospecting, ground electrical surveying, gravimetric surveying and magnetic prospecting. Logging is used most extensively.

Since the beginning of the 1970's, European countries and the United States have begun to apply advance petroleum geophysical prospecting techniques in coalfield exploration. Broadly looking into the current international level, high resolution seismic techniques, channel wave seismic techniques, and digital logging techniques are the three cardinal indices for developing the application of geophysical techniques in coalfield exploration. Compared with the world's countries with more advance levels, China's coalfield geophysical exploration techniques are relatively inferior. As coalfield exploration develops toward the deep reaches of concealed areas, and as the mechanization of coal mining excavation improves, it will become necessary to solve the numerous geological problems which confront coalfield geophysical exploration.

Coalfield Logging Technology: Our country began coalfield logging in 1954. As coalfield methods and technical equipment are constantly being perfected, striking improvements have been made in the capacity and precision of well logging in solving geological problems. Now it has become an indispensable method in coalfield exploration. Moreover, it has already begun to gradually develop from qualitative interpretation to quantitative interpretation.

Since the 1960's, full automatic photodot recorders have come into extensive use. Other successful developments include: 4-parameter simultaneous loggers composed of apparent resistivity, spontaneous potential, gamma and gamma-gamma combinations, and the extensive application of complete bore hole interpretation, graphic correlation, and hydrological logging techniques, which have thus helped to improve our ability to determine the stratigraphic division and thickness of coal beds, determine the structure of coal seams, and slove problems related to coal strata correlation and hydrogeology. In the 1970's, with the progress made in research and development work on new methods and new instruments, new developments are achieved in the comprehensive study of log data and graph correlation. The introduction of digital electrostratography, supersonic imaging, digital tape recorder and flowlog/induction caliper combination instrument has helped to fill up the gap in our country's logging tecnique in recent years. There have also been some developments in the methods and contents of log data interpretation, and useful research has been conducted on the determination and correlation of rock and coal horizons and stratifications, thicknesses and structures, as well as fault points, sedimentary phases, cyclic structures, rock pressive strength, and the determination of ash contents in coal, etc.

Looking into the logging techniques of tomorrow, it will be necessary to research and develop further new methods and new instruments, such as acoustic logging and neutron logging, in order to solve more geological problems. All kinds of logging instruments will be subjected to quantitative calibration, and instrument graduation will be enhanced. To gradually realize the modernization of logging technology, efforts should be made to study and employ digital logging techniques.

Coalfield seismic survey techniques: Our country has been using this technique for 27 yeras now. In the beginning, photodot recorders were frequently used with the refractory survey method for marking out the basic rock morphology and the scope of coal series distributed beneath the overlying strata; now, the analog tape recorder is used extensively with the common reflection point method for multiple coverage operations. In regions with relatively favorable ground and physical conditions, it is possible to determine the thickness of overlying strata and the relief of the basements, and survey the geological structures--including faults with gaps measuring over 30 meters. The ground seismic method has become the chief means of coalfield geological surveying. Moreover, seismic survey technology is also developing toward digital technique, and, in recent years, the first-ever coalfield exploration digital seismic equipment has been developed. To improve the precision of seismic surveying, it will be necessary to develop new seismic techniques, such as ground high resolution seismics, inter-bore seismics and common-layer (channel-wave) seismics.

Coalfield electric logging prospecting technique: The electrical surveying method was first put to application in 1955 when it was primarily used for probing concealed coalfields. Subsequently, other methods were graudally introduced, e.g., electrical profiling, spontaneous potential field method, induced polarization method, and charging method, etc. By the 1970's, our country could design and develop its own bore hole radio perspective viewer, frequency depth prober. Now, it is already possible to use the electrical surveying method to map out the boundaries of concealed structures, trace the outcrops of coal seams in shallow overlying areas, probe the depth and distribution of coal series under overlying strata, and determine old pits and burning areas.

Digital technology is the trend of development in electrical surveying. Research and development projects on digital frequency depth probers are currently underway. Meanwhile, it is also necessary to expand the application range of electrical surveying, especially in general surveys for coal, regional prospecting, and coal production/exploration stages involving mining geology and engineering geology.

Gravimetric method and magnetometric surveying: Used primarily for surveying regional tectonic framework and igneous rock distribution; high precision gravimetric/magnetometric surveying can also be used for determining the scope of natural zones in coal seams and for studying small faults. In the south, some coalfields have achieved certain results in utilizing gravimetric detail survey data for determining the overlying thickness of red layers.

The application of any geophysical technique is limited by certain conditions. This is especially true in ground geophysical exploration which is often affected by such factors as ground surface conditions, excitation conditions in shallow layers, and physical conditions in deep strata. Thus, it is important to choose the appropriate method in a given location according to local conditions.

4. In order to speed up the construction of the coal industry and enable the country to achieve even greater results from its capital construction investments and currently available tecniques and methods, it is necessary to make improvements in the procedures and methods currently employed in the basic construction of China's coal industry. Is it not conceivable to divide coalfield geological exploration work into two major stages--resource surveying and mine surveying?

9119
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INDUSTRY

MEASURES TO DEVELOP SHANXI CONSUMER GOODS INDUSTRY EXAMINED

Taiyuan SHANXI RIBAO in Chinese 23 Jun 81 p 1

[Article by Zhang Baoshan [1728 1405 1472], Yang Guangyu [2799 0342 5940], and Song Liangtu [1345 5328 0956]: "Ways To Develop Daily Consumer Goods Industry in Shanxi"]

[Text] Recently, leading comrades of the central authorities have given instructions on the development of the national economy in our province, laying particular stress on the importance of developing consumer goods production and increasing the annual growth rate of consumer goods production by every conceivable means. As borne out by practice over the psst 30 years, these instructions are fully in line with the objective requirements of industrial readjustment in our province and are directed against the long-time bad practice of the unbalanced development of industries over the past decades. The foundation for the production of daily consumer goods is quite weak and production development is quite slow in our province. Therefore, this link must be firmly grasped so that a coordinated growth of the national economy can be insured in our province.

Broadly speaking, daily consumer goods include all the kinds of material consumption necessary for the masses of the people to make a living. Like production consumption, it must be constantly made up; moreover, from the Marxist standpoint production consumption is conditioned in the final analysis by the consumption of daily necessities. But it is precisely this point that for various reasons was grossly overlooked for a long time in the past. Since the founding of the republic, the annual progressive rate of growth in purchasing power has reached 11.8 percent in our province, the highest nationwide. Last year's commodity buying power reached 5.6 billion yuan, and the per capita purchasing power was 18 yuan higher than the national average. However, commodities available for supply amounted to only 5 billion yuan, including industrial consumer goods, 50 percent of which were brought in from other localities. This being the case, vigorous development of daily consumer goods production in our province is an urgent necessity that must be met in order to satisfy the ever-growing material and cultural needs of both urban and rural people in accordance with the basic economic laws of socialism.

We are now carrying out industrial readjustment primarily to bring into line the economic proportions that have been thrown out of balance and change the irrational economic structure into a rational one.

Shanxi is an important base area of our country and its heavy industrial structure has historical reasons, but practice has proven that the existing industrial structure is unfavorable both to all-round stimulation of the provincial industry and to the development and construction of an energy base itself. Over the past 30 years since the founding of the republic, the proportion of light industry in the gross provincial output has dropped to 28 percent from 48 percent recorded in the rehabilitation period, while that of heavy industry has risen from 5 percent to 72 percent. The per capita output of light industry in the province is now only 139 yuan in value. Initial readjustment was carried out last year when the principle of "six preferences" was maintained in the development of the light industry, and the production of 37 items of major consumer goods including bicycles and sewing machines was undertaken, with the result that the growth rate of light industry rose to 31.29 percent. The products and output increased, the variety of designs and colors increased, the quality improved, and the pace ahead was speeded up. This shows that to continue to grasp the link of developing daily consumer goods production and to gradually push the metallurgical, machine-making and chemical industries to serve the light and textile industries will make the economic readjustment go forward in a rational direction.

The advantages of developing the light and textile industries--less investment, quick returns, source of increased revenues and profits--have always been generally recognized. On the other hand, viewed from the reality of our province, the production of more good quality and inexpensive consumer goods will withdraw money from circulation, cut down the issue balance, and effectively bring the ever-increasing circulation of money and currency outflow under control. The amount of money in circulation on the provincial market is constantly higher than the quantity of available commodities, and currency outflow to Beijing, Tianjin, Shanghai and other provinces and municipalities accounts for 77 percent of the absolute issue balance. In normal circumstances, such a huge amount of outflow should be a factor stimulating the development of consumer goods. But for a long time it has been a millstone around our neck, affecting tax revenues and profits and the capacity for enlarging reproduction. The positive measure for resolving this contradiction is still to rely on the development of consumer goods production in our province.

In the course of industrial readjustment over the past 2 years, a number of districts and departments have gained many good experiences and found many good methods to develop consumer goods production. These experiences and methods are worthy of being summed up and popularized by us.

First, the road to specialized cooperation and combination centered on famous-brand and major products. We may begin with famous-brand products and organize existing industrial structure and according to specialization planning. The combination may assume various forms. In substance, the combined enterprises may concentrate on any of the following lines: developing products, carrying on technological and technical cooperation, processing raw materials through cooperation, raising funds, operating and circulating, and providing services. In extent, the combination may be close-knit or loosely woven and may be overall, single-phased, or overlapping. Or else, on the principle of specialized cooperation and economic rationality, enterprises may be readjusted and formed into specialized companies of various types; or within a municipality or an area, several plants producing similar products and cooperating closely with one another may be combined into a general plant with one major plant as the backbone or formed into "one continuous line" of production. In light of the conditions of our province, it is desirable to start with combining enterprises within the light and textile industries that are in the same localities, such as the Changzhi Bicycle Industrial Company and the Changzhi Sewing Machine Industrial Company. This is conducive to stable and dependable relations in a combination, insuring production coordination and balanced production, and increasing the rate of accessories production. It also benefits the elaborate division of labor among various enterprises and promotes raising the level of specialization. Later, we should organize combinations cutting across trades, departments, areas, provinces and municipalities and combinations between industry and agriculture and between town and country. For the present, we should mainly undertake the combination and cooperation with regard to transistor radios, TV sets, clocks and watches, washing machines and industrial sewing machines and, on the basis of studying the advanced experiences of Shanghai and other fraternal provinces and municipalities, go a step further and make the technical cooperation a success between the Changzhi Sewing Machine Plant and Shanghai Sewing Machine Plant No 1, between the Changzhi Bicycle Plant and Shanghai Bicycle Plant No 1, between the Shanxi Radio Plant and Shanghai Radio Plant No 4, between the Yangquan Watch Plant and the Shanghai Watch Plant, between the Shanxi Textile Mill and Shanghai state-operated cotton mills Nos 13 and No 15, between the Yanbei Porcelain Plant and the Tangshan Porcelain Plant, and between the Taiyuan Porcelain Plant and the Jingdechen Porcelain Plant in Jiangxi, in order to improve product quality, increase the variety of colors and designs, expand production capacity and more quickly increase the production of consumer goods urgently needed by people.

Second, the road to tapping the latent power and carrying out innovations and transformations centered on expansion of production capacity. This is the way to speed up development of the light and textile industries and to increase the capacity for producing daily consumer goods. The existing light industry and textile industry enterprises in Shanxi have great potential. The latent power of old enterprises has not been brought into full play, as manifested in the following: 1) Most of the equipment in our light and textile industries was produced in the fifties, and a small part was produced in the thirties and forties. In order to modernize the variety and quality of products step by step to meet market demands at home and abroad, it is imperative to renew and remake this old equipment systematically according to plan. Some equipment is comparatively recent, but due to the low technical level and the poor foundation of management, has not reached its designed capacity even to this day, leaving still more latent power to be tapped. 2) Over the past 30 years and more, the enterprises in our light and textile industries have built up "technical resources"--large numbers of college graduates trained in practical work, self-taught technicians, and veteran workers rich in practical experience. These "technical resources" have not been fully tapped. 3) Manifested in economic results, labor productivity is low, profits are small, and utilization of funds is poor. Take labor productivity, for instance: the material and technical equipment in our light and textile industries is not compatible with labor productivity. The labor productivity of personnel in Shanxi's light industry was 11,750 yuan in 1979, the 24th place nationwide and 68.5 percent of the national average. If labor productivity can reach the national average, the output value can be increased by 1 billion yuan a year. If it can reach the Shanghai level, the output value can be increased by 4 billion yuan. The labor productivity of personnel in Shanxi's textile industry was 10,835 yuan, the 19th place nationwide and 58.6 percent of the national average. If it can reach the national average, output value can be increased by 1.73 billion yuan. This shows that a great deal can still be accomplished by tapping the latent power and carrying out innovations and transformation in our light and textile industries.

Considering the fact that the financial resources of the state are still quite strained, it is not possible to spend a lot of money to tap the latent power and carry out innovations and transformations in the light and textile industries. Therefore, we must act in accordance with our capabilities, proceed in an orderly way and step by step, pay great attention to economic results, and use our limited financial and material resources to fill the gaps in production of products that are in short supply on the market, to upgrade and change products, to improve product quality and increase the variety of colors and designs, and to conserve energy and cut down the consumption of materials. For example, the funds for tapping the latent power and carrying out innovations and transformations in the textile system should be used mainly for the purpose of renewing and remaking the equipment of existing knitted goods plants and filling the gaps, for the purpose of adding combing equipment, wide looms for making medium-length and long fabrics to meet market demand, and wide cloth and color fabrics. If funds are used for these "essential" purposes, then a capacity for producing 5 million meters of medium-length and long fiber cloth can be established after transformation, and 11 small yarn-dyed fabrics factories can be developed in the direction of producing light weight and thin fabrics. For another instance, if the first light industry succeeds in implementing certain technical measures centered on improving the quality of famous-brand products and products that are in short supply and on the expansion of production capacity, the Taiyuan and Datong breweries and the local famous-brand wine projects can round off the work and establish a capacity for producing 500 tons of aluminum foil paper for cigarette factories and 1,200 tons of baby foods, solid haw drinks, and canned foods. If the projects financed with the funds arranged to tap the latent power and carry out innovations and transformation in the light and textile industries are properly managed and used, they will form a capacity which is expected to increase output value by 370 million yuan, profits by 34 million yuan, and taxes by 29.5 million yuan. The production capacity can be expanded and economic results improved.

Third, basing ourselves on local resources and establishing a stable raw materials system and a raw materials base. In developing consumer goods production we should first rely on diversification of agriculture for raw and processed materials and second on heavy industry for providing raw materials products. In addition, when necessary we may bring in some materials that are in short supply. In this spirit we should base ourselves on local resources and construct a dependable raw materials base. In fact, if 900,000 mu of cultivated land is set aside in Shanxi to develop sugar-bearing crops and tobacco leaves, we can produce 50,000 tons of sugar and 400,000 cases of cigarettes without adversely affecting grain production, while at the same time we can increase the peasants' income and state revenues. The metallurgical and chemical industries, too, should make efforts to provide the light industry with quantities of good-quality raw and processed materials that are up to standard, while speeding up their steps of readjustment. For the present, they should meet as quickly as possible the urgent demand for strip steel and sheet metal necessary for the light industry, and the chemical department should meet the urgent demand for soda ash and caustic soda. This is necessary not only for the development of consumer goods production but also for finding a way out for these departments. It should be borne in mind that the consumer goods industry is itself a processing industry which cannot produce without materials. With the demand for daily consumer goods constantly rising, the demand of the light industry for raw and processed materials from heavy industry will be showing an upswing. How to act as a go-between, guide the water to the channel and keep establishing and perfecting the raw and processed materials systems between consumer goods production and other departments is a problem that needs to be throughly studied, considered and solved further by all those who are interested in the development of consumer goods production.

Fourth, strengthening leadership and encouraging all trades to aid consumer goods production. First, leadership in industrial adjustment should be strengthened. Over the years, whenever a contradiction has arisen between heavy industry and light industry regarding funds, power, fuels, and materials, it was always heavy industry that was "insured" and the light industry that was "pushed aside" whatever the issue. Take capital investment, for example. Viewed from the standpoint of industrial investment over the past years since liberation, light industry has accounted for only 7 percent of the total industrial investment. This has brought about a situation in which the heavy industry is getting ever "heavier" and the light industry ever "lighter," and has brought about a severe imbalance in the proportionate relations between the two major categories of social reproduction. In the process of readjustment a task of top priority is to bring heavy industry from the path of "a closed circle" to the orbit of serving agriculture and light industry. At the same time, the product structure and organizational structure of the light and textile industries themselves should be properly readjusted, and both production of high-grade products that get more income and production of popular products urgently needed by the people should be firmly undertaken.

In order to strengthen leadership over the production of daily consumer goods, it is also necessary to organize coordination between the various branches of the national economy and to encourage all trades to aid the development of daily consumer goods production. Leading bodies at all levels should effectively grasp the change of product structure and adjustment of the direction of service in heavy industry, particularly in the metallurgical and chemical industries, and should strive to provide quantities of good-quality and raw and processed materials that are up to standard for developing consumer goods production. The force of heavy industry and, in particular, the equipment and processing capacity of the machine-building industry should be reorganized according to plan, and everything possible should be done to provide more and better technical equipment for the development of consumer goods production and to help the consumer goods industry carry out a technical transformation and raise its levels of production, technology and management. As in Shanghai and Tianjin the vacant plant buildings and idle equipment in heavy industry should be readjusted and the light and textile industries should be helped to stretch the goods in short supply, fill the gaps and develop famous-brand products. At the same time, the enterprises in the munitions industry should be organized to launch an army-people program to trial-manufacture and produce consumer goods. On the principle of "six preferences" for the light and textile industries, all departments concerned should arrange the necessary funds, supply goods, link production to marketing, open the channels between supply and demand, conduct market survey, and strengthen market forecast. The objective is to insure that the quantity of daily consumer goods maintained in society does not reach a saturation point. In addition, from the Marxist point of view that social production presupposes three essential factors--means of labor, objects of labor, and laborers--the means of labor necessary for the light and textile industries are conditioned by heavy industry, the objects of labor necessary are to be supplied by industry and agriculture, and the laborers necessary are to be provided and trained by the labor department and departments of science, technology and education. This shows that only when all branches of the national economy switch to the orbit of aiding consumer goods production and create conditions for the light and textile industries can the pace of producing daily consumer goods be speeded up.

Speeding up the development of consumer goods production is a glorious and pressing task confronting us. There are many difficulties, but there are more numerous favorable conditions. If we firmly implement the line and policies laid down at the Third Plenum, exert great efforts, show great proficiency, correctly handle the internal connections in the production of daily consumer goods, correctly handle the external horizontal and vertical connections, concentrate forces, and grasp the Taiyuan, Datong, Yangquan, and Changzhi municipalities which account for 60 percent of the total output of the light industry, then production of daily consumer goods will certainly achieve rapid and good progress and development in the course of readjustment.

9780
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DECENTRALIZATION OF EXPORT TRADE URGED

Guangzhou GUANGZHOU RIBAO in Chinese 28 Jun 81 p 4

[Editorial by Xie Wei [6200 1919] entitled: "Export Business Should Be Decentralized"]

[Text] Last Sunday I dropped in on a friend who works in a provincial foreign trade corporation and just as I started talking about some provincial corporations which as yet are unwilling to decentralize export business down to local and municipal corporations, he, in one breath and with a heavy heart, set forth numerous "reasons" why decentralization couldn't be.

To sum it all up, he had three "reasons": A lot of commodities require a so-called coordinated transaction, and it is necessary to comply with the principles of unified pricing, market arrangements, and customer usage. If more than one entity transacts the business then "unification" would not be easy; there are a lot of new personnel in municipal corporations who have little experience and do not take enough care; and if local and municipal corporations demand to transact their own exports, the provincial corporations will have no commodities to export. Wouldn't that be "closing down for good?"

Parden me for impolitely stating that this is very near being a "Chicken Little." In the final analysis I fear that it's that there is not accurate understanding for the following three "relationships".

The first relationship is one which gives play to local enthusiasm with centralized unity. The policies of foreign trade naturally require centralization. The goals are expansion of the market and sales at a good price. Also this one point must be made, the problems discovered when local and municipal foreign trade corporations directly conclude export transactions and have an intense grasp of foreign market demand are immediately solved through local party leadership, affirming the benefit of this method over handling through provincial corporations. Not only is this the case, but it can also give full play to the local and municipal enthusiasm in the areas of storage, transportation, banking, etc. It also omits the allocation link from municipality to province. The speed of exports and exchange settlement is far faster than when done by the provincial corporations themselves. Furthermore, foreign transactions emphasize concentrated centralization pointing out the policy level centralization, that being the "three centralizations" of price, market arrangement, and customer application. Only after provincial corporations are decentralized can the control methods of the "three centralizations" be perfected, strengthening supervision of the local and municipal corporations. This will not only implement policy on centralization but can also make business better and more lively.

The second relationship is one between those unfamiliar with the business and the skilled. The unfamiliar and skilled of the so-called cadre operations can only be transformed through practice. Recall that in the early 1950's the provincial foreign trade corporations were just established and the majority of cadre were transferred in from business departments and units. Through more than 20 years of practice, many of them have become "foreign trade specialists." There are a lot of cadre in present local and municipal corporations who have worked in foreign trade for more than 10 years, not to mention that there is also a continuous influx of many specialists who have graduated from foreign trade schools. For this reason, only if the provincial corporations provide more guidance can they take up this secondary responsibility.

The third is the relationship between the upper level corporation and the basic level corporation. There should be a difference in the duties of provincial foreign trade corporations and the local and municipal basic level corporations. In addition to managing its own portion of specific business, the provincial corporation should place its primary emphasis on policy guidance and management of the local and municipal basic level corporations and not mainly on the handling of specific business matters like the basic level corporations, otherwise, they will be unable to play the leading role of a key department. The key departments of foreign businesses do extremely detailed research of the economic trends, international finance, and product demand of every country. Thus, they are able to insure the expansion of foreign sales and overwhelm their competition. As for internal administration, continuous attention is given to improving management, raising work efficiency, and to increasing economic results, so as to guide the affairs of the business. If our provincial foreign trade corporations were also able to decentralize the majority of export business down to local and municipal corporate management and to increase their research and guidance role, then their duties would be extremely strenuous and there would be no talk of "closing down for good."

In March of this year, the provincial foreign economic conference made a decision to give priority to developing the foreign trade of the city of Guangzhou and asked provincial level corporations one after another to pass the conclusion of export business down to municipal corporations. This was an energetic measure to quicken the expansion of the foreign trade of our province. However, only if it is unanimously implemented. I hope those heavy-hearted comrades will liberalize their thoughts, broaden their vision, and make a contribution to the great expansion of the foreign trade of our province.

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CONTINUALLY RISING LIVING STANDARDS FOR WORKERS REPORTED

Shanghai WENHUI BAO in Chinese 2 Jul 81 p 1

[Communique from the Beijing bureau by Qiao Quan [0829 6692]: "Constantly Rising Living Standards for Workers and Staff Following the Founding of the People's Republic"]

[Text] Data recently supplied by the Institute of Economic Research of the China Academy of Social Sciences shows that in the 33 years since the founding of the People's Republic and along with the development of production, the living standards of the vast workers and staff of our nation have continually increased.

This report by the Institute of Economic Research, entitled: "Seeing the Superiority of the Socialist System Through the Continually Improving and Rising Living Standards of our Workers and Staff", points out that from the beginning of the People's Republic to the end of the first Five-Year Plan, the productive forces of our society developed rapidly and the people's living standards advanced apace. Later, our work developed some deviation, particularly during the 10 years of internal disorder, exhibiting vast political upheaval, seriously harming the productive forces of society, and hindering the improvement of the people's lives. However, in sum, following the expansion of production, the lives of our workers and staff still showed distinct improvement. According to 1980 studies of 86,955 households of workers in Beijing, Shanghai, Tianjin, Wuhan, and 44 other cities, the monthly cash income is 42.8 yuan, calculated on the average family population. This is 1.1 times greater than 1964. After discounting for inflation factors, the actual living expense income still increased 68.8 percent, a yearly average increase of approximately 3.3 percent.

It can also be seen from this data that in over 80 thousand worker households, the proportion of high income households rose to a great extent and the proportion of low income households dropped to a great extent. Of these, households with monthly incomes of 35 to 50 yuan, when calculated on average family population, increased from 5.8 percent in 1964 to 36.8 percent; and households with incomes below 15 yuan dropped from 32.8 percent to 1 percent. What a gratifying change!

The primary reason for the clear increase in living expense income for worker households was the clear increase in the number of employed persons in worker families. In 1964, each worker household averaged 1.6 persons employed and in 1980 this figure increased to 2.35 persons. In addition, in recent years, due to resolute implementation of planned parenthood, the average population per household declined. Employment grew, family size decreased and the burden decreased. Furthermore, in recent years, workers' wages have also improved and there have been increased bonuses and some allowances with the average income of worker families exhibiting a corresponding increase.

From the results of this survey it can be seen that the average living expenses and the structure of those expenses for workers have both shown a fairly obvious change. In a comparison between 1964 and 1980, the total food expenses for worker families increased 63.3 percent. However, the proportion showed a relative decrease of 8.8 percent. The proportion of income in fuel expense also showed a relative decrease of 2.5 percent. The expenditures for clothes, daily necessities and entertainment actually increase 9 times. This is forceful evidence of the improvement in the worker's living standards.

The number of people possessing medium high grade durable consumer goods amongst the workers also increased steadily. At the end of 1980, 127 bicycles, 66 sewing machines, 85 radios, 32 television sets, 22 electric fans and 5.4 record players were owned by 100 average worker households.

The above survey data also did not include public medical services, rent allowances, in kind awards, and other non-cash income. The system of free medical services, financial assistance, and pensions for our workers can be called the ultimate social insurance. It allows the workers to have no fears of birth, old age, sickness, or death.

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STATE SUBSIDIES ON CONSUMER SPENDING DESCRIBED

Beijing CAIZHENG [FINANCE] in Chinese No 7, 5 Jul 81 pp 27-28

[Article by Beijing Municipal Planning Committee: "How Does the State Subsidize Consumer Spending?"]

[Text] The wage system in force in our country is a low wage system. In recent years the party and government have taken a series of measures like adjustment of wages, granting nonstaple food subsidies, and restoration of the bonus system to raise the level of workers' wages. This is obvious to all. But, in addition to income items that are in the nature of wages (including bonuses and allowances), the state spends a lot of funds to subsidize the people on consumer spending. This is often not so apparent to many of our comrades. With a view to studying comprehensively the way the people have increased consumer spending and improved their living standard, we have recently collected some data on how the state subsidized consumer spending for the people of Beijing during 1980. We have made a preliminary analysis of this data. Our findings are roughly as follows:

It is preliminarily calculated that the number of employed in the municipality had a per capita wage income of 880 yuan in 1980, averaging 560 yuan per capita for the total population of the municipality. According to incomplete calculation, the expenses defrayed by the state through various channels to subsidize consumer spending by the people averaged 400 yuan for each of the urban population. Put together these items gave each one of the urban residents an actual income of 960 yuan. At present, the number of employed and the number of retirees (with fixed income) in our municipality account for 70 percent of the urban population (in capitalist countries in general, the number of employed account for about 30 percent of the urban population), and the living standard of the people has much improved.

There are four different funds used by the state to subsidize the people's consumer spending:

1. Allowance for the difference between purchasing and selling prices of basic necessities of life. Policy-related subsidies for grain, edible oil, meat, eggs and vegetables and for coal for civil use totalled 400.67 million yuan, averaging 78.6 yuan per capita of the urban residents. This does not include the reasonable profits on handling these commodities. Actual benefits enjoyed by the urban residents would be much greater if these profits were taken into account.

2. Housing allowance. As a rule, house rentals paid by urban residents should include house depreciation (calculated on an average of 50 years), house repair expenses, and housing service expenses. At the end of 1980, housing for residents totalled 49 million square meters in the municipality. If the above expenses and depreciation were taken into account, 347 million yuan in house rentals should have been collected. House rentals now collected by various management departments amount to only 37 million yuan (equivalent to only half of the house maintenance fees), and state subsidies amount to 310 million yuan or 90 percent of the house rentals that should have been collected. On average each resident gets an allowance amounting to 61 yuan. To be sure, as housing levels are not even, those households occupying less living space get a little less allowance than those occupying a little more.

3. Cultural, educational, and health spending. It is preliminarily calculated that cultural, educational and health spending in the municipality totalled 985 million yuan (excluding rural outlays) during 1980. The total includes 415 million yuan in educational spending (including educational costs, depreciation and maintenance expenses on schools), 310 million yuan in health service spending (including free medical service), 80 million yuan in cultural and physical culture spending, 180 million yuan in costs of running nurseries, kindergartens and other collective welfare projects. Benefits averaged 193 yuan per capita.

4. Public utilities expenditures. Municipal expenditures on urban maintenance (including roads, water supply and drainage, gas and thermal power, electricity, communications, gardening, afforestation, environmental protection) and depreciation of public facilities totalled 351 million yuan in 1980, averaging 69 yuan per capita of the urban population. Some of these costs have less direct bearing on each resident but are defrayed for the benefit of all urban residents.

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PREFACE TO SERIES ON ECONOMIC REFORMS

HK141500 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 81 p 15

[Preface by JINGJI GUANLI editorial department to Part I of special collection of articles on reforms of economic management systems--dated May 1981]

[Text] Initiated by the leading comrades of the State Council, the industrial-economic research institute of the Chinese Academy of Social Sciences and the Sichuan Provincial Social Sciences Research Institute jointly convened a "forum on theoretical and practical issues in reforming economic management systems" in Chengdu from 16 April to 25 April this year. The forum was attended by 351 comrades from all over our country, who include economic theoretical workers, practical workers from economic departments and comrades from experimental enterprises.

This academic forum did not aim at true theoretical discussion. It aimed to study some significant theoretical and practical issues on the basis of summing up practical experiences. At the opening ceremony, Comrade Ma Hong [7456 3163] communicated the gist of the recent speeches of the leading comrades of the State Council as well as the requirements of the forum, and Comrade He Haoju [0149 6787 3513], Sichuan Provincial Party Committee secretary, addressed the forum. During the forum, Comrade Lin Ling [2651 0407] presented a special report entitled "Situation of the Reform of Economic Systems in Sichuan Over the Past 2 Years and Some Tentative Ideas About the Future," and Comrade Jiang Yiwei [5592 0001 5517] delivered a speech to the whole forum entitled "The Essence of the Reform of Economic Management Systems Is To Realize Socialist Economic Democracy."

The forum received more than 120 theses and informational items. The comrades at the forum were divided into groups to specially discuss in certain issues such as: the goals and steps taken in the implementation of economic readjustment as well as corresponding measures of reform; the increase in enterprises' decisionmaking power and the correct handling of the economic interests of the state, the enterprise and the individual; the substitution of taxes for profits and assuming sole responsibility for profits and losses; the improvement and strengthening of party leadership in reforming the enterprise leadership system; industrial reorganization and the integration of enterprises; regulation by planning mechanism and regulation by market mechanism, and so on. The discussion groups put forward some constructive ideas for the reference of leading departments concerned.

During the forum, the principle of letting a hundred flowers blossom and a hundred schools of thought contend was adhered to. The comrades attending the forum related theory to practice, freed themselves from old ideas and spoke freely. At the close of the forum, Comrade Ma Hong made the concluding speech.

The things discussed at the forum and the theses and informational items received will be selected and published be various newspapers and magazines. Our journal has resolved to devote special attention to publishing a number of important articles for the reader's reference. These articles will appear in issues No 6 and No 7 in the form of a special collection. Because space is limited, some articles have been abridged and the titles of some articles have been altered. We wish to express our apologies to the authors concerned and the reader.

CSO: 4006/445

PRC JOURNAL ON CURRENT ECONOMIC READJUSTMENT

HK141510 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 6, 20 Jun 81 pp 3-8

[Article by Xu Di Xin [6079 3321 2450] dated March 1981: "The Current Problem of Economic Readjustment in China"]

[Text]

I

At the beginning of 1979, viewing the actual condition of our national economy, the CCP and the State Council made known the guideline of "readjustment, reform, rectification and improvement." Readjustment is the center as well as the dominant part of the guideline. In the winter of 1980, our party and country once again made the statement that further adjustment of the national economy was to be made. The reason was that despite 2 years' hard work, which brought preliminary achievements as a result of readjustment, we did not attain the results that we had expected.

Disproportions in our national economy occurred as early as the latter part of the 1950's. The great leap forward movement was its prelude. At that time, the slogan for industry was "take steel as the key link" and for agriculture, "take grain as the key link." Considering the actual conditions of our country, the approach of developing steel and grain can hardly be criticized. Without steel, industry cannot take a single step forward. The lack of grain will cause problems for the people's livelihood. Nonetheless, what happened later on was the isolated development of steel and grain. Steel was developed to the exclusion of other industries, and at a later stage steel was developed at the expense of light and textile industries. Likewise, grain was produced to the exclusion of the development of forestry, animal husbandry, household sidelines production, and fishery. In such conditions, how was it possible to keep the various sectors of the economy in balance? What could possibly happen but the worsening of the disproportions in the economy?

In terms of the relative proportions of the various industrial sectors, the light and textile industries that produced the faily necessities of the people were pushed way down to the bottom of the list due to the weight of the heavy industries. Furthermore, the heavy industries provided services mainly to themselves without giving adequate services to agriculture nor to the light and textile industries. To make things worse, the internal proportions of heavy industry were also out of balance. In addition to steel, the machinery industry and other manufacturing industries were also developing too rapidly. This was not in line with the development of the energy and raw material industries. Besides, in other individual industries, there also arose the problem of disproportion. For example, both the ferrous and nonferrous metal production capacity exceeded the ore mining capacity. In the case of coal and petroleum, there was disproportion between excavation and stockpiling. In the case of light and textile industries, there was not only disproportion in relation to the heavy industries, but also shortage of supplies in relation to the domestic market and to the needs of the export trade. In recent years, blind construction of plants took place in some places, which led to scrambling for raw materials and contending for markets. Cases of small plants edging out large ones and technologically backward plants edging out advanced ones (especially in the tobacco manufacturing industry) have appeared. This has aggravated the contradictions all the more.

The disproportions of the various sectors of the national economy are closely related to those of accumulation and consumption in terms of national income. By accumulation we mean that part of the national income devoted mainly to expanded reproduction. Consumption is the remainder of national income used to meet the cultural and daily needs of the members of the society. In the past, roughly speaking, the accumulation funds were expended mainly on the capital construction of heavy industries. During the first 5-year plan, the accumulation rate was 24 percent, and industrial and agricultural output increased steadily year by year, and the people's living standard improved year by year. From 1958 to 1960, the accumulation rate was increased sharply to more than 30 percent, and the rate was boosted in 1959 to as high as 44 percent. The outcome was to throw the whole national economy into disproportion, led by the decline of agricultural output, followed by the sharp decline of light and heavy industrial output. Starting in 1961, after several years' adjustment, the accumulation rate was gradually decreased to less than 25 percent. By 1965, the national economy was approaching equilibrium, with production of the various sectors improving year by year and the living standard of the masses of the people [words indistinct] point of improvement suddenly came the turmoil which lasted for 10 years. From 1970 onward, the accumulation rate was above 30 percent. On the one hand, the so-called "Theory of sole importance of the productive force" was criticized, and there was an upsurge of egalitarianism. As a consequence, the production of the means of subsistence was less and less able to meet the needs of the masses of people. For other reasons as well our national economy in 1976 was already on the brink of collapse. During the 2 years immediately following the smashing of the "gang of four," as the "leftist" guiding thinking of getting quick results still prevailed, the accumulation rate was still maintained at a high level. In 1978, the rate was as high as 36.5 percent, new techniques and equipment were imported from abroad on a large scale, and capital construction undertakings were continuously expanded. Consequently, the problem of disproportion became more and more serious. With respect to such conditions, if readjustment measures are not taken, the contradictions and difficulties resulting from disproportion will inevitably hamper the successful progress of expanded reproduction. Under such conditions, even simple reproduction is hard to maintain. We should question: How can production capacity be formed if the construction front is extended so far that the capital construction projects cannot be completed for long period of time? How can the factories start up production if they do not get raw materials and power supply for a long period of time? How can the needs of the general masses of people be met with respect to the means of subsistence, if adequate development of agriculture and light and textile industries is not maintained for long periods of time?

Long-term economic disproportions are in sharp contradiction with the requirements of the law of developing the national economy in accordance with proportions and planning. If the disproportions are allowed to go on unchecked, it will be impossible for us to carry on successfully our modern socialist construction. Some people would say that in order to realize the modern socialist construction of our country, priority must be given to the development of heavy industries or to the production of the first category (means of production). This assertion cannot be regarded as groundless. However, if this assertion is taken to be absolute and considered in isolation, mistakes will lie ahead for us. In fact, it is not only necessary that the production of the means of subsistence should not lag behind that of the means of production. Marx said: "If things are to be carried on in a normal manner, Category II should have a faster accumulation than Category I; otherwise, the part of I (V plus M) intended for exchange with commodity IIC will grow faster than IIC, the only group in which exchange is feasible for it. ("Das Kapital," vol II, People's Publishing House, 1973) Lenin in his "Reply to Mr P. Nezmdanon" made the following comment: "In the final analysis, the production of the means of production is necessarily connected with that of the means of subsistence, as the means of production are not produced for their own sake but for satisfying the growing needs of the industrial sections producing the means of subsistence. ("Complete Works of Lenin," "Reply to Mr P. Nezhdanov" vol 4, p 142) Our mistakes in the past 20-odd years have their origin in the violation of this principle. The question should be asked: In the case of emphasizing accumulation and neglecting consumption, giving priority to capital construction without giving due attention to production, and in the case of emphasizing industry and neglecting agriculture, or in industry itself of emphasizing heavy industry and paying inadequate attention to light industry, what point can we find in common with the teachings of Marx and Lenin regarding the interrelationship between the two categories of socialist production? This one-sided practice of seeking quick results is an outcome of subjective left-inclined thinking, which is in opposition to the economic theories of Marx and Lenin.

Under the socialist system, as the means of production are put under the socialist ownership system, and as the "volume of social labor time devoted to the production of certain products are correlated to the scale of the social needs demanding such products," planning becomes feasible for the national economy. ("Das Kapital, vol III, p 209) Consequently, knowing the harmfulness of the leftist line, through the socialist system itself people will be able to readjust the proportions and bring the various sectors of the economy to a new equilibrium. Lenin once said, "Keeping things in balance constantly and conscientiously is planning in the real sense." ("Non-Criticizing Criticism." "Complete Works of Lenin," vol 3, p 566) In 1979, our party and government began to implement the eight-character guideline with readjustment as the center. This is a concrete manifestation of what Lenin referred to as the "conscientiously maintained equilibrium." In this respect, we have already gained preliminary achievements. In 1979 and 1980 the proportion of light industry in total industrial output was gradually increasing. Its proportion in 1979 was 43.1 percent and in 1980, 46.9 percent. Its accumulation rate in 1979 came to 33.6 percent, a reduction of 2.9 percent compared with the previous year. In 1980 it was about 31 percent, again a reduction of 2 percent in relation to the previous year. In curtailing the capital construction front, results have been gained day by day. In 1979 and 1980 a group of large- and medium-scale projects was stopped or construction of them was suspended. In the meantime, the people's livelihood has been improved. The peasants' allotted earnings from the collective averaged 83.4 yuan in 1979, an increase of 9.4 yuan in comparison with 1978. In 1980, it was 85.9 yuan, an increase of 2.5 yuan compared with 1979. In 1979 the average wage of workers under the system of ownership by the whole people was 705 yuan, an increase of 61 yuan as compared with 1978. In 1980 it rose to 803 yuan, an increase of 98 yuan as compared with 1979. In 1979, total resale value of commodities of the society topped 180 billion yuan, an increase of 24.1 billion over the 1978 figure. The 1980 figure was 214 billion, an increase of 34 billion over the 1979 figure.

Practice is the only criterion for the judging truth. As practice indicates, in order to readjust the proportions of the various sectors of the economy, first of all a correct readjustment must be made to the relation between accumulation and consumption. This means the share of national income occupied by accumulation must be controlled. According to the experiences of our country in the past 30 years, maintaining accumulation at the level of 25 percent is an appropriate ratio. Doing so not only keeps the supply of the means of subsistence and the needs of the people roughly in balance but also prepares the material (funds) condition for curtailing the capital construction front. The capital construction fund constitutes an important part of the state's budgetary expenses. A reduction of the capital construction fund expenses (of course, corresponding cuts should be made in regard to defense expenditures and administrative expenses), enables the state financial authorities to bring the financial revenues and expenses as well as the bank credit payments and repayments gradually into balance. Once the government's financial receipts and disbursements as well as the bank credit payments and repayments are in balance, the demand and supply of products of the society, in terms of their total vlume, will be brought into balance. As a consequence, prices will be stabilized step by step.

Some people think that readjustment in our country is a passive guideline. This viewpoint is not in conformity with facts. Our readjustment does not imply retreat for every sector of the economy but retreat for some and advancement for others. For example, the metallurgical industry, the machine-building industry and certain other industries are to be temporarily curtailed, while the light and textile industries, the energy, communications and transportation industries as well as the sectors of sciences, education, culture, sanitation and so on are to be further developed within the supply and financial capabilities of the state. In short, for those in which retreat is necessary, retreat must be carried out in full. For those in which development is necessary, development must still be carried out. Even for those in which retrenchment has been carried out, it is done for the sake of advancement to the next step in order to gain an active position for the situation as a whole. Therefore, our readjustment is not a passive but an active guideline with strategic significance.

Some people are skeptical about our readjustment program, of whether or not it will be a success. We do admit that achieving economic adjustments is no easy task. First of all, we must reason with, convince and educate those cadres who take no notice of the whole situation and cling to their factories which consume large quantities of energy and raw materials and turn out low-quality products. Secondly, we must do good work in the aftermath of the closure of and stoppage of operations in some plants as well as the cancellation and postponement of some construction projects, project and maintain well the plants, equipment, raw materials, fuel, products and other assets belonging to the state. Third, we must do well in making arrangements for the workers of the closed and suspended plants as well as for those of the canceled or postponed construction projects. The mending tasks involved in the readjustments certainly are not limited to the items just mentioned, but these items alone will mean a substantial workload, and the problems involved are complicated. Nevertheless, if we handle the problems correctly in accordance with the policy of our party and country, carry out elaborate propaganda work, persist in taking the mass line and seriously execute the socialist law and discipline, things can be done well. In 1979 and 1980, the very fact that the large- and medium-size construction projects which we canceled numbered several hundred is evidence of this. For these reasons the skeptical view about the success of the readjustment of our national economy is groundless.

II

Readjustment is mutually related to reform, rectification improvement and they promote one another.

By reforms, we mean reforms in economic management. There are roughly 6,600 enterprises in our country which have taken part in practicing expanding the decision-making power of the enterprise. Of these, 191 enterprises are trial points for "substituting taxes for profits, independent accounting and responsibility for one's own profits and losses." The overwhelming majority of these enterprises have obtained comparatively good results since the reforms. However, due to the disproportions of the national economy, complete elimination of the difficulties has not yet been achieved. As a result, the overall implementation of the difficulties has not yet been achieved. As a result, the overall implementation of the reforms has not been possible. Why is this so? First, as mentioned above, the essence of the reform lies in the delegation of power to the lower authorities, but readjustment of the economy calls for the strengthening of the concentrated and unified management of the economy by the party Central Committee. It is quite obvious that without the unified leadership of the party Central Committee in economic affairs, it is difficult to carry out the curtailment of the capital construction front, the reduction of the production of goods in excess supply and excessively high in proportions as well as the development of the production of goods in short supply and in excessively low proportions. Consequently, we must deal with the contradiction between readjustment and reform, undertake readjustment first followed by carrying out reforms. Second, one important aspect of the reform of economic management is to replace the unitary and instructive plan adjustments by adjustments that rely mainly on regulation by planning mechanism supplemented by regulation by market mechanism. However, to give play to the function of the market as regulator, normal supplies and sales are prerequisites. Under the condition of serious disproportion, as the total demand for the means of production and that for the means of subsistence far exceed total supply, there is no concern about the marketability of poor-quality, high-priced commodities which are nevertheless in short supply. This being the case, how can the reform of management be undertaken? Third, as a result of disproportion, many enterprises face constant short supply of raw materials, fuel and electrical power, and quite often they are forced to stop or curtail production. If these external problems are not solved, it is very difficult to carry out the reforms intended for the enterprises, for example, independent accounting, responsibility for one's own profits and losses, performance evaluations and so on. However, we must say that during the period of readjustment, even in the absence of reform of the management system, certain reforms that are beneficial to readjustment should still be actively carried out. In the long run, reform and readjustment are not in opposition to each other. Good performance in the reform of the management system will consolidate the fruits of readjustment.

Rectification refers to closing, suspending, merging or shifting the production of those factories which have developed blindly and which have suffered from excessive consumption and financial losses for a long time. In this regard, rectification and readjustment mean the same thing, because closing, suspending, merging or shifting the production of blindly developing factories with excessive consumption and financial losses for a long time can mean readjustment as well as rectification. Aside from this, converting the "large and complete" and the "small but complete" setup of the past to the form of cooperation according to specializations can also mean both readjustment and rectification. However, rectification for the enterprise is not always identical to readjustment with respect to the national economy. As mentioned above, readjustment of the national economy mainly refers to the disproportions among the various sectors. Rectification of the enterprises means more than closing, suspending, merging and shifting and reorganization. It can also mean tapping potential and carrying on renovations and transformations of the existing enterprises in order to enhance the production and technological standards of the enterprises. This means improvement of the operations and management of the enterprises (including improving existing enterprises, especially those with chaotic management, through rectification), enhancing product quality, increasing product varieties, reducing production costs and improving economic efficiency. In the meantime, new technology imported from abroad will by and large be utilized in the existing enterprises. In order to facilitate the takeover by the new technology, it is necessary to improve the technical capacity of the original plants as well as to improve their operations and management.

By improvement, we mean increasing labor productivity and economic efficiency. Through readjustment, reform and rectification, it will be possible for us in carrying degrees to improve the technological standard, the operations and management standard as well as that of the development of the productive force of the various sectors of the national economy. At present, we have nearly 400,000 industrial and transportation enterprises, a considerable part of which have improved in varying degrees their work efficiency as well as economic efficiency through reform and rectification. However, we are not complacent with the success we have achieved. Lenin once said: "In the final analysis, labor productivity is the most important and principle thing with respect to assuring victory for the new social system." He also pointed out: "Socialism will produce a new and much higher level of labor productivity" ("The Great Pioneering Work," "Selected Works of Lenin," vol 4, p 16). The purpose of our demanding that enterprises increase labor productivity is to transform the latent possibility of the superiority of the form of socialist production into reality.

III

At present, we are keeping a firm grasp on readjustment for the following reasons: to solve the problem of disproportions among sectors of the national economy, the disequilibrium between government budgetary receipts and disbursements as well as between credit payments, and repayments and between commodity supply and demand; and to prepare a solid basis for reform, rectification and improvement. That we must do well in solving these problems is indisputable. However, we should not limit our horizons to this area alone. We should broaden our horizons. To put it more concretely, it is necessary as well as possible for us to treat the path of Chinese-style modern socialist construction.

The first problem concerns the rationality of the economic structure. As mentioned above, theoretically the economic structure of our country has been in the order of agriculture, light industry and heavy industry for the past 20-odd years, but in reality heavy industry was given so much weight that it prevailed over agriculture and light industry. This situation not only explains the disproportions among agriculture, light industry and heavy industry but also gives rise to a more serious problem: The undue emphasis given to steel in heavy industry, the illusion that steel means everything and all other sectors must make room for steel. We certainly do not underestimate the important role of the steel industry in the national economy. Nonetheless, if this important role is exaggerated without limit, we will be bogged down in absurdity. The purpose of socialist production is not production itself but satisfaction of the growing physical and cultural needs of the broad masses of people. Likewise, the production of steel certainly is not for the sake of steel itself but for the production of machines that turn out consumer goods and ultimately for the satisfaction of the physical and cultural needs of the people. The structure of our economy can be regarded as rational only when it manifests the socialist purposes of production. Only by making the structure of our economy a rational one can the superiority of the socialist economic system be shown, the physical and cultural life of the general masses of people be improved day by day, and the further development of agricultural and industrial production be pushed forward through enhancing the socialist initiative of the masses of people.

The second problem concerns the rational operation of the enterprises. After readjustment, reform, rectification and improvement, the state enterprises and the urban collective enterprises of our country will give more play to the capacity of their technical equipment as well as accelerate the turnover of the circulation funds, and enable the enterprises to gain better economic results with fewer fixed assets and circulation funds. This is the requirement of the economic law of least consumption for the best results. Now, the fixed assets of our country are by no means small in amount, but their economic efficiency is quite poor. In 1978, in the case of state enterprises of the country as a whole, the ratio between the total value of their fixed assets and that of their output came to 1:1.22, while in developed countries the ratio was about 1:3. If such a situation remains unchanged, it will be very difficult for us to provide our country with more and more physical wealth, to supply our people with more and more consumer goods and to supply the society with an abundant accumulation fund. In order to change this situation, we must eliminate waste, reduce costs, guarantee quality in production, accelerate turnover and reduce the overstocking of commodities.

The third problem is to realize the integration of regulation by planning mechanism and regulation by market mechanism. This is a very important part of readjusting the proportions of the various sectors of the national economy. Its task is to provide a solution to the problem of the disjoining of production from needs as well as the cutting off of supplies from needs. Regulation by planning mechanism refers to the function of the law of developing the economy according to proportions and plans. Regulation by market mechanism refers to the function of the law of value. In essence, the integration of plan and market regulation means the combined application of these two laws. Is this possible? Some people who say the two are in opposition are skeptical about this possibility. Marx once said: "For the production of each specific commodity, the law of value of commodities determines how much of the total labor time at the disposal of the society can be devoted to it." ("Das Kapital," vol I, p 394) That is to say, the total social labor time must be allocated proportionately according to the social needs among the various production sectors. The law of the planned development of the national economy shows this objective proportion from the positive side, while the law of value shows this relation from the negative side. If our plans violate the objective proportions, the blind spontaneous effects of the law of value will play their role "silently" from the negative side. In this situation one can see the effects of the two laws, and this transition demonstrates of their consistency. The reason why plan and market regulation can be integrated is found in the consistency of these two laws. In order to put into effect the integration of plan and market regulation in relation to the arrangement and allocation of supplies, it is not only necessary to take into consideration the proportions of the various sectors, but also to fix production according to sales and to fix supplies according to production in the light of the possible needs of the market so that an equilibrium between production and sales can be achieved or nearly achieved. Will the state planning organizations from now on completely stop issuing instructive targets to the various economic departments and leave the whole thing to the play of market regulation? In my opinion, since our country is a socialist country, it is inevitable that plan regulation plays the guiding role in our production and construction. Therefore, instructive targets must still be implemented when necessary. The present situation calls for the appropriate reduction of instructive targets. In the meantime, some reference targets are to be transmitted. In both cases, be it instructive targets of reference targets, what should be shown is the objective needs, and production for the sake of production should be avoided. In order to integrate plan and market regulation, it is not only necessary to reduce appropriately the instructive targets but also to improve the state monopoly for purchase and marketing in the commercial sector (of course, speculative activities in the country fair trade should be banned). If we can do all these in a reliable and honest manner, the past situation of producing for the sake of producing and the state monopoly in the realm of circulation will be changed, and in their place will emerge the lively prospect of commodities finding level of demand and of goods circulating without obstacles.

Some people think that placing market regulation in a high position comparable to that of plan regulation degrades the law of developing the national economy according to plans, and this implies retrogression of socialism to capitalism. I think that this viewpoint is groundless. Is it a retrogression to capitalism? This depends on whether or not the means of production of socialist ownership overwhelmingly predominate in the national economy. If the socialist ownership still predominates overwhelmingly in the national economy, and if the products under the plan of state regulation still play a guiding role in the production of agricultural and industrial products of the whole country, on what ground can we say that our national economy is going backward to capitalism?

Finally, it should be noted that implementing the guideline of readjustment, reform, rectification and improvement is the first battle in the realization of our modern socialist construction. Facts will demonstrate that the implementation of the eight-character guideline of readjustment, reform, rectification and improvement will pave the way for China's modern construction. Here, a few words about Chinese-style modern construction are quite necessary. The first step of China's modern construction is to reach the goal of becoming a relatively "well-off" society by the end of this century and then gradually increase the degree of modernization on this basis. In order to achieve this, we need to assimilate the advanced technologies of the Western countries in the field of enterprise management. For this reason, some people think that carrying out modernization of China means Westernization of China. I do not think this viewpoint is tenable. China is undertaking its modern construction on the basis of a socialist system and no on the basis of a capitalist system. Even if we permit the existence of individual economy and joint venture enterprises of Chinese and foreign capital, the foundation of the Chinese socialist system will remain intact. As for the public presentation of Chinese-style modern construction, it is done in the light of the actual condition of China. The actual condition of China can be characterized by its large population (mostly peasants) and weak foundation. In 1949, when our country was just liberated, our population was 540 million. By 1978, the total population (not including that of Taiwan Province) rose sharply to close to 960 million. The excessive population growth represents a retardation of the gradual improvement of the physical and cultural life of the masses of people on the one hand. It impedes the successful progress of the socialist accumulation and construction of our country on the other. Moreover, the modern development of industry and agriculture will necessarily bring about the improvement of the composition of production technology. Consequently, comparatively more funds will be devoted to investment in equipments and technology and less to the needs of labor (especially simple manual labor). The more developed the modern socialist construction, the more acute this contradiction will be. For this reason, the Chinese-style modern construction must be developed in close association with birth control measures. In order to solve the problem of youths anticipating employment and the growth of the new labor force, while promoting the development of the modern agriculture, energy, communications and transportation (after readjustment, with the achievement of general equilibrium of the national economy, the steel, machine-building as well as other industries are still to be developed according to certain proportions), labor intensive industries and the traditional arts and handicrafts must be developed. In addition to these, service industries sought by industrial and agricultural production and by the people for their daily necessities must also be developed. The development of various service industries will be an indispensable part of the improvement of the people's lives. In this regard, special attention should be given to the role of collective enterprises, and the individual economy must be permitted to exist and grow within specified limits.

Before liberation, China was a semifeudal and semicolonial country, quite backward in industrial, agricultural, scientific and technological development. When we speak of our weak foundation, by and large, this is where the weak foundation lies. Gratifying achievements were achieved as the result of hard work in the 17 years following liberation. However, with the 10 years of instability and turmoil that ensured, the standard of science and technology of our country has lagged further behind in comparison with the top standard of the world. As indicated by practice, long-term accumulation is needed to enhance national strength, and the training of scientific and technological personnel also requires long-term efforts. Consequently, good results cannot be achieved if we neglect the actual condition of our country, give way to impatience and proceed rashly. Therefore, Chinese-style construction must advance steadily, and steadiness does not mean marking time but bigger progress in the future.

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ECONOMIC PLANNING

ECONOMIC JOURNAL ON MARKET REGULATION

HK140826 Beijing JINGUI GUANLI in Chinese No 6, 15 Jun 81 pp 64-67

[Article by Song Yangyan [1345 7402 8827]: "How To Strengthen Planned Regulation by Market Mechanism"--note passages within slantlines denote boldface type]

[Text] The regulation by market mechanism so often referred to in fact refers to certain economic laws governing the market (mainly laws of value), the production scale of the various types of commodities as it is regulated by price, profit and other such mechanisms, the sufficiency of assets and the labor force, and the profit distribution process. Viewed as a whole, regulation by market mechanism is the rational, that is proportional, distribution according to social needs of all labor in society among the various different sectors of the national economy so that it can be effectively utilized.

In a commodity economy based on a public ownership system, the regulatory effect of the market, generally speaking takes place behind the producers' backs, that is, in a situation where it is unknown or not too clearly known, or not utilized or not fully utilized. With the advent of a socialist society and the establishment of public ownership of the means of production, the regulatory effect of these economic laws governing the market is, generally speaking, more easily recognizable and consciously utilized according to its demands. Thus the former is known as spontaneous regulation by market mechanism, while the latter is known as planned regulation by market mechanism. Under socialist conditions, a purely "free market" does not exist. Judging by development trends, the planned nature of regulation by market metchanism will be increasingly strengthened. Planned regulation by market mechanism will play an increasingly greater role in socialist production, exchange, distribution and consumption. Therefore, when dealing with socialist construction, we must on no account neglect to conscientiously study and fully recognize and utilize regulation by market mechanism.

We have been carrying out a reform of the system for over 2 years and this has proved that the implementation of planned regulation by market mechanism has achieved clear economic effects. However, many problems have also emerged which need to be studied and solved. Our present task is to further improve and strengthen planning guidance for regulation by market mechanism by investigating, studying and summing up our experience, so as to bring into fully play the promotional role of regulation by market mechanism. If we are to deal specifically with the various problems that cropped up in our past attempts at regulation by market mechanism, I think we must conscientiously tackle the following:

//First, we must readjust the industrial structure and develop in a big way commodity production, particularly production of everyday consumer goods, which forms the material base for bringing the effect of regulation by market mechanism into full play.//

If we are to bring the advantages of regulation by market mechanism into full play, we must first have an abundant supply of commodities. Due to our past erroneous policy of giving priotity to the development of heavy industry and of "taking steel as the key link," we brought about a heavy production structure centered on heavy industry, particularly the iron and steel industry, and wasted and caused to lie idle vast amounts of inanimate and animate labor at intermediate points in the production process and on intermediate products, with end products, particularly individual consumer goods, being a rarity. This is the main reason why supply of many commodities has failed to meet demand for so long and it has also caused or encouraged inflation and prevented any speedy improvements of the people's lives. How can we change this situation? Merely relying on the method of "curing the head when there is a headache and curing the foot when the foot aches" will not alleviate the problem, since the most important thing is to "cure the root." That is to say, we must resolutely transform the heavy industrial structure centered on heavy industry, particularly the iron and steel industry, which gradually came into being over the years, into a light industrial structure genuinely centered on agriculture and light industry. Only on this way can we raise economic effectiveness, step up production and expand commodity supply. Only a continuous growth in production can form a firm material base for the development of the socialist market and the bringing into fully play of the advnatages of regulation by market mechanism.

//Second, we must increase circulation channels, develop circulation forms, decrease circulation links and construct more circulation networks.//

Since the basic completion of the three great restructurings, we are basically left with two types of commerce in our country: state-run commerce and collective commerce. Later, because of the emphasis of speeding up the transition, collective commerce was run more and more like state-run commerce. Therefore, within the sphere of the circulation of commodities, practically everything was monopolized and turned into state-run "official commerces." Thus the circulation of commodities was hindered and the market stagnated, causing many small commodities to become more and more scarce, the quality of commercial services to drop and the masses to suffer inconvenience in their lives. Therefore, the urgent task at the moment is to thoroughly smash the monopoly of state-run "official commerce," develop in a big way the collective commercial economy, develop individual small retailers, rural country fair trade and urban agricultural trade markets, jointly-run commerce, and so forth. We should also ensure that each has a role to play, that each is given the chance to display its abilities, that the skills of one make up for the shortcomings of another, that they are well coordinated with one another, and that full play is given to the role of a unified socialist market made up of various economic components.

In a socialist market, we should, in order to speed up the flow of goods, increase forms and reduce links. As for the connection between industry and commerce, in order to ensure that industry caters for the market and produces according to need, apart from an extremely small minority of commodities for which we can retain the system of state monpoly for purchase and marketing and other such forms, the commercial sector should, for the remaining majority of products, adopt a form for choosing, ordering, selling, acting as commission agent and so forth, according to the particular circumstances. There is also one section of commodities that can be sold by the industrial sector itself. We should thoroughly do away with the system of state monopoly for marketing.

As for the connection between agriculture and commerce, we can, for important commodities like grain, oil, cotton, and so forth, that affect the national economy and the people's livelihood, retain for the present the system of state monopoly for purchase and marketing and of dispatching to purchases, but for ordinary agricultural sideline products, we should adopt a system whereby purchases and sales have to be negotiated and the quantity, quality, price, and so forth are all laid down by the buyer and seller face to face, and implement flexible and varied forms of buying and selling. We can permit certain agricultural sideline products to be sold by the peasants themselves. As for certain staple products in short supply which act as industrial raw materials, the state should continue its system of planned buying. We should allow certain industries and enterprises to proceed directly to the villages to purchase the agricultural sideline products that they require, including any special means of production. We should also allow peasants (including the collective or the individual) to take their products, particularly certain fresh, live commodities, directly into towns for sale by themselves.

As for the connection between commerce and commerce, we must resolutely transform this relationship (including the relations between the upper and lower ranks, wholesales and retailers, and one shop and another) into a relationship whereby the buying and selling of commodities is carried out in accordance with the principle of exchange at equal value.

Within industries, certain commodities can be directly bought and sold between one factory and another. There is no need for a commercial middleman. Between places where raw materials come from and places where they are processed, contracts can be directly signed, economic ties established and commodities exchanged.

At the same time, in order to adapt to the development of commerce and the needs of commodity circulation, we also need to restore warehouses, trading companies, trust companies, exchanges and the many other kinds of commercial institutions. We must also develop cables, telephones, correspondence and other such businesses facilitating the placing of orders. We must devote major efforts to the launching of various kinds of merchandise ordering meetings, sales exhibitions and other such activities.

In order to develop the socialist market, speed up the flow of goods and make the lives of the people more convenient, we still need to devote major efforts to constructing more commercial and service networks. Apart from devoting major efforts to developing collective and cooperative commerce together with individual small retailers, within the confines of policy, certain state-run commercial units should, provided they have the appropriate conditions, also change from large into small and split up from one unit into several units, and diffuse wherever there is space until they have penetrated into the countryside, including remote mountain and pastoral areas. We must launch competitive and emulation activities among the various commercial forms and networks, genuinely liven up commerce and promote a prosperous and flourishing market.

For the moment, in order to strengthen regulation by market mechanism, we still have to train a contingent of commercial staff and workers who ardently love commerce, are proficient in professional work and engage in their trade in a civilized way.

To sum up, we should not block up, but only unblock the socialist market. This should be foremost in our minds if we are to liven up circulation and stimulate the market without creating confusion.

//Third, we must reform our present price management system, carry out a rational step by step readjustment of the pricing setup and skillfully use tax revenue, credit loans and other such economic levers to ensure that economic activities develop along the correct path.//

Prices are the main mechanism in the implementation of regulation by market mechanism. If we do not establish a rational pricing setup, it will be hard to bring the advantages of regulation by market mechanism into play. There are at present many problems inherent in our country's pricing policy, for example, the prices of many commodities are severely divorced from their value; there exists among ~~many~~ commodities the phenomenon of grossly irrational price parities; there are many commodities whose prices have been frozen for a long time, not shifting when they should; plans have controlled prices too rigidly, management has been over too wide an area and so on. It will be hard for us to completely solve all these problems during our short-term readjustment and reform. Particularly in the present period of readjustment, in order to stabilize prices and the people's lives, we should not yet carry out too great a readjustment or reform of the commodity price system. But it should be made clear that, during readjustment, certain minor readjustments and reforms are not only possible, but also necessary. For example, during readjustment, we can, in respect of certain industrial goods, first readjust exfactory prices, wholesale prices and the prices of intermediate products. Because these readjustments are merely the redistribution of profits among trades, sectors and enterprises, they do not greatly affect state revenue or the people's lives. During readjustment, the prices of certain means of production, like ordinary electrical products, bearings, tires and other products in full supply, may be lowered as warranted by the circumstances. Among petroleum products, the price of crude oil and heavy oil may also be lowered as warranted by the circumstances. Among the industrial products needed by the people in their everyday lives, we should resolutely carry out a readjustment of those which could cause prices to drift downwards. We must adhere to the principle of selling more on a narrow profit margin and oppose the concept of selling less at higher prices. We must explore the market and step up production.

Moreover, although at certain times and within certain limits, it may be necessary to adopt a policy of limited financial subsidies, this should never be considered a long-term plan, because such a path would narrow in on us, forcing us that at present, we are spending several billion yuan annually on subsidies for the means of production alone, add to this the agricultural water and electricity subsidy and the import subsidy, and the figure would be quite considerable. Judging by developments, if we do not make efforts to put an end to or change this situation, it will hereafter continue to grow year by year, which would be quite intolerable.

In order to rid ourselves of these difficulties caused by progressive increases in subsidies, we must carry out a thorough reform of the pricing system. At present, apart from losing no time in carrying out the necessary readjustment of the prices of certain commodities as far as conditions will allow, we should also pay close attention to the carrying out of a systematic and complete reform of the pricing system and pricing setup, conduct meticulous investigation and study, and make the necessary preparations for an overall reform to be carried out at some appropriate time in the future.

For the past 2 years, we have been reforming the tax system, the method of credit loans and so forth. We have already carried out some experimentation and facts have proved that the effects are good. From now on, we must, while summing up our experience, continue to skillfully use these effective economic levers to guide midroeconomic activities. Particularly where an overall readjustment of prices cannot be carried out, it is even handier and even more necessary to make full use of the regulatory effect of the tax system and credit loans.

//Fourth, we must smash blockades and separatism, and restore and develop trade centers and trade networks.//

Economic development is necessarily subject to economic laws and at the same time is affected by historical and actual, social and natural conditions. In the history of economic development in our country, there have gradually come into being with the development of the commodity economy, numerous market centers, both large and small, often called trade centers. For example, Shanghai is the trade center of the eastern region, Tianjin the trade center of the northeastern region, Guangzhou the trade center of the southern region, and so on. Around every large trade center, there have also come into being numerous small and medium-sized trade centers. These small and medium-sized trade centers are like "myriad stars surrounding the moon," for they are active all around the large trade center, they are mutually coordinated and work together for the development and prosperity of the economy. These trade centers, due to their trade contacts, can make up for each other's deficiencies and have close working relationships with each other, thus forming a trade network embracing the whole country. Although these trade centers and networks that have come into being naturally and after the lengthy development of the commodity economy still have their irrationalities, they do on the whole meet the needs of our country's economic development. However, in the past, during the restructuring of industry and commerce and the demarcation of administrative areas, they were destroyed one by one as a result of man-made factors. As they did not correspond with the administrative divisions demanded by the process of economic motion and with the existence of administrative centers and also because of their blind involvement in economic processes, many highly strange phenomena emerged in the course of their economic activities. For instance, Wuxi and Shanghai are right on each other's doorstep. As far as economic ties are concerned, transport on water and overland routes is convenient, so they could well have established direct commercial ties. However, as far as administrative relations are concerned, Wuxi lies in the Jiangsu administrative area, so its products may not be brought into Shanghai without permission from the administrative authorities in Nanjing, products from Shanghai may not be brought into Wuxi, and so forth. What is more important is that such economic divisions and blockades preserve backwardness and prevent competition. Take for instances a toothpaste produced in a certain province. It cannot be squeezed out even if you use both hands, but toothpaste from Shanghai and other places may not be brought into the area, thus perpetuating the production of this backward product and ensuring its long-term monopoly of the market.

In order to implement and strengthen regulation by market mechanism and bring its advantages into play, we must, besides restoring step by step the trade centers and networks that have already come into being and carrying out any necessary restructuring according to socialist principles, set up and develop new trade centers and networks. For example, with the development of animal husbandry in the livestock rearing areas, we can, in certain appropriate cities in Nei Mongol, Xinjiang, Xizang and other places, set up trade centers and networks with the stress on animal husbandry products. Let us take another example. In the area around Beijing, with developments in urban construction, the completion of the numerous satellite towns will, in the environs of the Beijing municipal trade center, gradually form numerous small trade centers and networks, which will be highly conducive to prosperity and the development of the economic life of the capital.

With the restoration and development of trade centers and networks, we are sure to progressively smash the economic blockades and divisions brought about in the past by division into administrative areas. With each locality bringing its advantages into play, operating rationally, strengthening its ties and organizing jointly run businesses all according to their respective economic and natural characteristics, economic setups and divisions mutually linkedvia the market will naturally come into being. Such a setup and division, coupled with rational usage by the people, will definitely have a tremendous accelerating effect on economic construction in our country.

//Fifth, we must establish and perfect as soon as possible a channel for market news and information.//

In order to bring into full play the regulatory role of the market on production, circulation, distribution and consumption, we must, within the framework of the whole country, from the districts, localities and provinces right up to the responsible central ministry or bureau, establish as soon as possible a group of specialist market calculation and forecasting organizations. Larger specialist companies and united companies can also establish similar organizations. Moreover, we also have to manufacture and import some advance methods of market forecasting, like computers, and so on. We must also skillfully and widely employ all methods of market research, like opinion polls, sampling investigations, commodity sales exhibitions, mobile exhibitions, consumer discussions, joint meetings between producers and vendors, order placement meetings, as well as publishing magazines on market trends. We must also, with the market information at our disposal, strengthen exchange of information, set up an information contact network and expand our source of information. We must meticulously sift through, analyze and study information that we have gathered and, having drawn a conclusion, put forward opinions and suggestions, so as to provide the responsible departments with a reliable basis for deciding on policies and improving work.

Among the commercial information activities, it is highly necessary for advertising to be properly developed.

//Finally, we must also strengthen the legal system and political and ideological education.//

In talking about regulation by market mechanism, we must also consider market management, for without the necessary scientific market management, we cannot ensure that the market will be "active not chaotic." In market management work, economic methods are admittedly important, but administrative methods are no less vital. We cannot do without a legal system in our implementation of planned regulation by market mechanism. The practical effectiveness of a legal system lies in: 1. We must give legal protection to production relations that have already been suitable readjustedin our reform of the system and production forces that have been unleashed, so that they may develop healthily; 2. We must ensure that the enterprises, being relatively independent commodity producers and commodity exchangers, conduct economic activities in a normal fashion; we must subject to the sanctions of the law those who, in the course of economic activities, flagrantly violate it, like covertly raising prices, raising prices without authority, evading taxes, failing to hand over profits to higher authorities and so on; we must deal with the various kinds of economic disputes according to the law, iron out the various contradictions and ensure that the commodity economy remains active and develops normally. Now we must formulate as quickly as possible factory laws, shop laws, company laws, contract laws, tax laws, pricing laws, planning laws and so on, so that the activities of enterprises will have laws upon which to rely. Law is coercive force. If people's behavior to stay within the confines of normality, we still need to carry out education on the theme of political ideology. We must stress practical education and not allow it to degenerate into empty words. We must place emphasis on teaching the enterprises and the broad masses of laborers to bear the cardinal principles in mind and take the overall situation into account, on cultivating the concept of serving the people and overcoming departmental selfishness and petite bourgeois and bourgeois management thinking and style.

It must be pointed out whether or not, in the course of implementing regulation by market mechanism, there is absolutely no need for regulation by planning mechanism of a directive nature? Of course not. What we are opposed to is the planning of a directive nature that we had in the past which was practically "autocratic" and divorced from reality. Planning of a directive nature, as one form within the socialist regulatory system, was needed not only in the past and will be needed in the future, but is especially needed during certain, specific historical periods, like the present period of economic readjustment. Without it, we would be unable to correct, in a realtively short space of time, the disproportion caused mainly by it in the past. However, the planning of a directive nature needed today is no longer "autocratic" regulation by planning mechanism. As well as planning of a directive nature, there also exists planning of a guiding nature, as well as planned regulation by market mechanism, the product of the union between planning of a guiding nature and the market economy. Our planning work must endeavor to mutually coordinate these two types of regulation and allow them to their proper role.

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REFORM OF CLOTHING PRODUCTION

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[Article by Gong Xiangyou [1362 4161 0645]: "The Reform of the Management System for Clothing Production"--passage within slantlines denote boldface]

[Text] With the development of China's construction of the four modernizations and the improvement of the people's living standards, people in both the urban and rural areas are increasingly demanding high-quality clothing in new and beautiful styles. Over the past few years, however, the supply of ready-made clothes in the market has always been lagging behind demand. Contradictions between supply and demand have been particularly serious in the case of medium- or high-grade clothes made of chemical fiber or woolen cloth and retail departments are slow in processing materials or supplying ready-made clothes. It is therefore a pressing demand of the masses to solve the problem of it being "difficult to buy clothes and time-consuming to have them made."

(1)

The problem of it being "difficult to buy clothes and time consuming to have them made" is due to various factors, but the main one is that over a long period of time little importance has been attached to the clothing industry. As a result, clothes, being considered as small commodities of the third category, are excluded from the production plan, and the provision of relevant raw and semi-processed materials is not guaranteed. In addition, commercial departments have all along been using the same method of having orders placed by the state with enterprises for processing materials or supplying ready-made clothes and exercising a monopoly in purchase and marketing as in the time of socialist transformation. As a result, the departments of supply, production and marketing have been seriously out of contact with each other, production enterprises do not have any autonomy and the market is put under tight control, thereby restricting the development of productive forces. Since production lacks planning, the tasks of providing services for processing materials received are not guaranteed and the workload is not evenly distributed throughout the year. During the peak seasons, the workload is excessively high and when the slow seasons arrive, there is no work to do. Because clothing enterprises cannot stay in business, the only way out is to keep switching to other types of business of other forms of production and the number of production and retail networks for processing materials or supplying ready-made clothes keeps declining. According to statistics of light industrial departments, there were 5,600 clothing enterprises under the departments of light industry and affiliated organizations throughout the country in 1979. This number was more than two-thirds less than the 21,000 clothing enterprises organized during the 1957 cooperativitation movement. In particular, the clothes processed by commercial wholesale departments are only some popular goods of dependable quality which require a long circulation period and are limited in variety, specifications and design as well as outdated in style and cannot meet the changing demands of the market. Clothing enterprises do not have the right to design, manufacture and sell their own products in line with the demands of the market, nor can grass roots shops make purchases directly from clothing enterprises. Such a system of management in which the departments of supply, production and marketing are not in contact with each other has brought about the abnormal situation of clothes lying idle in stock on the one hand but out of stock on the other.

(2)

In order to develop the clothing industry and solve for the masses the problem of it being "difficult to buy clothes and time consuming to have them made," reform in the management system of clothing production was first carried out in Shandong Province. In August 1979, the Provincial Planning Commission, Economic Commission and Financial Bureau jointly issued a notice to the effect that it had been decided to channel the production and marketing of clothes for the domestic market into the provincial plan for clothing production. The necessary dress materials would be supplied directly by textile printing and dyeing mills in accordance with the plan. Instead of having products for purchase and marketing under the monopoly of commercial wholesale departments as before, samples would be offered for selection before any purchase would be made, and factories and shops would be put into direct contact with each other. Such a reform solved the serious long-term problem at its root of having departments of supply, production and marketing out of contact with each other. Clothing enterprises could purchase dress materials and arrange production in line with the demands of the market, shops could make purchases in line with the tastes of the masses, and autonomy was allowed for both the industrial and commercial enterprises, thereby mobilizing their enthusiasm. As a result clothing production achieved rapid development, only 4 months after the reform was initiated in September 1979. By the end of 1979, the monthly output of clothing production increased by an average of 50 percent over that prior to the reform. Besides, there was an increase of over 3,000 different patterns and designs, the products began to sell well instead of lying idle in stock, and enterprises started making profits. This then changed the passive situation prior to the reform when 40 percent of the clothing enterprises throughout the province had nothing to do, the output of the clothing industry in the first quarter of the year was 28 percent lower than that of the same period in the previous year and a large number of enterprises suffered losses. But it was more important that this began to help solve for the masses the problem of it being "difficult to buy clothes and time consuming to have them made."

The good results of the reform in the system of management and administration of clothing production in Shandong Province have attracted the attention of other provinces and cities. Some of the areas in provinces like Liaoning, Hebei, Jiangxi, Gansu, Anhui, Fujian, Sichuan, Henan and so on have one after another carried out reforms after the example of Shandong Province and have all achieved relatively good results. To sum up, the results are mainly as follows:

1. /Large increase in the output of clothing production:/ In Shandong Province, the total number of clothes manufactured in 1980 was 61.5 million pieces, which was 20 percent in excess of the annual plan and 53 percent more than the 1979 figure. The volume of ready-made clothes for the domestic market alone increased by 65 percent. The net increase of clothes produced for a single year was almost 21 million pieces or 60 percent more than the total net increase for the 6 years from 1973 to 1978 prior to the reform. In Liaoning Province, a total of 44 million pieces of clothing was manufactured within the period from January to November 1980. The figure was 46 percent more than that for the same period in 1979 and the increase in the amount of ready-made clothing available for the domestic market alone was 53 percent. In Hebei Province, the reform started in August 1980; the output of clothing production for the whole year was 23.3 percent more than in 1979. In Jiangxi Province, the output of clothing production even increased by a wider margin; the 1980 output was 100 percent more than in 1979.

2. /Clothes have a greater variety of color and design, are better in quality and are selling well in the market./ The reform in Shandong Province has brought about a big increase in the variety of colors and designs of clothes. In the first half of 1980, there was an increase of 875 new varieties over that of 1979, making a total of almost 4,000 different varieties. Clothes for the domestic market achieved a passing rate of 99.7 percent and 15 varieties were assessed to be products of excellent quality by provincial standards. The sales of ready-made clothes have greatly increased because the products have a greater variety of color and design, are new in style and are saleable. Prior to the reform, commercial departments had overstocked 6 million pieces of clothing, of which 2 million pieces had to be disposed of at reduced prices. Since the reform, the output of clothing production has increased by 65 percent; both the production and the sales of clothing are vigorous, no clothing has been left lying idle in stock and supply falls short of demand. According to statistics of the Qingdao Municipal Department Store for workers, peasants and soldiers, clothing sales in the first half of 1980 totaled 1.88 million yuan which was 77 percent higher than the 1979 figure. Statistics of 19 localities and cities in Hebei Province show that there was an unprecedented increase of a total of 3,290 new varieties of colors and designs in 1980. Clothing began to be colorful and full of variations and supply could not meet demand. In 1980, Liaoning Province had an increase of 150 percent in the variety of colors and designs of clothing after carrying out the reform; the different varieties of clothing were well-received by the masses because they were good-looking in style and were in good taste. Grassroots shops reported that 1980 was a year with the best sales since the founding of the state.

Since direct supply of dress materials has been in practice, clothing factories have the autonomy to choose and order from a variety of colors and designs at the provincial textiles fair. In addition, textile printing and dyeing mills can organize production in line with the needs of clothing enterprises so that the products are saleable and less fabric is left lying idle in stock. Prior to the reform, the textile industrial enterprises in Shandong Province overstocked more than 60 million meters of fabric blends of polyester fiber and short-staple polyester because these were not purchased by commercial departments, thereby adversely affecting the production of textile enterprises. Since the reform, clothing enterprises have adopted the methods of "making delicacies out of coarse food grain," reprinting and redyeing and so on to help textile enterprises dispose of the overstocked fabric. At the same time, textile enterprises have enthusiastically improved the quality as well as increased the varieties of colors and designs of the dress materials according to the needs of clothing enterprises and have increased the supply of medium- and high-grade dress materials. As a result, a change was effected in the previous passive situation of having to process the unsaleable dress materials into clothes, which were in most cases not well-received by the masses, during the time when commercial departments were in charge of the supply of materials for processing.

3. /Both output and income have increased and the economic results are notable./ In 1980, the clothing industry in Shandong Province obtained profits of 31.52 million yuan from the sale of ready-made clothes and taxes and profits turned over to the state amounted to 33.1 million yuan, which was 85.8 percent more than in 1978 before the reform. The state, the enterprises and the workers have all got an increased income. According to statistics of 17 clothing factories in Shenyang Municipality, taxes and profits turned over to the state for the whole of 1979 when the factories processed materials received from commercial departments were only 5.15 million yuan. From January to October 1980, however, the tax and profits turned over to the state amounted to 11.4 million yuan, which was 100 percent more than the amount turned over for the whole of 1979. Hongqi clothing factory in Chengdu Municipality had processed materials provided by commercial departments into clothes for 12 years from 1967 to 1978. During that period, a profit of only 83,000 yuan was made, the enterprise was very poor and the workers earned very little. Since the reform, both production and sales have become vigorous. For the first 8 months of 1980 only, a profit of 277,000 yuan was made, which was even more than the total profits for the 12 years by over 200 percent

(3)

Practice has proved that although the reform of the management and administration system for clothing production has been carried out for only a little over a year, it has fully demonstrated its vitality and achieved fine economic results. Like other economic reforms, however, the reform in the system of the clothing business has also met quite a bit of resistance and some comrades have all along had an attitude of disapproval. This reform experience cannot therefore be spread quickly in an organized manner and even in those provinces or cities where such a reform has been carried out, there is a danger of the reform coming to a premature end. Leading comrades of the central authorities have recently explicitly pointed out: "For many years there have been different opinions regarding the reform of this system but these have never been seriously put into practice. The practice in Shandong Province has proved to be good." Therefore, in order to spread this reform, it is absolutely necessary to have a correct understanding of the reform work done by Shandong Province in the management system of clothing production, seek unity of thinking and clarify different understandings regarding certain questions in the reform.

/First, I consider that there is only one criterion, namely to look at the results from practice in order to assess whether a reform is correct and whether it should be affirmed and be popularized./ The large body of facts mentioned above clearly shows that the reform by Shandong Province in the management and administration system of clothing production has produced very good economic results. It has brought about benefits to both the state and the people and has initially solved for the masses the protracted problem of it being "difficult to buy clothes and time-consuming to have clothes made." It has also been taken seriously by the leadership and is well-received by the masses. Hence, this is a correct and feasible reform in compliance with objective economic laws and should be affirmed.

/Next, I consider that the main arguments put forth by some comrades in opposition to this reform are open to question given the facts./ There is a view that the reform in the system of clothing production must be stopped because it violates the policy of state monopoly for purchase and marketing of cotton cloth and disrupts the process of redeeming cloth coupons. In fact, reform in the system of the clothing business does not violate the policy of state monopoly for purchase and marketing of cotton cloth nor does it disrupt the process of redeeming cloth coupons. In June 1980, when reiterating the need to seriously implement the policy of state monopoly for purchase and marketing of cotton yarn, cotton cloth and major knit goods, the State Council pointed out, "since last year, when piece goods are sold in some localities and units, some cases of violating the stipulations of the state by willfully not redeeming or redeeming fewer cloth coupons have occurred." At the same time, it also pointed out, "at present, the production of cotton, chemical fiber, yarn and cloth in our country still falls far behind the demand of both the domestic market and export trade. If the situation of not redeeming or redeeming fewer cloth coupons is allowed to remain unchecked in the marketing of yarn and cloth, it will certainly disrupt the implementation of the policy to supply piece goods and redeem cloth coupons in a planned manner." Hence, in order to realistically guarantee the basic need of the people with respect to wearing clothes and using cloth, it is necessary to reiterate the principle of continuously implementing the state monopoly for purchase and marketing of cotton yarn and cotton cloth. The reform of the system of the clothing business aims at developing the production of ready-made clothes, removing the contradiction of having departments of supply, production and marketing out of contact with each other as well as solving the problem of supplying clothing to the masses, and it does not lead to the problem of "willfully not redeeming or redeeming fewer cloth coupons." This is also the case in actual situations. When practicing direct supply of dress materials and entering into contracts to supply goods, the various localities have all settled accounts and redeemed cloth coupons in accordance with the stipulations. Besides, still more than 95 percent of the clothes are sold retail through commercial departments. When industrial departments and enterprises sell some clothes retail through their own retail departments, they also redeem the cloth coupons in accordance with the criteria set by commercial departments and the situation of redeeming fewer or not redeeming cloth coupons does not happen.

/There is also the view that the direct supply of dress materials has reduced the wholesale links of commercial departments, thereby reducing the financial income of the state./ This view is not supported by facts either. Take Shandong

Province as an example. As mentioned above, the state, the enterprises and the workers have all earned more income since the system of the clothing business has been reformed because output and income have increased. In 1980, about 50 million meters of dress materials were supplied directly to clothing enterprises in Shandong Province and the amount of sales was 250 million yuan. Based on an average profit rate of 4.01 percent in the wholesale textile business, the profits from wholesale business earned by commercial departments declined by 10 million yuan, of which 5 million yuan was the 2 percent wholesale price difference reserved for textile enterprises and 5 million yuan was the amount of profits transferred to clothing enterprises. However, in 1980 the clothing business earned a profit of 31.52 million yuan from the sale of ready-made clothes in the domestic market and turned over to the state 33.1 million yuan of taxes and profits which was still as much as 28.1 million yuan after taking away from the profits the 5 million yuan transferred from commercial departments. It can be seen that the state has earned not less but more. It should be pointed out that one must not consider that only the incomes of commercial departments and not the amount turned over to the state by clothing enterprises can be called financial income of the state. A large portion of the profits withdrawn by commercial wholesale links are consumed as expenses during the course of circulation; the amount turned over to the state is not much.

/There is yet another view that since clothing is a kind of small commodity which should be produced and sold within the same locality, the clothing industry can only carry out processing of materials received from commercial departments and is not required to be channeled into a plan./ I consider that this view is also incorrect. Clothing, whether judged by the position it occupies in the life of people or by the proportion it accounts for in market sales, is a veritable big commodity and not a kind of immaterial small commodity. Clothing is even a kind of big commodity among light industrial products as its annual total output value is over 9 billion yuan which is even higher than the total output values of the "three big items" in light industry. Also, clothing has the largest export volume among the light industrial products for export and is a significant export item. It is incorrect to limit the production and marketing of clothing within certain established regions and not allow the localities to help supply each other's needs in clothing or compete against each other in the clothing business. It is a normal phenomenon for circulation volume to expand along with the development of the commodity economy. When larger quantities of ready-made clothes are produced, offering more varieties of colors and designs as well as greater variations in specifications and styles to the customers, the volume of products moving between the localities would naturally increase. This will revitalize the clothing market and is of benefit to the people. The argument of "carrying out big circulation of small commodities" is also untenable when it is used to oppose the reform of the system of clothing industry and to oppose the sale of clothing outside the area of production. Clothing can be exported and can circulate in the world market; then why can it not circulate in the domestic market? Why must the natural economy of self-sufficiency still be practiced? In fact, small commodities produced by such large and medium-sized cities as Shanghai, Suzhou, Guangzhou, Wuhan and so on are supplied to places throughout the whole country and are even exported abroad; is this not big circulation? The standpoint of encouraging the practice of commodity production and the development of commodity economy but opposing the circulation of products as well is obviously incorrect.

CSO: 4006/452

INDUSTRY

DECISIONMAKING IN FACTORIES

HK141446 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 81 pp 40-41

[Article by the Chongqing Iron and Steel Company: Expand Decision-Making Power of Class II Factories and Mines and Mobilize the Enthusiasm of the Basic-Level Units"]

[Text] Our company is a medium-sized integrated enterprise with 23 subordinate factories and mines. Formerly II had two forms of management: seven factories and mines located far from the company practiced a system of internal independent business accounting. Sixteen Class II factories located within the company practiced unified business accounting under the jurisdiction of the company. Production, supply, marketing, manpower, finances and materials of these units were put under the unified management of the company. The company assumed full responsibilities for their profits and losses. The quality of their business undertakings was not linked to the economic interests of the factories concerned, and the practice of everyone "eating from the same big pot" was mainly exercised.

After the experiment of expanding, the decision-making power of the company in 1979, in order to change the situation in which everyone "ate from the same big pot" and fully mobilizes the two kinds of enthusiasm of the company and factories and mines, we worked out an 18-point plan for expanding the decision-making power of the Class II factories and mines. After the experiment, summing up and revision, this 18-point plan was carried out comprehensively in 23 production units on a trial basis. We further expanded the decision-making power of the Class II factories and mines in 1980 and expanded the scope of experiments to the departments and offices of some organs and worked out a 23-point plan for expanding the decision-making power of the Class II units, thus enabling these units to have a certain degree of power to make their own decisions and bring their enthusiasm into fuller play. In our practical work, we have done three things:

We Have Reformed the System of Financial Management and Carried out Internal Verification

We turned 16 Class II factories in Dadukuo district into units which fully practiced independent business accounting and took responsibilities for their own profits and losses in 1979. They opened independent accounts in the People's Bank and established internal accounts in the financial department of the company for the internal transfer of funds. The company handed down separate targets for profit verification to the Class II factories and mines in light of the plans for increasing production and practicing economy. According to the different conditions of various units, the company worked out a provision that the proportion of profit-sharing which was in excess of the plan should be 5 to 20 percent, and the various factories and mines could draw on these reserve profits four times a year for bonuses and public welfare.

The provincial party committee and people's government implemented system of dividing up total revenues between the provincial government and the company in 1980. We respectively changed the company's former system of profit deductions in excess of the plan into the system of dividing up total revenues between the company and the factories and mines and the system of retaining a fixed portion of the profits coupled with that of sharing profits in excess of the plan. The comprehensive rewards for production and the welfare funds for the staff and workers, which were formerly included in production costs, were brought into line with the profit-sharing. As a result, the level of the profits earned by various factories and mines was linked not only with bonuses but also with the welfare funds for the staff and workers. The close integration of power and interests further aroused the enthusiasm of the Class II factories and mines. A heavy rolling mill which uses scrap steel plates as raw materials started to rebuild on its own initiative a mill to produce which were in short supply, thus increasing the variety of designs making an annual profit of more than 500,000 yuan. An ironworks suffered a loss of 5.7 million yuan in its 1980 plan. After practicing the system of sharing total revenues at fixed ratios (few losses means increased profits), the leadership of the ironworks personally explained to the staff and workers the relationships of material interests among the state, the company, the factory and the staff and workers, and adopted a series of effective measures to turn deficits into profits, with the result that new levels of production, quality, consumption and costs were created. Between January and September 1980, the ironworks not only turned deficits into profits but also earned a profit of 2.14 million yuan. We handed down to the staff and workers' hospital and the research institute for occupation diseases the targets for assuming responsibilities for their own expenses, stipulating that their expenses in excess of the plan would not be compensated while surpluses could be retained for their own use. Under the condition that they fulfill the tasks assigned by the company, the institutions such as the designing office, plan control office and research institute for iron and steel were allowed to undertake tasks from other units outside the company and were permitted to retain a portion of the net profits from the revenues they earned. After implementing these practices, the establishments under the jurisdiction of the company carried out service work with units outside the company in an active way and on their own initiative and brought additional revenues to the company.

We Have Readjusted the Prices for Settling Accounts Within the Company and Gradually Solved the Problem of Unfairness in the Division and Allocation of Profits

In the integrated enterprises, among the mines, ironworks, steelworks and rolling mills, due to irrational product prices, a great disparity in profits and losses and unfairness in the division and allocation of profits have long existed. In the past one was concerned about "eating from the same big pot." After the systems of independent business accounting and taking responsibility for one's own profits and losses were implemented the company, the abovementioned problem was strikingly exposed. In order to carry out profit verification and rational redistribution of profits within the company, beginning this year, we comprehensively readjusted and revised the company-wide prices for settling accounts for finished products, semifinished products and labor, fixed prices according to quality and initially solved the problem of unfairness in the division and allocation of profits. The production of steel internally was increased while the importation of semifinished products from other localities was reduced. The production of converter steel should have been an important factor in yielding profits but because of the irrational price set for it the more converter steel produced the greater the losses which dampened the enthusiasm of the converter mill for increasing production. We rationally readjusted the price for converter steel. The output of converter steel doubled and redoubled as a result. In the past, in smelting pig iron in open-hearth furnaces, the ironworks produced more type P 10 iron containing much silicon but less type P 08 iron containing less silicon, thus increasing the difficulty of smelting steel. We worked out a provision that the selling price for every ton of P 08 pig iron should be 5 yuan more than that of type P 10 iron. This helped the ironworks increase the ratio of producing type P 08 pig iron month by month, thus greatly shortening the time period for smelting steel. In the past we produced 10,000 tons of iron mixed with molten iron in a year. The processing unit was not willing to process it while the units which could have used it were unwilling to do. Repeated administrative measures failed to produce any effects; thus it was piling up increasingly. We set rational prices for processing and utilizing iron mixed with molten iron and raised the profit rate in 1980, resulting in an overall increase of profits.

We Have Expanded Decisionmaking Power of the Class II Factories and Mines in the Areas of Manpower, Finances and Materials and Fully Mobilized Their Enthusiasm

The rules for further expanding decisionmaking power provided that the Class II units should have the power to set up any organs concerning personnel matters and matters of labor and capital. They should not be forcibly asked by the departments and offices concerned to suit a particular upper-level department or lower-level unit, under the condition that people be assigned to take responsibility for various kinds of work. They should have the power to appoint and remove cadres at or below the section level in line with the authorized number of personnel handed down by the company. They should have the power to make decisions on giving rewards or penalties to any cadres at or below the section level or any workers (dismissal requires the examination and approval of the company). The power to examine and approve the retirement and resignation of cadres at or below the section level or workers; the power to transfer the workers or to exchange personnel among the various units inside the company. With regard to finances, they should have the power to distribute the funds accumulated through profit-sharing as bonuses or use them to establish collective welfare undertakings and work out regulations for rewards; the power to dispose of their expenses as they wish, use the circulating funds and various other funds allocated by the company, and power for various factoreis and mines to draw on and use funds for overhauling. As for the power to handle materials, they should be in a position to purchase the products which are not subject to unified purchase and marketing by the state; handle the surplus materials which are under the unified arrangements of the company, and moreover, carry out economic coopration with other units and with each other in exchanging surplus materials for materials in short supply. The various rolling mills were allowed to market scrap and substandard rolled steel. At the same time, the Class II units were permitted to undertake processing with locally supplied materials, and imported materials and to contract out other tasks. They were allowed to share the profits earned when they fulfilled the plans for increasing production and for practicing economy designated by the company. Since enjoying these powers, the Class II units have shown greater initiative and flexibility in production and management, brought their enthusiasm into fuller play and given production a great boost under the unified management and guidance of the company.

CSO: 4006/455

YUNNAN ATTEMPTING TO CORRECT BACKDOOR DEALING IN CIGARETTES

Beijing ZHONGGUO CAIMAO BAO in Chinese 9 Jun 81 p 1

[Article by Staff writer entitled: "Central Commission for Inspecting Discipline Issues Report on the Large Quantity of Cigarets in Yunnan Used to Secure Advantages and Seeks to Correct the Various Erroneous Actions which Violate Economic Policy"]

[Text] The Central Commission for Inspecting Discipline organized an investigative team to investigate the problem of large quantities of cigarettes in Yunnan used to secure advantages through influence, as reflected by reporters from this paper. The results of the study show that the conditions as reported by our reporters were basically true. For this reason, the commission recently issued a report asking that all levels of leading cadres, particularly responsible cadres in the responsible departments of the party, emphasize the interests of the nation; consider completion of the state plan and acting in accordance with state regulations to be their sacred duty; set an example by resolutely checking the unhealthy tendencies in commercial sales; and correct those erroneous actions which violate the party's relevant economic policies.

Since last year, some leading cadres in Yunnan, out of consideration for feelings, have given large quantities of wholesale cigarettes outside of the supply plan to various personnel and households. This incorrect conduct sets a bad example for subordinates. If it is condoned by the province, it will be condoned by the company and also by the cigarette factory. According to statistics, from January of 1980 to January of this year, due to the pulling of strings in all areas, more than 580,000 cigarettes were squeezed out of the provincial sugar, cigarette and wine companies.

The leading organizations and individuals in some other provinces, cities, and units also take advantage of various connections to put forth all kinds of "needs," ruining the state's product allocation plan, and make purchases of large batches of cigarettes from Yunnan. From January last year through January of this year, there were more than 70 units nationwide which depended on private connections to make large purchases of cigarettes from Yunnan.

Due to the fairly large portion of Yunnan cigarettes which could not get to the market through normal channels, in the short time since last winter, grade A and B brand name cigarettes have vanished over the past 4 months in cigarette-rich Yunnan and in the markets of Kunming. Everyone is talking about it, which has bad effects.

At present, Yunnan Province is in the midst of investigating and rectifying this unhealthy tendency. It has already decided that in the future, no one will be allowed to pull strings in production or sales units seeking cigarettes. At the same time, the various cigarette production, allocation, and sales systems will be researched, established and completed so as to put a stop to the occurence of similar incidents.

The central commission's report points out that cigarettes are allocated by commercial entities in accordance with the state plan. The practice of an individual pulling strings to make purchases of items in short supply outside the plan and not through commercial channels is an unhealthy tendency in the realm of economics. It interferes with normal activity in the market, destroys economic order, corrupts cadres, and encourages the development of the unhealthy tendencies of using connections and backdoor methods. Some elements which are still engaging in speculation and profiteering are causing great harm to the party's prestige with the masses.

The report further points out that this utilization of state materials, making contacts, and using backdoor methods harms the overall interests and allows the unhealthy tendency of individuals or localities obtaining exceptional advantages. These problems occur not only in Yunnan, not only in the cigarette industry, but commonly exist in all localities and all businesses. Some people, in the interest of themselves or a small group, use materials in short supply and the rights of people to establish various kinds of special relationships between people and departments in the name of "cooperation," when in truth it is in search of personal gain. It is through these methods that some individuals make a profit and some units can also gain a definite advantage. However, the existence and expansion of these special relationships cause damage to the state plan, and have an effect on the supply of materials to the masses, and the broad masses are extremely dissatisfied with this situation.

The central commission report asks that discipline inspection organizations at all levels cooperate with the relevant departments and earnestly implement the following:

1. Those units where the conditions of using powers of office and state materials controlled to open back doors and rely on relationships are relatively serious should all take the lead in seriously checking against the "Standards of Political Activity Within the Party" and in the spirit of relevant policies, absorbing the lessons and making thorough rectification.

2. Attention should be given to the manner in which commercial and materials departments implement policies and supply/marketing plans, in order to strengthen controls, tighten systems, plug loopholes, and resolutely check the unhealthy tendency to rely solely on connections to handle matters and ignore state plans. Those party cadres who use their control of materials to bribe or take bribes, engage in graft, embezzlement, speculation, profiteering and other such plots which violate the law should be dealt with severely.

3. The problem of large amounts of Yunnan cigarettes being used for backdoor activities shows that some Communist Party members with responsibilities for leadership work still maintain the notion of special privileges which are not constrained by party discipline or state laws. Discipline inspection departments at all levels of the party should relate the actual situations to those portions of the "standards" which oppose special privileges, educate party members and cadres, and straighten out the thinking to improve the party and to tighten relations between the party and the masses.

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DREDGED CANALS ALLOW GOODS DELIVERIES TO REMOTE MARKETS

Beijing ZHONGGUO CAIMAO BAO in Chinese 28 May 81 p 1

[Article by Liang Mingwang [2733 0682 2598] entitled: "The Urgent Need for Small Commodities in Remote Villages]

[Text] Henan has adopted various measures to dredge the canals in order to send a steady stream of many different small commodities used daily to the masses in the mountains and remote areas. The small commodity market throughout the province is a scene of prosperous, brisk activity.

After the implementation of rural economic policies, purchasing power everywhere improved. The rural demand for small commodities used daily is constantly increasing. The demand for product variety is also growing. However, due to the weakness of county wholesale departments and rural businesses at the grassroots level in the management of small articles of daily use, the canals were not clear enough and could not satisfy the needs of the people. In order to change this situation, the department stores of the province, on the basis of common understanding, adopted the following measures:

1. The implementation of specialized management. The vast majority of the province's department stores in the county markets established wholesale departments, turning their emphasis to the villages and making efforts to organize markets to satisfy the need for small commodities. At present, the products handled by small commodities wholesale departments generally number over 1,000.

2. The active expansion of collective businesses, appropriate expansion of individual businesses, and the restoration and expansion of a commercial network. Incomplete statistics from 98 counties and municipalities, after consolidation, register over 27,000 individual general merchandise peddlers who have been issued documents. The mobility of these individual peddlers is great and they play a role in filling in the gaps.

3. Implementaion of the idea of wholesaling for retail service, improving management styles, and making well-stocked collective shops and individual peddlers convenient to grassroots level communes in order to achieve the result of stocking goods so as to avoid delays and a wholesale point allowing for selection, receipt, payment, and delivery of the goods all at once.

After the canals were dredged the markets were revitalized. The total sales amount for small articles of daily use throughout the province last year was almost 21 million yuan. Commercial networks were scattered among all the remote villages. The residents of rural areas can purchase small articles for their own use at any time.

The Qiong Lai [6713 1503] County department store on its own established a small articles management department. Last year's sales of small articles to rural villages totalled over 1.56 million yuan, an average of 4.34 yuan per person.

The sales potential of small articles in rural villages is very great. In order to maintain supplies, the department store established a full-time resident small articles purchasing agent within the countv, increased the fully stocked locations from 4 to 113, and increased the product variety from 4,962 to 6,113 products. Collective businesses were also actively supported and full play was given to cooperatives, promoting dispersed felxibility, making things convenient for the masses, and expanding sales. Last year the sales for collective businesses totaled more than 410,000 yuan, a two-fold increase over the previous year.

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INCREASING HANDLING CAPACITY OF FUJIAN HARBORS URGED

Fuzhou FUJIAN RIBAO 28 May 81 p 1

[Article by Yang Baosheng [2799 1405 3932], a staff reporter, entitled: "Provincial Seamen Make Seven Proposals to Tap the Handling Potential of Our Harbors"]

[Text] At the recently convened first labor representatives conference of the provincial navigation bureau, the seamen representatives made some enthusiastic proposals to tap the handling potential of Fujian's harbors. They believe that if these proposals can be implemented, the handling capacity of the harbors will increase approximately 50 percent, maybe even double. The proposals were:

1. Expand work areas. Mawei, Taijiang, Xiamen, Quanzhou, Saiqi, Hanjiang, and other existing harbors in our province are all limited in work area and in capacity. There are many different methods which can be adopted to expand the work areas. For instance, Fuzhou's Taijiang harbor has 5 kilometers of quay from Pier 3 to Kuiqi [7608 1477], with more than 10 work areas which could be selected on the two quays, but at present there are only 6 or 7 work areas. The annual handling capacity has remained at approximately 800,000 tons for a long time, and the docks are pitiful. Futhermore, the anchored pontoon method could be completely adopted in the harbors of Mawei, Xiamen, Quanzhou, and others. For example, in Mawei harbor, if anchored pontoons were used at the anchorage in front of the camp and in the 1,200 meters of water between the large and small reefs below the camp, then 10 to 15 pontoons could be placed, almost doubling freighter work areas. If the work areas were further expanded to Tingjiang [0080 3068] and even Guantou [3828 7333], the handling capacity would be even greater. More than 90 percent of the shipping in Hong Kong relies on pontoon operations. Of course, before the pontoons are anchored, there should first be a survey of the harbor basin structure, water depth, etc., and places where there is no change in the riverbed or where the changes are not great should be selected for anchoring the pontoons.

2. Comprehensively utilize the docks. Dock operations are, in the final analysis, superior to mid-river flat barge operations and the docks should be fully utilized by every possible means. At present, in addition to the dredging of dockside basins which have become shallow through silting, comprehensive utilization of the docks should be improved. At Mawei harbor, for instance, reasonable arrangements should be made to use the Port Affairs Bureau dock, and the docks of the departments of foreign trade and marine products should be put to integrated use. An integrated plan, integrated management, and integrated usage should be implemented to give the

greatest role possible to each dock in striving to service the ships. In the utilization of speciality docks, we should reasonably comply with the definite expenses of the departments concerned and not engage in the "indiscriminate transfer of resources."

3. Increase the number of lighters. When there are an insufficient number of docks and mid-river operations are undertaken, lighters are an important tool. The number of lighters in our existing harbors is in general insufficient. For instance, in Mawei and Taijiang harbors there are only 60 some special lighters, nearly 8,000 tons, but with normal repairs, etc, only about 6,000 tons can be in actual operation. When such large ships as the "Daiyunshan" [2071 0061 1472] and the "Baiyunshan" [4101 0061 1472] are in port, 40 lighters are occupied at one time over a period of more than 10 days. This being so, the other vessels in the harbor can only sit empty, waiting. The harbor of Quanzhou has only 640 tons in special lighters, leaving practically no way to handle the vessels coming to the harbor to load or unload. If this condition of insufficient lighters is not alleviated there will be even less chance to improve the handling capacity of the ports. Using lighters also requires a certain number of tugboats. At the same time, different lighters must be devised for different harbors. Consider for instance the water depth in Xiamen harbor. The use of a certain number of large lighters with deep holds, the study of foreign experiences, and the installation of cranes on the lighters can be considered in order to improve the loading and unloading capacity of lighter operations.

4. Increase the number of stevedores. A sufficient number of stevedores is essential to insure quick loading and unloading in a harbor. This is especially so in the slightly mechanized harbors of Fujian, and an appropriate increase in the number of stevedores is necessary. Currently, the condition of insufficient stevedores in our province is fairly obvious. In Mawei harbor, for instance, there are only 500 stevedores, divided into 41 crews. In addition to dock operations, there are only about 30 crews sent out daily for shipboard operations. On the basis of three shifts for continuous 24-hour operations, there can only be an average of 10 crews per shift, which can only work two or three ships. For this reason it is best to solve the problem using the "scratch the surface," or reduced open hold and suspended operations methods, affecting the loading/unloading schedule. The adoption of a combined method of fixed wages and commune or brigade contract work can be considered to increase the number of stevedores in the future, that is, instituting more collectively owned labor, which also allows for a ship's crew to load and unload their own vessel. The stevedores should institute piecework wages which would allow them slightly better pay than other types of labor and would promote and improve the rate of work. The harbors should increase the education and control of stevedores, improving their ideological and political level and their professional and technical skills. Those harbors without night operations should improve conditions, overcome bad habits, and implement night operations.

5. Expand warehousing in the port districts. At present, warehouses and stockyards in our harbors are in short supply and there is no place to stockpile cargoes. Programs and appropriate expansions should be quickly implemented. The construction of simple warehouses and other such methods can be adopted to solve the problem. The establishment of local administrative departments should be set forth by the bureau to make harbor navigation more convenient and to support harbor traffic. The "control, check, and suppress" method, the use of limits, rents or fines, and other such procedures should not be adopted to constrain the expansion of harbor traffic, creating undeserved losses for the state.

6. Implement a system of economic responsibility. In port operations, the harbor, ships, and the cargo are all closely related. If one link comes apart it affects the whole situation. According to statistics from the Fuzhou Harbor Bureau, during the first quarter of this year, 41 percent of the time a ship spent anchored in Mawei harbor was nonproductive. No labor and no lighters available in the harbor accounted for 48 percent, ship repairs for 11 percent, and cargo nonavailability accounted for 39 percent, and other reasons accounted for the remaining 2 percent. The importance of the relationship of the harbor, ships, and cargo can be seen. At present, there is nothing binding the harbor, ships, and cargo; whichever sector is affected can only complain and argue. There is no economic responsibility. In the future, a system of economic responsibility should be established in order to make shipping guarantee transport, the harbors guarantee loading and unloading times, and the cargo sector guarantee the supply or acceptance of a specified quantity of goods within a specified time period. Whichever sector causes a delay will hold economic responsibility and the responsibility for restitution. At the same time, work should be done to improve the shipping and connections with trains, trucks and other short-haul transportation modes.

7. Reform the system of control. Ships and ports are two facets of a whole. They are interdependent and inseparable. If harbors lack ships then service is lost, if ships lack harbors there is no way to carry out production. For this reason, it is proposed that some of our existing harbor systems be reformed. For instance, over 80 percent of the work in Mawei, Xiamen, Quanzhou, Saiqi, and other harbors is to service the loading and unloading of the ships or our province, but since the division of shipping and port affairs in 1975, each sector does things its own way, even though both are under the guidance of the transportation office, and for this reason there are disputes alternating between the organizations and the tax office. If this can be reformed, then the existing matter of preferring to guarantee smalls sums over large sums (i.e., the port is the guarantor for losses to lighters, so they prefer handling large vessels because when large ships are in the harbor, although their losses are 6,000 or 7,000 per day yuan, those losses are the shippers', and although, the losses for the lighters are small, they must be borne by the port) can be avoided and at the same time be beneficial to the command and control of ships. After the port and shipping sectors are combined, the establishment of harbor affairs bureaus in Mawei and Xiamen can be considered. From the provincial maritime leadership, through strengthening the leadership control of these two major ports, to the harbor systems of other small harbors such as Quanzhou, Saiqi, Hanjiang, and others--all can be completely restored to the conditions prior to 1975.

The seamen representatives said that many of their proposals were ones which had been thought of long ago, and the key now is to do those things to correct the situation. However, due to the diverse aspects involved in harbor operations, the problem cannot be solved by the Ministry of Transportation alone. Therefore, it must also be embraced by first-level units in the province and closely coordinated by the relevant local (municipal) and county entities. Only if we earnestly and thoroughly implement the spirit of the Party's Third Plenary Session, be wholeheartedly dedicated, immerse ourselves in hard work, and relieve our present harbor traffic jam can the "bottleneck" be solved.

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CHINA REPORT

ECONOMIC AFFAIRS

No. 168

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NATIONAL POLICY AND ISSUES

STUDY OF TOTAL POPULATION TARGET

Xian XI'AN JAOTONG DAXUE XUEPAO [JOURNAL OF XI'AN JIAOTONG UNIVERSITY] No 2 in Chinese Apr 81 pp 115-125

[Research article by Hu Baosheng [7579 0202 3932], Wang Huanchen [3769 3243 1057], Zhu Chuzhu [4281 2806 3796], Li Weiyue [2621 4850 1471]: "Research and Study on Total Population Target in China"]

[Text]

Abstract

In this paper the problem of total population target in China has been investigated and discussed. More than 20 factors affecting the total population after 100 years have been analyzed from the trends of development and the viewpoints of natural resources, environments, economics, state of population, psychology of all nationalities, etc. System's engineering's multiobjective decision-making techniques have been used to try to treat the dynamic relations among these interactive factors. The optimal target of 0.7 billion is obtained from our investigation. If the results of our efforts are better than our estimations, or if the standard of living of the people is lowered, the optimal population can be increased from 0.7 to 1 billion.

Foreword

What is suitable for "human" habitation at present is our earth. This sets limits to the population of mankind. The whole earth has a surface area of 510 million square kilometers including land area of 148.9 million square kilometers and ocean area of 361.1 million square kilometers. The natural growth rate of world population is 1.8 percent at present. Estimated on the basis of 1 square meter per capita, human beings will fill the land area in 585 years and spread to the whole globe in 653 years--mountains, lakes, plains, deserts, forests, and oceans.

Today, human activity has reached such an extent as to affect nature and the earth itself. This fact poses a question for mankind: Are "the growth in the population of mankind and the improvement in living quality" compatible with "the growth in human capacity" and in harmony with "the environment on which mankind depends for survival?" This question involves social problems of the whole world and each sphere of human activities. Even if it is confined to one country, the factors involved are so numerous and the relationships are so complex that it is difficult to make a generalized study. In this paper, an attempt is made to use the technique of multiobjective decision-making in systems engineering to probe into this question. First, we separate the inter-connections among various factors and separately study the partial effects of individual factors and then sum up their total effects, giving consideration to the interconnections among the various factors.

Through theoretical analysis and estimates, the major cycle of population growth in our country is estimated at about 70 years, which is close to the average lifespan of man. Therefore, in approaching the problem of population control in our country, we should go beyond 70 years to consider policy measures to be taken today. Thus, in this paper we take 100 years as the time range of discussion. This will take account of the tremendous inertia of population process and the possibility of forecast while leaving room for approximate change in the development of things and the policy decision.

Opinions vary over the problem of total population target. Some say 200 million is just right. Others say 300-400 million is proper. Others say 500-700 million is optimal. Still others say 800 million to 1.5-2 billion is also feasible. This shows people are universally interested in this problem. In this paper we join in the discussion and offer our views; more importantly, we apply systems engineering methodology and offer a scientific policy-making method.

We approached the problem from 20 angles, then combined them into nine categories, and finally summed them up as "possible and satisfactory" extent of total population, which is used to reflect the rationality of the total population target in relation to "needs and possibilities," thereby providing a basis for determining the total population target.

1. Land Potential

Our country has 9.6 million square kilometers of land, equivalent to 14.4 billion mu. As things stand at present, there are 1.5-2 billion mu (10-14 percent) of cultivated land, 1.83 billion mu (12.7 percent) of forests, 4-5 billion mu (28-37 percent) of grassland, more than 4 billion mu (27 percent) of wasteland and barren hills, 300-400 million mu (2-3 percent) of fresh water surface, and more than 2.2 billion mu (15.9 percent) of barren soil like deserts and gobi.

Forests play a very important part in regulating the climate and weather and in conserving water and soil. The rates of world forest cover are 22-28 percent, 34 percent for the U.S., 40 percent for the Soviet Union, and 29 percent for Europe. According to estimation by experts in the fields of agriculture, forestry, and ecology, the optimal rate of forest cover is around 30 percent. As far as our country is concerned, forest cover should reach 4.3 billion mu. Within this context, a forest cover rate of 30 percent and more may be considered fully satisfactory. Thus, we take the "satisfactory extent" -- Q_1 ($\geqslant 30\%$) = 1.0. The present rate of 12.7 percent is extremely unsatisfactory; we take Q_1 ($\leqslant 13\%$) = 0. The satisfactory extents between 13 percent and 30 percent cover rates are connected with a straight line as indiciated by diagram 1(a).

At the present stage, more than 60 million mu are afforested each year. If the annual afforestation decreases progressively (with afforestation becoming more difficult as time goes on), in 50 years afforestation will increase by 1.5 billion mu, and in another 50 years the forests will be stabilized, bringing the total forest area to 3.33 billion mu and the cover rate to 23 percent. We take the possibility -- P_1 ($\leqslant$ 23%) = 1. By afforesting 70 percent of barren hills and wasteland and 30 percent of deserts and barren soil, the cover rate can be brought to 37 percent. We take the possibility -- P_1 ($\geqslant$37%) = 0. The curve is as indicated by figure 1(a).

As to cultivated land, the average around the world is now 10.8 percent; 10.8 percent for the Soviet Union, 22.4 percent for the U.S., and 14.3 percent for Japan. In our country, the reclaimable wasteland is estimated at 1.5 billion mu. This plus 2 billion mu of existing cultivated land may bring the total rate to 24 percent. But there are people who estimate that there is not much wasteland that can be reclaimed and that expansion of forests will affect land reclamation. Now we take the possible extent -- P_2 ($\geqslant$ 24%) = 0, and take P_2 ($\leqslant$ 14%) = 1. The possible extents between 14-24 percent rates of cultivated land are connected with a straight line as indicated by figure 1(b).

2. Water Potential

Our country has 2.7 trillion tons/year of surface water (river runoff) and 1 trillion tons/year of shallow groundwater. These sources of water are replenished by rainwater. In terms of the present water per capita, they are up to only one third the world level (not counting groundwater). The total volume of water used for industrial and agricultural purposes in 1979 accounted for about 18 percent of surface water.

In the United States, annual river runoff amounts to 2.4 trillion tons/year, of which 25 percent had been developed as of 1975, and it is estimated that 40 percent will be developed by the year 2000. Japan has 200 billion tons of surface water and as of the seventies was utilizing 45 percent.

We take the possibility of 50 percent utilization of surface water in our country after 100 years--P_3 ($\leqslant$ 50%) = 1, and take the possibility of 100 percent utilization--P_3 ($\geqslant$100%) = 0.

As for groundwater, we leave it out of account because it is not possible to take groundwater as an independent water source. Besides, over-exploitation will cause earth subsidence.

70.8 percent of the earth's surface is oceans, and sea water accounts for 97.2 percent of the total volume of water on the earth--1.3-1.4 billion cubic kilometers. Ice accounts for 2.16 percent, and fresh water 0.64 percent. Thus a huge volume of water is in the oceans. Desalination of sea water consumes enormous amount of capital and energy and we should not place great hope on it at present.

The situation being what it is in various countries of the world, what should be particularly guarded against at present is the pollution of water sources. Our country should pay full attention to this problem and prevent water pollution in the next hundred years. So the curve for the potential of utilizable water is indicated by 1(c).

3. Air Potential

Man is breathing at all times and all animals breathe. They keep inhaling oxygen and exhaling carbon dioxide. Mineral fuels consume enormous volumes of oxygen when burning and generate carbon dioxide.

The supply of oxygen is attributable to photosynthesis of plants. There are 26 billion tons of plants on the land of the earth and 18 billion tons of green planktons in the oceans, consuming 1.6 trillion tons of carbon dioxide and generating 1.2 trillion tons of oxygen.

The percentage of carbon dioxide in the atmosphere is increasing at present. Whether this phenomenon is good or bad has not been determined. Some scientists are of the opinion that the greenhouse effect caused by the increase of carbon dioxide will increase the average temperature on the earth and cause the polar icecaps to melt, submerging vast tracts of land. Others take the view that pollution of the atmosphere and the increase in powder and dust will decrease the quantity of heat of sunlight on the earth, thereby bringing about a new ice age. According to an agriculture science station in the United States, at the present level a one percent increase in carbon dioxide will accelerate photosynthesis 0.5 percent and lend itself to a bumper harvest in agriculture. It has been reported that bumper harvests were gathered in the vicinity of carbon dioxide wells in some parts of our country.

Thus, it is not known what the ideal density of carbon dioxide in the atmosphere is. However, it may be preliminarily affirmed that changes of carbon dioxide and oxygen should approach a balance after 100 years.

Since the atmosphere is a global phenomenon, it has no national boundaries. However, regional effects caused by uneven regional distribution are still existent.

In our country, on the basis of 4.3 billion mu of forests, 5 billion mu of grasslands, and 3.5 billion mu of farm crops, the total capacity for absorbing carbon dioxide is estimated at about 95 billion tons/year. We take the possibility of achieving this as 0, and the possibility of a 35 billion tons/year CO_2 absorption rate with present forests/cultivated land as being 1. The corresponding curves are shown in diagram 1(d).

The ratio of capacity for generating oxygen and that for absorbing carbon dioxide is about 32:44. Thus, there is no need to take carbon dioxide into separate consideration. As for other harmful air pollution, where pollutants cannot be absorbed by green plants, additional measures should be taken to solve the problem.

4. Energy Potential

All activities of mankind are inseparable from energy. Our country is comparatively rich in energy resources. Verified coal reserves have reached 641.8 billion tons, petroleum 2.74 billion tons, and natural gas 700 billion cubic meters. Among the regenerated energy resources, there are about 680 million kilowatts of waterpower, and 1-2.5 billion kilowatts of solar energy. In addition, geothermal, tidal energy and wind energy have exploitable potential, but relatively speaking this is not great On the other hand, atomic energy and nuclear-fusion have exceedingly great potential.

Taking the country as a whole, in the near future we should fully utilize mineral fuels, particularly coal. Taking a long-range view, we should vigorously develop new energy resources like solar energy and atomic energy. In this way, if all the water energy and solar energy that can be technically and economically opened up are put to use after one hundred years, the total volume of energy will be equivalent to 870 million-1.37 billion tons of standard coal/year. Further, assuming that atomic energy and other new energy resources fully supplant all the energy resources we have at present, there will be energy resources equivalent to 2 billion tons of standard coal/year. After 100 years, this level will be reached if the 1979 energy production level is increased at a progressive rate of 1.175 percent a year.

The annual rate of energy growth was 3.4 percent in the U.S. during 1950-1973. According to estimates by the International Energy Organization, the annual rates of energy growth in the U.S. will be 3.7 percent in 1976-1985, 2.9 percent in 1985-1990, and 2.2 percent in 1990-2000. Corresponding growth rates will be 5.9 percent, 5 percent, and 4 percent in Japan; 2.7 percent, 2.1 percent, and 2.2 percent in the United Kingdom; and 4.9 percent, 4.1 percent and 4.1 percent in France.

During the periods of "first 5-year plan," "second 5-year plan," three-year adjustment, "third 5-year plan," and "fourth 5-year plan," annual rates of energy growth in our country were respectively 18.6 percent, 11.4 percent, 4.5 percent, 9.1 percent, and 7.9 percent. The average rate of annual growth was 10.7 percent during 1953-1978.

In all, the likelihood of an average 2 percent energy growth in 100 years from now on may be taken as 1, and the possibility of a 5 percent annual growth rate may be taken as 0. The curves are indicated by 1(c).

5. Potential in Per Mu Output of Grain

Average output per mu in our country was 137 jin/mu.year during 1949, 332.1-442 jin/mu.year (calculated on the basis of 2 billion or 1.5 billion mu) during 1979. The average annual growth rate was 3.00-3.99 percent. As to world average level of output per mu during 1979, it was 740 jin/mu.year in Japan, 591 jin/mu.year in France, 486 jin/mu.year in the United States, and 528 jin/mu.year in Denmark. During 1949-1979, the average amount of annual grain increase was 6.5-10.2 jin/mu.year in our country. Calculated by arithmetical progression, in 100 years per-mu output will also increase to 982.1-1,461.8 jin/mu.year, and the average annual growth rate will be 0.8 percent-1.1 percent.

In light of the world level mentioned above, we take the possibility of 500 kilograms per mu p6 (≤ 500) = 1. And the possibility of 1,500 kilograms and more p6 (≥ 1500) = 0. The curves are indicated by figure 1(f).

6. Aquatic Production Potential

World catches were 21 million tons during 1950, and reached 69.70 million tons during 1975, with an annual growth rate of 4.9 percent. In addition, worldwide breeding of aquatic products is expected to reach 70 million tons by the year 2000, topping the total volume of the present worldwide catches.

In Japan, where coastal waters are utilized, the area of unit output of fish has reached 5.3 tons/hectare. Our country has 13.5 million mu of shallow coastal waters and 24 million hectares of coastal waters equivalent to domestic shallow water surface. Estimated even on the basis of unit output of 1 ton/hectare, output is expected to reach 24-48 million tons/year.

If estimated according to bait, world fish output may increase by 10-100 times. At a certain ratio our country may have a share amounting to 45.5 to 455 million tons/year.

China's total output of aquatic products was 4.305 million tons during 1979. In light of the above state of affairs, we take the possibility of reaching 20 million tons/year in 100 years, p7 (≤ 0.2) = 1, and take the possibility of reaching 150 million tons/year, p7 (≥ 1.5) = 0. The curves are indicated by 1(g).

7. Economic Development Potential

Except for the 7 items mentioned above which are limited by resources, the various necessities of human life--food, clothing, shelter, and transportation--may be incorporated into the economic development potential and considered in these terms.

GNP is an index of the relative strength of the national economy. GNP may approximately demonstrate the consumption scope in a country.

The ratio of energy growth rate to the rate of gross industrial output is called energy elastic coefficient. Our energy elastic coefficient was 0.95-1.0 during 1950-1978. On the whole, the trend of development of elastic energy coefficients in various countries is on a gradual decline. For example, it was 0.94 in the U.S. during 1950-1973. It is estimated that it will decline to 0.6-0.7 by 1978-1985 and to 0.55-0.65 during 1985-2000. The trend is particularly evident in energy-deficient Japan: it was 1.0 during 1960-1979 and declined to 0.43 during 1975-1978.

Therefore, as far as our country is concerned, along with the spread of energy conservation techniques it can be predicted that in 100 years the energy elastic coefficient will gradually decline to at least 0.5. Thus, on the basis of the possible extent of an annual energy growth rate as indicated by diagram 5 of curves, we can work out the curve of the possible annual growth rate of the GNP. Take 3 percent and 7.5 percent as the turning points, and we get what is indicated by figure 1(h).

8. Per Capita Food Requirements

Man's nourishment is very rich in content, but the most principal and representative indicators are calories and proteins. The World Health Organization has set one standard: 3,000 large calories/person.day for an adult male and 2,800 large calories/person.day for an adult female. The former standard set by our country is close to that while the standard set in the United Kingdom is said to be 2,470-2,567 large calories/person.day. As for protein, the United Nations has proposed 70 grams/person.day, of which 40 percent should be animal protein. China formerly had a standard of 80 grams/person.day. Therefore, we may adopt 2,500 large calories/person.day and 80 grams of proteins/person.day. Animal nourishments accounting for 40 percent are taken as standard nourishment converted into food forms: 400 grams of cereals, 100 grams of animal meat, 80 grams of fish, 48 grams of eggs, and oil, sugar and vegetables.

Thus, the standard grain ration is 400 grams/person.day. This plus fodder grain which is about seven times the amount of meat and also industrial grain and loss which double the amount makes a total of about 800 kilograms/person.year. We take the satisfactory extent -- P_9 ($\geqslant 800$) = 1. As to 400 kg/persons.year, which does not include grain for industrial purposes and loss, we take the satisfactory extent--Q_9 (400) = 0. These are indicated by figure 1(b).

9. Per Capita Livestock Requirements

From the above we come to know that animal meat per capita is 100 grams/person.day, which converts into 3.65 kilograms/person.year. Per capita output was 10.8 kilograms/person.year during 1979.

Total production of pork, beef and mutton amounted to 10.624 million tons during 1979. The corresponding number of pigs was 319.705 million head, that of cattle 71.346 million head, that of sheep 183.42 million head. Now, on a pro rata basis we can work out per capita livestock requirements: 1.1 pigs/person, 0.25 cattle/person, 0.63 sheep/person. Reduced to standard livestock of 50 kilograms each, it is about 5.2 standard head/person. We take the satisfactory extent--q10 ($\leqslant 5.2$) = 0, and take the satisfactory extent (with 50 percent as surplus)--q10 ($\geqslant 7.8$) = 1, as indicated by figure 1(f).

10. Per Capita Fish Product Requirements

From item 8 we know fish requirements per capita are 80 grams/person.day. It is estimated that fish good for food make up about 75 percent of catches, and that half of them are waste. It is known that per capita fish product requirements are 78 kilograms/person.year. We take the satisfactory extent, Q_{11} (78) = 1, and half the satisfactory extent, Q_{11} (39) = 0, as indicated by figure 1(g).

11. Per Capita Energy Requirements

Human activities are inseparable from energy. On the basis of 2,500 large calories/person.day required to maintain the life of each person, the requirements are equivalent to 0.13 ton of standard coal/person.year. And to produce foods with so many calories it is necessary to consume more energy to the extent of from 0.013 to 1.56 tons of standard coal/person.year, depending on the kinds of foods produced. In addition, under conditions of modern society, clothing, food, shelter, transportation, culture and recreation require large amounts of energy. On the basis of 3,099.5 large calories/person.day, it is estimated that 1.615 tons of standard coal/person.year are required.

Per capita consumption of energy is the highest in the United States. Per capita consumption of energy was 11.574 standard tons/person.year in 1977. Japan, a country "deficient in energy" pays great attention to energy conservation; per capita consumption of energy during 1977 amounted to 3.806 tons of standard coal/person.year. Actual levels of consumption in the three major cities of Beijing, Shanghai, and Tianjin during 1979 were respectively 2.24, 1.70, and 1.47 tons of standard coal/person.year. On this basis, we select the satisfactory extent of per capita consumption of energy as follows: q12 (4.0) of 4 standard tons/coal.year = 1, and q12 (1.6) of 1.6 tons of standard coal/person.year = 0, as indicated by figure 1(e).

12. Per Capita Water Requirements

Man cannot live without water. With the development of industry and agriculture, water is increasingly showing its value. Per capita consumption of water in the U.S. reached 2,300 tons/person.year during 1965 and increased to 2,880 tons/person.year during 1975. It is estimated that by the year 2000 per capita consumption of water will reach 4,550 tons/person.year. Per capita consumption of water in Japan reached 789 tons/person.year in the mid-seventies.

In our country, consumption of water for industrial, agricultural and living purposes was approximately 400-500 tons/person.year during 1979. We take the satisfactory extent of 2,880 tons/person.year in the U.S. in the mid-seventies, q13 (2,880) = 1, and take the satisfactory of 500 tons/person.year in our country, q13 (500) = 0, as indicated by figure 1(c).

13. Per Capita Air Requirements

An adult needs 1,000 liters of air a day, inhaling 0.75 kilogram of oxygen and exhaling less than 1 kilogram of carbon dioxide equivalent to approximately 0.365 tons/person.year. In addition, per capita livestock requirements are 5.2-7.8 standard head/person. It is not possible to estimate wild animals. For the time being, we estimate them on the basis of the same number of domestic animals.

The ratio of mineral fuels to energy resources after 100 years is estimated at 50 percent at the highest and 5 percent at the lowest. Carbon dioxide thus generated will be about 0.73-7.3 tons/person.year.

Altogether, the amount of carbon dioxide averages about 4.8-13.4 tons/person.year. The oxygen needed may be worked out at a 32:44 ratio. Figure 1(d) is the curve of the satisfactory extent of per capita carbon dioxide.

14. Per Capita GNP Requirements

From discussions in item 8 it may be realized that this indicator can roughly reflect people's living standards. According to figures released by the World Bank, in 1978 per capita GNP was US$12,700/person.year in Kuwait (world's highest); US$9,960/person.year in Switzerland; US$8,640/person.year in the U.S.; US$5,640/person.year in Japan; and US$3,011/person.year in the Soviet Union. The world average was US$1,800/person.year.

Our country's per capita GNP level is now about one sixth the average world level. The highest world level is 47 times ours. Therefore, it is not so satisfactory for us to reach the present world level after 100 years. We should take q15 (1,800) = 0. The curve is indicated by figure 1(h).

15. Per Capita Housing Space and Land Requirements

The per capita housing space is 29 square meters in West Germany, 18 square meters in the U.S., 13 square meters in Japan, and 7.2 square meters in the Soviet Union. Per capita housing space is 3.6 square meters in our country, and some people estimate that by the year 2000 it will reach 10 square meters. We take 30 square meters and 5 square meters as the turning points of the satisfactory extent of per capita housing space. Housing space accounts for about 65 percent of the area of structure. Streets account for approximately 10-30 percent of the urban areas. It is assumed that land for public buildings is offset by the ground area saved from high-rise buildings.

Urban afforestation area is included in forests and grassland. Factories, mines and transportation use large amounts of land. Over the past 30 years they have taken up 150 to 180 million mu of land.

Taking all this into account, we may take the satisfactory extent of per capita use of land, 0.3 mu/person, q16 (0.3) = 1, and the satisfactory extent of 0.18 mu/person, q16 (0.18) = 1 [as published; should be 0] as indicated by figure 1(i).

16. Possibilities of Land Used for Housing, Industry, and Transportation

Forests, cultivated land, barren hills and waste land make up approximately half of the total area of our country at present. If we want forests to take up 37 percent and cultivated land 24 percent in the future, we will have to turn to deserts, gobi and grasslands, and must use the land sparingly. In the 20 years from 1957 to 1977, cultivated land in our country decreased by 180 million mu, or 10 percent. It is assumed that 15 percent and 30 percent are taken as the low and high points in the possibilities of land for housing, industry and transportation. Taking account of the possibilities of cultivated land (see item 2), we can work out the low and high points, 2.1 percent and 7.2 percent of the total area nationwide.

17. The Lowest Total Birth Rate Acceptable to the Masses

The total birth rate (B) is approximately equivalent to the average number of children begotten by a married couple in their lifetime. The number of births was 2.2 in 1979. If childbirths follow the trend of the past few years and drop by 0.1 a year, childbirths are expected to drop to 1.5 by 1986. By that time, in the rural districts, which account for 80 percent of the total population, 40 percent will have one child and 6 percent two children each. In cities, which account for 20 percent of the total population, 90 percent will have one child each and 10 percent two children each. It is predicted that after 100 years the population will be 603-777 million. We take this possibility, $p18\ (\geq 7.0) = 1$. If within 100 years 100 percent of the population will have one child each, it is predicted that the population will be 233-370 million after 100 years. Under the conditions of our country, it is difficult to achieve this. We take the possibility of this, $p18\ (\leq 3) = 0$ as indicated by figure 1(j).

18. Limit to the Ageing Coefficient

The ratio of persons aged 65 and over to the total population is called the ageing coefficient (l_2). Distribution of the ages of the present population being what it is in our country, to lower the level of the total population in 2080 will certainly bring about a growth of l_2. L_2 in the next hundred years. It is necessary to put forward the hopes for limits of l_2.

From analysis we come to know that with present mortality rates, the corresponding base value of L_2 is about 0.14. This being so, we think that as long as L_2 is smaller than or equivalent to 0.15 it is satisfactory, and that L_2 larger than or equivalent to 0.3 is unsatisfactory. Through calculations based on more than 30 schemes, we have worked out the corresponding total population after 100 years to be 1.4 billion and 500 million. Therefore, we take the satisfactory extent, $q19\ (\geq 14) = 1$, and $q19\ (\leq 5) = 0$. The curves are indicated by figure 1(k).

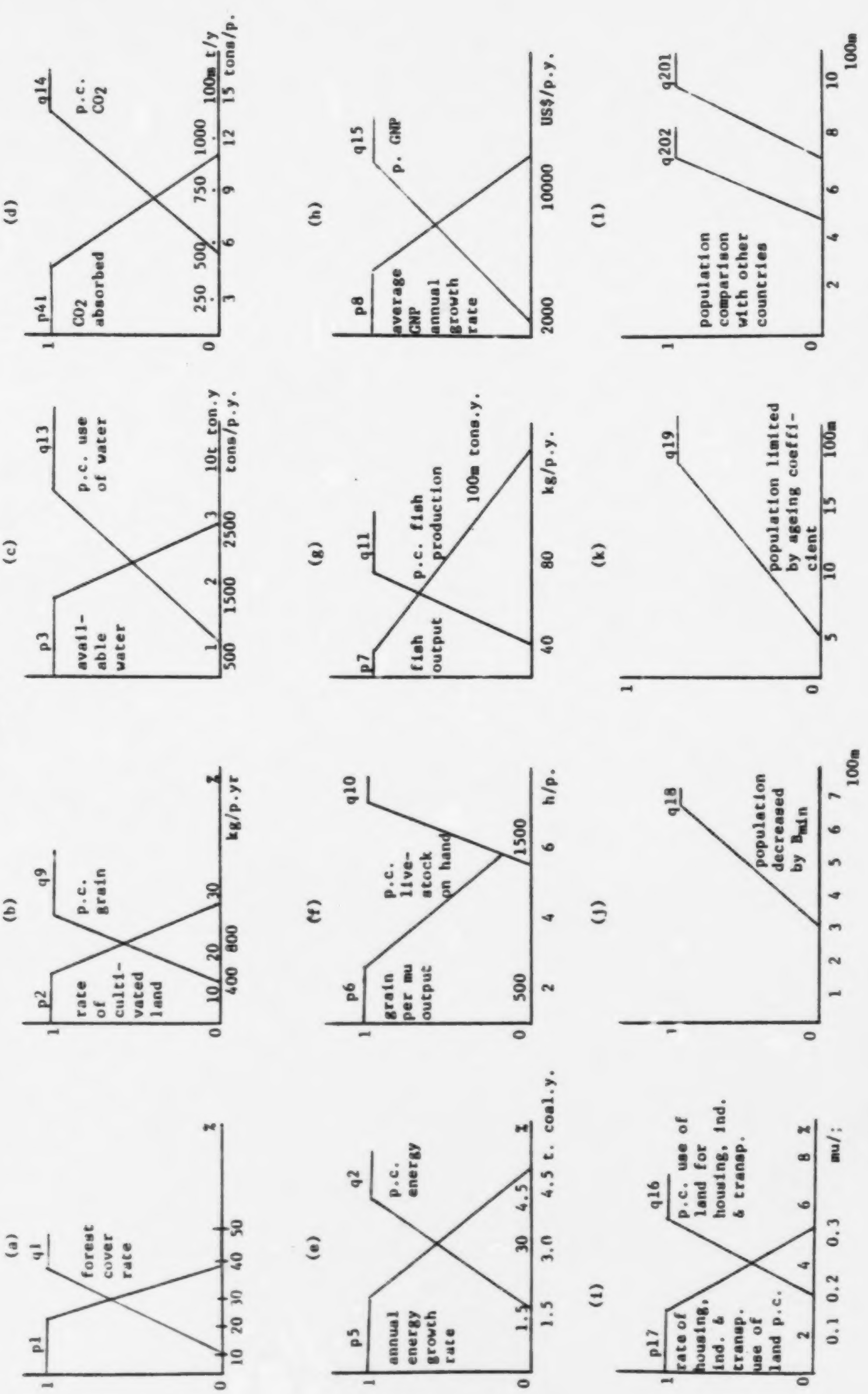
19. Comparison of Total Population with Various Countries

Our country has always been the largest one in terms of population. Total population is one aspect of national strength. Therefore, a direct comparison with various countries should be taken into consideration.

Countries with a population of 100 million or more are China, India, the Soviet Union, the U.S., Indonesia, Brazil, and Japan. In the case of the last four countries, the maximum population does not exceed 360 million. Therefore, what we need to watch is the development of population in the Soviet Union and India.

The Soviet Union is pursuing a policy of population growth. Its present population is 264 million and its natural growth rate is .9 percent. In 100 years constant growth will bring its total population to 647 million. We take its satisfactory extent - $q_{20R}\ (\geq 6.5) = 1$ - and take the satisfactory extent of 450 million (30% less) - $q_{20R}\ (\leq 4.5) = 0$.

Figure 1


(a)
p1
q1
forest cover rate
1
0
10 20 30 40 50
%
(b)
p2
q9
rate of culti-vated land
p.c. grain
10 20 30
400 800
kg/p.yr
%
(c)
p3
q13
avail-able water
p.c. use of water
1 2 3
500 1500 2500
10t ton.y
tons/p.y.
(d)
p41
q14
CO2 absorbed
p.c. CO2
250 500 750 1000
3 6 9 12
100m t/y
15 tons/p.
(e)
p5
q2
annual energy growth rate
p.c. energy
1.5 30 4.5
1.5 3.0 4.5 t. coal.y.
%
(f)
p6
q10
grain per mu output
p.c. live-stock on hand
500 1500
2 4 6
h/p.
(g)
p7
q11
fish output
p.c. fish production
40 80
100m tons.y.
kg/p.y.
(h)
p8
q15
average GNP annual growth rate
p. GNP
2000 10000
US$/p.y.
(i)
p17
q16
rate of housing, ind. & transp. use of land p.c.
p.c. use of land for housing, ind. & transp.
2 4 6 8
0.1 0.2 0.3
%
mu/;
(j)
q18
population decreased by B_{min}
1 2 3 4 5 6 7
100m
(k)
q19
population limited by ageing coeffi-cient
5 10 15
100m
(l)
q202
q201
population comparison with other countries
2 4 6 8 10
100m

India has a population of 667 million and its natural growth rate is 2.1 percent. By the end of this century it will grow to 1.0107 billion. Its maximum population is estimated at 1.6 billion. Therefore, we take its satisfactory extent - q_{201} $(\geqq 10) = 1$ - and take q_{201} $(\leqq 7) = 0$. The above curves are indicated by figure (1).

20. Overview

The above are more than 20 factors considered. Figure 1 indicates the possible extents and satisfactory extents of the various factors. They may be combined by using the technique of multiobjective decision-making techniques in systems engineering. The process of their combination is illustrated by figure 2 with the following results:

1. Viewed from the aspect of grain, the possible-satisfactory extent of total population is 1 when it is less than 1.26 billion, and 0 when it exceeds 6.48 billion.

2. Viewed form the production of fish, the possible-satisfactory extent of total population is 1 when it is less than 260 million; thereafter, it begins to decline slowly.

3. Viewed from the use of land for industrial, transportation and living purposes, the possible-satisfactory extent of total population is 1 when it is less than 1 billion, and will decline to 0 when it exceeds 5.67 billion.

4. Viewed from the use of water, the possible-satisfactory extent is 1 when the total population is less than or equals 450 million, and will drop to 0 when it exceeds 5.4 billion.

5. Viewed from the changes in oxygen and carbon dioxide, the possible-satisfactory extent is 1 when land is rationally distributed and the total population is less than or equals 2.6 billion.

6. Viewed from standpoint of energy, the possible-satisfactory extent is 1 when the total population is less than or equal to 640 million.

7. Viewed from GNP, the possible-satisfactory extent is 1 when the total population is less than or equal to 640 million.

8. Viewed from the process of population development, the possible-satisfactory extent is 1 when it exceeds 1.4 billion and is 0 when it is less than 500 million.

9. Viewed from the comparison of population with other countries, the possible-satisfactory extent is 1 when the total population is larger than 1 billion, and is 0 when it is smaller than 450 million.

Curves of the above possible-satisfactory extents are indicated by diagram 3. If these factors are satisfied fully and simultaneously, the highest possible-satisfactory extent is only 0.25, which is obviously not good enough. Here we can find that water consumption, GNP, and population development process produce the greatest effects. The process of population movement is caused by the present surging distribution of population ages. As a result of estimations and calculations based on "scores of plans," it is discovered that the proportion of old people around 2040 will be too large, making it necessary to make arrangements at an early date. As to use of water, care should be taken to use water rationally and to prevent pollution. As to GNP, efforts must be made to strive for steady, high-rate growth.

From different viewpoints, six plans are listed below (see "Comparative Table of Six Plans for Total Population Target in China"). From the table it may be noted that if we consider only food and things for use and the economic strength, it would be advisable to keep the population target below 540 million; if mutual compensations for certain factors are permitted as indicated by plan 4, then the population target should be kept below 760 million, and its possible-satisfactory extent is above 0.9. However, we cannot but consider the actual conditions of population development, particularly the average number of births by a married couple that is acceptable to the masses of our country. As to the peak of ageing coefficient that will appear in the forties of the next century, we may use our economic strength to tide us over.

Thus, plan 5 is formed with 700 million as its population target and 0.65 as its possible-satisfactory extent. It seems plan 4 is desirable and, if mutual compensation for certain factors is permitted, plan 6 is formed. Here the population target may be raised to 700 million-1 billion.

Diagram 4 indicates the possible-satisfactory extents of the six plans. From the curves we can clearly see that after 100 years from now on 700 million appears to be optimal target of total population and that if things are stretched a bit, the target may be raised to 700 million-1 billion.

We feel that the problem of total population target is one of utmost importance to our country. With this target set, we can find out the best tactics to control the process of population development, and a clear orientation for population control in our country. At the same time, we can know from various conditioning factors which are serious, which are moderate, which should be given double care, which are the focal points of work. This will led itself to the planning and coordination of various kinds of work.

With time, the development of science and technology, the progress of society and the deepening of our knowledge, we may keep determining the total population target to be reached 100 years from now on and aim all policy decisions at this target. In this way, we shall always be in control.

Plans for Comparative Table of Total Population Targets in China

Plans	Factors considered										Total pop. in 2080 (100m)	Possible-satisfactory extent (degree of rationality)
	food		things for use			strength		process of population movement		Compared with other countries		
	grain	fish	land used	water use	air	energy	GNP	no. of births	ageing coeffi-cient			
1	Fully and simultaneously satisfied										10.5	0.25
2	Mutual compensation of factors considered							simultaneously satisfied			14	0.68
3	Satisfied simultaneously							not considered			5.4	0.9
4	Mutual compensation of factors considered							not considered			7.6	0.9
5	Satisfied simultaneously							simul. satis.	not consid.	simul. satis.	7	0.65
6	Mutual compensation of factors considered										7(~10)	0.83

Figure 2

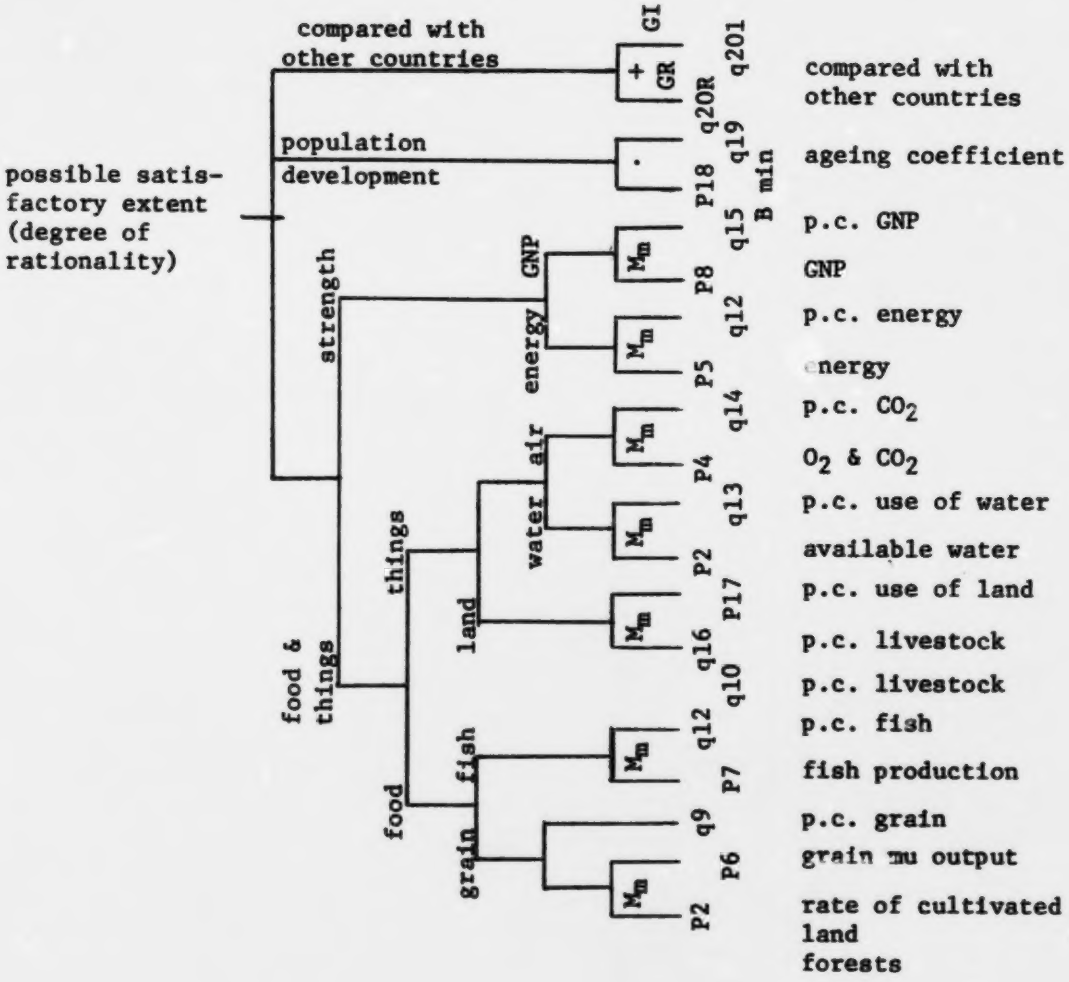

possible satisfactory extent (degree of rationality)
compared with other countries
population development
strength
food & things
things
food
GNP
energy
air
water
land
fish
grain
+
GR
GI
q20R
q201
q19
P18
B min
q15
P8
q12
P5
q14
P4
q13
P2
P17
q16
q10
q12
P7
q9
P6
P2
M_m
compared with other countries
ageing coefficient
p.c. GNP
GNP
p.c. energy
energy
p.c. CO_2
O_2 & CO_2
p.c. use of water
available water
p.c. use of land
p.c. livestock
p.c. livestock
p.c. fish
fish production
p.c. grain
grain mu output
rate of cultivated land
forests

Figure 3

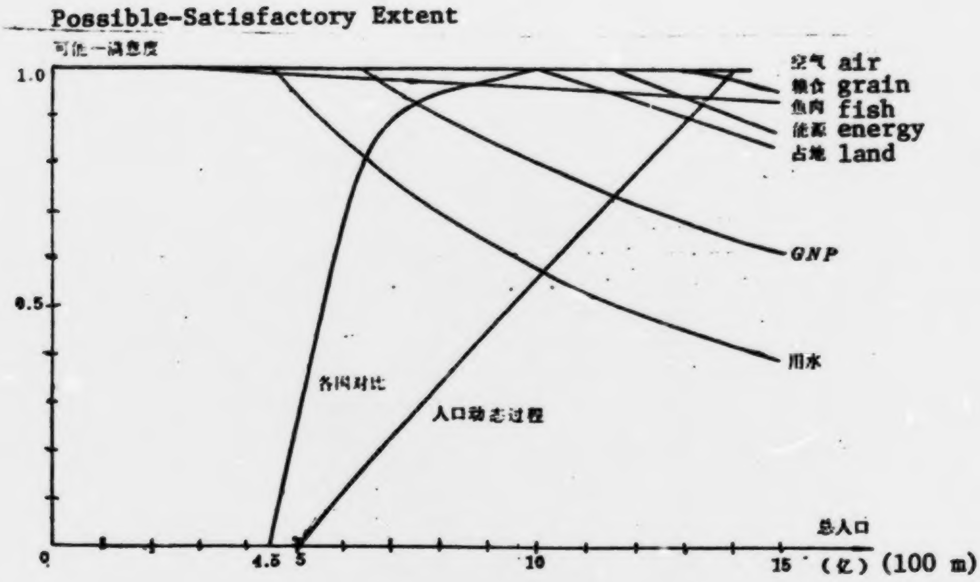
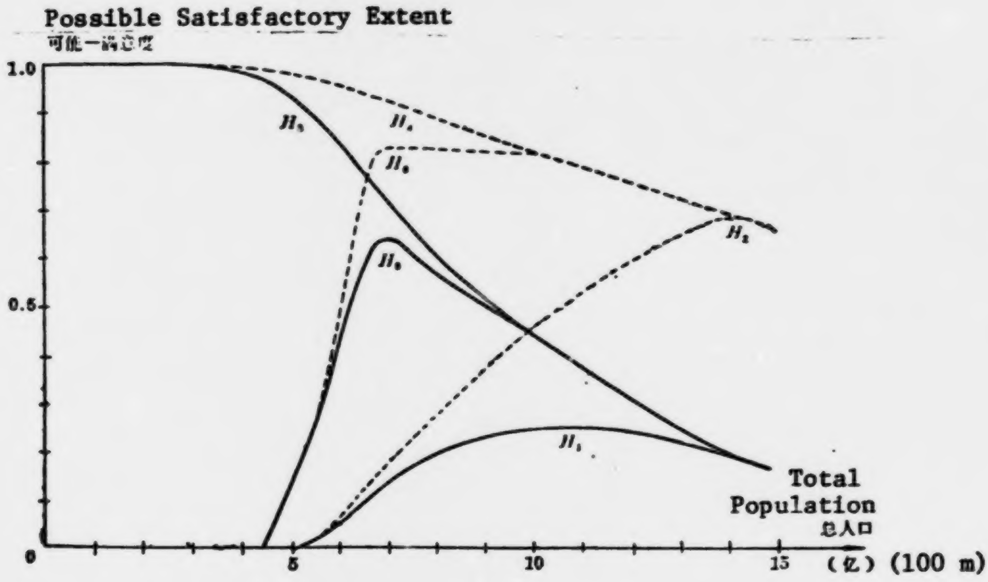


Figure 4



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REORGANIZATION OF MACHINEBUILDING INDUSTRY DISCUSSED

HK141530 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 7-11

[Article by Wu Ming [0702 2494]: "Reorganizing and Restructuring Our Machine Building Industry"]

[Text] Leading comrades from the Party Central Committee recently pointed out that the machine building industry is closely related to the modernization of the whole national economy. At present it is important to readjust and restructure the machine building industry because this is not only a major aspect of economic readjustment but also the starting point for realizing our modernization plan. They also said that many of the principles for reorganizing and restructuring the machine building industry are applicable to many other industries. These directives are of great significance to the present readjustment of our machine building industry and all of industry and to their future development.

(I)

People are familiar with this thesis of Lenin: "A big machine building industry is the only foundation for socialism." For our country, in order to realize the great cause of the four modernizations we must depend on a machine building industry that is capable of producing machinery with advanced technology and in large enough quantities to establish and restructure various economic departments and step up national defense construction. In carrying out the construction principle with technical innovation as the key, the machine building industry, in particular, will have to shoulder even heavier tasks. After three decades of construction, new China already has a substantial scale of production and technical level. In developing our national economy and the four modernizations we must pay attention to and rely on the existing material and technical foundations so that they will be able to fully play their roles. Our industry must no longer rely on carrying out new and big projects as a way to expand reproduction, nor must we rely on extension to expand reproduction. On the contrary, we must turn to intension as the key and rely on the 40 million workers and staff of the present 370,000 enterprises to improve efficiency of the means of production and create more material wealth through tapping potential, restructuring and strengthening management. In the past we relied on building new projects as the key; but in the future it is necessary to take transforming the existing material and technical foundations as the key because this measure is a strategic principle for building our economy.

People still remember that following the initial establishment of the foundation for industrialization during the first 5-year plan, it was suggested that we resort to the principle of carrying out technical innovations as the key. But this suggestion was basically not carried out even many years later. As a result, much money was spent but with little economic effect. Undoubtedly it is still necessary in the future to carry out new and important projects, but the key task must be to constantly restructure the existing material and technical foundations so as to comprehensively increase economic and technical results. This is a new method never used before in economic construction. Undoubtedly when our socialist construction is advancing along this road, the machine building industry, which is the basic lever in restructuring the national economy, will be able to play a still greater role.

(II)

Will our machine building industry be able to meet the need of the principle which takes technical innovation as the key? Viewing the present situation, it is hard to say; but through hard work in reoganizing and restructuring, it is possible for the machine building industry to meet the need.

Our machine building industry has made great progress over the past three decades and we have formed an industrial system of considerable size, with fairly complete departments and of a considerably high standard. There are tens of thousands of key machine building plants and hundreds of thousands of ordinary machine building plants, coupled with a growing contingent of workers. With considerable fixed assets, these enterprises have over the past many years supplied a great amount of technical equipment of a certain standard to various national economic departments and for national defense construction. About 80 percent of the total equipment of the basic national industrial departments was manufactured domestically. At the same time, these enterprises have also supplied the market with an increasing quantity of durable consumer goods. We must affirm and not underestimate the great achievements we have made and the material and technical foundations that have been formed, because in restructuring the whole national economy and carrying out technical innovations in the future we have to rely and pin our hopes on them. Belittling our ability and regarding foreign machinery as more advanced and our machine building industry as inferior is impractical and wrong.

But at the same time we must understand that the development of our machine building industry has been limited because of the effect of the mistaken "leftist" leadership and because we followed a backward foreign management system for quite a long period. There are still a number of problems even today and these mainly include dispersed management, low development of production technology and improper service orientation.

Organizationally, our machine building industry system is in a chaotic situation because management is dispersed and the departments concerned only mind their own business. Departmentally, there are the two systems of military industry and civilian industry in our country, coupled with manufacturing and maintenance systems and general equipment and special equipment manufacturing systems. Many departments across the country now have their own machine building industry. Provinces, municipalities, administrative regions, prefectures, people's communes and production brigades also have their own machine building industry, and they all have their own separate lines of business and vie with each other in turning themselves into "big and complete" and "small and complete" organizations. As a result, their economic relations, specialization and coordination have been seriously affected, and consequently a number of examples of irrationality and repetition in construction, production, scientific research and technological imports causing enormous wastefulness have appeared. For example, there were three big neighboring machine building plants in Beijing each with its own casting forging, tool, maintenance and heat treatment shops. They were developing into complete plants but this development caused serious waste of productivity and energy.

Quite a number of our machine tools are of low quality, with low efficiency and old structures. The basic technology in the machine building industry such as casting, forging, welding, processing and surface treatment has long involved backward methods. As a result, many of our products are of low quality and efficiency and consume enormous amounts of raw materials and energy. In short, the products of our machine building industry are about 10 to 20 years behind the advanced world standard. For example, our vehicle manufacturing company in Changchun was completed in 1956, and it was then more advanced technically than Japanese motor vehicle factories such as Toyota. Not long ago when a Japanese manufacturers delegation was visiting the Changchun motor vehicle plant they were surprised to find that China had such an advanced and big motor vehicle plant at that time. But what surprised them more was that after two decades and more, the output of this plant had only increased 100 percent while its key equipment, production technology and main products were basically unchanged, and its production technology was lagging far behind that of Toyota and other Japanese companies.

Most of the main products of our machine building industry have for a long time been mainly for use in heavy industry and capital construction and for high accumulation but not for technical innovation of enterprises. The usefulness of these products in agriculture, light industry, science, culture and education, urban construction and the people's livelihood has been limited. Our machine building industry is characterized by a narrow range of services, limited methods of production and an irrational structure, and consequently it has failed to meet social needs. As a result, the following situations have occurred during readjustment work. On the one hand, a number of machine building plants, particularly the key plants that are capable of increasing the productivity of heavy industry, do not have enough work to do. On the other hand, there are a number of production methods but no plant has actively carried out these methods or those plants that wanted to do the job have not had the necessary conditions. In addition, because of our limited technical level, our machine building industry is still not able to manufacture big and advanced precision products. These situations are often referred to as "sometimes not having ehough to eat but sometimes having too much."

(III)

The above-mentioned situations show that it is urgent to reorganize and restructure our machine building industry.

The basic aspect and requirement in reorganizing and restructuring our machine building industry is to realize coordination between specialized departments and economic unity so that our machine building industry will be rational organizationally; to renovate backward technology and gradually restructure the present fairly advanced technology so that the technology of our machine building industry will be gradually modernized; and to readjust the service orientation of the whole machine building industry from mainly serving capital construction to the "four services" of technical innovation of the national economy, domestic markets, expansion of exports and modernization of national defense.

Over the past few years, our machine building industry has done some efficient work in these aspects and it has made a good start. But taken as a whole, the achievements are not obvious and experiences are not adequate, and therefore it is necessary to continue to work and to explore.

(1) About Reorganization

To reorganize means to gradually break through the boundaries between regions and departments and change the situation of "big and complete" and "small and complete" and take the road of coordination between specialized departments and of economic integration. Coordination between specialized departments and economic integration are major questions that belong to the sphere of economic management and they are necessary for socialized production. Following the development of social division of labor, the specialization in the machine building industry will expand to parts and technology, and consequently enterprises will increasingly rely on each other. Objectively this requires that coordination be organized widely and economic integration be realized so as to meet the increasing needs of socialized production.

It is necessary for the guiding thought for reorganization to continue to be implementation of the principle of "bringing strong points into play, protecting competition and promoting unity" and the principle of economic rationality and production facility. Integration may take many forms. The forms of the unity that have appeared in the machine building industry include: (1) more relaxed integration such as sales, supply, export and design work of production units and user departments; (2) organizational integration among specialized products such as joint venture vehicle companies and radio set companies; (3) integration according to different basic parts, components and technical organizations. Such integration may be carried out within a region, among regions or even nationally. The forms and the size of the integration depend on the actual situation but it is advisable to proceed from a loose integration to a tight integration, from a smaller scale to a bigger scale and to gradually advance from a lower stage to a higher stage. Supply, marketing and sales can be combined first, followed by the integration of industry, trade and commerce; but the integration of staff, finances and goods and materials must be carried out later.

In order to effectively and stably promote reorganizing work, it is better to begin this work among trades and in major cities with key products of key enterprises. On the basis of study, investigations and unified planning it is necessary to set up trade organizations on a trial basis. Experiences in some localities prove that we must pay attention to the following two points in the method of carrying out restructuring work. One is to combine the method from bottom to top with that from top to bottom so as to meet local as well as overall [demands]. Another is to combine administrative methods with economic methods so as to coordinate macroeconomic and microeconomic interests. In order to ensure smooth implementation of reorganizing work, administrative intervention may be exercised as the key when necessary so as to promote economic rationality through administrative methods. When we talk about strengthening leadership over the macroeconomy, we include direct intervention by the state through administrative methods. Of course, this intervention can only be carried out under the premise of putting the interests of the whole country in the first place and of combining the economic interests of all the parties that have joined in the integrate. We can in no way "establish family links by force." In the process of reorganizing, it is imperative to follow the principle of mutual benefit and of selecting the best departments for integrating. A number of the problems arising during the course of integration usually reflect "power" and "interest." Such problems include who will lead the enterprises that have joined together, who will have the right to sell, produce and supply and to distribute profits and how to price the products. All the enterprises concerned must be equal in these respects and they must share equal interests so that they will be able to progress at the same pace. In this respect, two situations must be prevented; one is that big factories must not squeeze out small factories and the factories with ownership by the whole people must not squeeze out factories with collective ownership. Another is that big factories cannot take over the burdens from small factories and the factories with ownership by the whole people cannot take over the burdens of the factories with collective ownership out of consideration for households with economic difficulties. All these situations run counter to the principle of economic rationality and they cannot exist for long.

In the process of reorganizing, some machine building industrial enterprises will be closed down, suspended, merged or shifted to other production. With regard to industrial departments, the situation of the machine building industry is uneven, but generally speaking, the products of the industry are in excessive supply. In the past, a number of factories were built blindly. Statistics show that over the past 15 years, an average of 12 machine building factories have been built every day causing serious repetition of production. Consequently, these factories do not have enough raw materials and it is difficult for them to continue their operations. Therefore, in the future it is forbidden to set up factories arbitrarily. In addition, the factories that have for a long time showed losses rather than gains and those with small-scale production, backward technology, very high consumption of raw materials and energy, low quality and high-priced products that are unsalable must be resolutely closed down or shifted to other production. But this work involves relocation of staff and workers and therefore it is advisable to shift as many factories to other production and close down as few as possible. We can in no way advocate the method of "filling the gap" for the factories with poor economic results and no prospects; otherwise we will cause the situation to worsen. In assigning tasks it is imperative to order and arrange for goods commodities. Studies must be carried out so that we will be able to establish standard technology for our products and permit the existence of systems for production. The factories that fail to reach the defined standard will have to stop production for the purpose of readjustment. This measure will check and control building factories blindly and producing slipshod products and improve the quality and efficiency of our machine building industry.

(2) About Restructuring

In order to raise the level of the entire machine building industry, it is imperative to combine reorganizing with restructuring. As the duty of machine building industry is to serve the technical innovation of the national economy and to supply various departments with good-quality equipment, it is necessary for the industry to first of all reform its own technology.

Above all it is imperative to resort to rational technological policies. So far we have not had rational and stable technological policies for many years. At times the policies have stressed indigenous methods and at other times foreign methods, and this practice is not in accord with the needs of the era in the development of technology, nor with the conditions in our country. In restructuring technology and resorting to advanced technology we must proceed from the realities of our country. We cannot just consider our intermediate-range interests and not work hard to improve technology. On the other hand, we cannot depart from our capabilities and blindly seek advanced technology. The correct principle is that we should have advanced and economically applicable technology with economic and technical results as the key. Our machine building industry and various departments must pay attention to this aspect in carrying out technical restructuring.

Technical restructuring must also develop from a lower to a higher stage. We must pay attention to technical restructuring partially and at the same time strive to make important breakthroughs. It is necessary to combine both correctly so as to link intermediate interests with long-range interests. It is necessary to strengthen research and development work, do a good job of developing technology and technical equipment and replace old products with new ones step-by-step and in a planned way. We must also actively promote "three generations of products." That is, improve first-generation products that are now being made; trial-produce second-generation products by producing new products in the near future; and make preparations for research work for third-generation products that are to be produced in the future. At the same time, explorations must be carried out for the fourth generation of important products. It is also necessary to consider long-term tendencies and strengthen basic research work and study. In short, before a product ends its cycle of prosperity and then "decline," we must be able to produce a new product to replace it.

The quality of enterprises must be improved through technical restructuring. When we were restructuring the enterprises in the past, we often concentrated our efforts on merely increasing productivity and adding plants and equipment and personnel and we neglected the work of improving the technical level. The requirement for the present technical restructuring is more than just tapping potentials, innovating and restructuring. This requirement includes: (1) Strengthen scientific research and study and carry out technical restructuring so as to enable enterprises to produce new products to replace the old and produce complete sets of equipment. (2) Restructure technical equipment so as to lower consumption and raise labor productivity. (3) Set up an experimental base and control system so as to improve product quality and develop new products. (4) Reorganize production lines and manufacture new equipment so that our enterprises will be able to advance from producing preliminary products to producing high quality products. (5) Train personnel so as to enable enterprises to use modern management technology and improve management and the operational level. We must pay attention to and strengthen all these tasks as they are necessary for enterprises to improve their overall productivity.

In order to raise the level of the entire machine building industry it is imperative and vital to train, improve and rationally make use of the technical force. The problems of the technical force in machine building industrial departments are: First, not enough personnel; second, a low level and slowness in improving it; and third, not every one has the chance to use his talents, personnel are assigned work that is unsuitable to them or they do not have work to do or do not have a chance to carry out their roles. This situation must be gradually changed. At the same time, it is imperative for enterprises to strengthen their own scientific force and designing force and to improve the work of importing, learning from, digesting and grasping foreign technology and to combine these two aspects because this work is important in strengthening technical restructuring.

(3) About Readjusting Service Orientation

An important purpose of readjusting our machine building industry is to rationalize the standard of this industry so that it will be able to meet various social needs. To a certain extent, the correct service orientation is the premise and manifestation of reorganizing and restructuring.

Over the past year and more, the departments of the First Ministry of Machine Building have begun to implement "six changes" and "five services" to basically reflect the readjustment of the service orientation of the whole machine building industry and the readjustment of other aspects. The "six changes" are: Change from mainly serving heavy industry to also serving agriculture, light industry, urban construction and the people's livelihood; from mainly serving the building of new factories to serving old factories in tapping potential, carrying out technical innovation and reforms; from mainly being engaged in manufacturing to engaging in designing and arranging for complete sets of equipment, installing, commissioning and repairing equipment and supplying spare parts as well as training operators; from serving the domestic market to becoming active in entering the international market; from engaging in small-scale to engaging in mass production and gradually developing specialized production; from concentrating efforts on increasing the scale production and quantity to improving quality, variety, supply time and lowering costs so as to constantly improve the management of enterprises. The "five servings" are: While serving heavy industry and capital construction, also serve the needs of agriculture, forestry, animal husbandry, sideline production and fisheries, light industry, the market and the people's livelihood; serving the needs of old factories in tapping potential, technical innovation and reformation; serving the needs of the urban and rural collective economy and commercial enterprises; serving the needs of maintenance and technology in production and serving the needs of expanding exports. Practice has proved that this readjustment is very important, and if we continue with it, our machine building industry will be able to meet still better the various needs of society while it is developing normally.

This readjustment of the machine building industry must take various needs into consideration but we must also emphasize carrying it out. According to the present situation, it is imperative to grasp well the following three points: Step up technical restructuring of the existing enterprises; promote the production of industrial consumer goods and expand the exports of mechanical and electrical products. But in addition to grasping key tasks we must pay attention to other tasks. It is important to handle well the relationship between the processing industries and the basic industries and between industrial consumer goods and equipment.

It is of practical significance at present for the machine building industry to serve light industry, textile industry and to promote the production of industrial consumer goods. With increased output of industrial consumer goods, the needs of the people's livelihood will be met, the markets will become brisk, currency will be recovered, the people's income will be increased, finances will be balanced and exports will be increased to earn more foreign exchange. With all those, our national economy will be freed from the current difficulties. In addition, it is a binding duty of our machine building industry to support light and textile industries. Lenin said: "The making of the means of production is not for the sake of the means of production themselves; it is because the industrial departments that are producing consumer goods are increasingly demanding more means of production." Over the past year and more, the machine building industry has supported light and textile industries with enormous quantities of special equipment and various types of technical equipment for technical reform. In addition, according to the principle of similar production technology and economic rationality, our machine building industry has also begun processing parts for some light industrial products and producing complete sets of equipment for light industry; it has also directly produced a certain quantity of durable goods. Some localities have, through unified planning and according to the requirements of the development of light industry, shifted some machine building factories to light industrial departments to engage in producing light industrial products because their products had no definite orientation and they did not have enough work. All these measures have had fairly good results in expanding the production of light and textile industries, improving the quality of products and in reducing consumption, and therefore such measures must be continued. The basic way to support light and textile industries is to use production technology of the machine building industry, supply good equipment and create conditions for light and textile industries to advance toward specialized modernization. Even though it is necessary to shift some factories to other production, it is very important and it must be carried out in a planned way.

In readjusting the service orientation it is imperative to strengthen leadership over planning. The best way for the machine building industry to serve various national economic departments is for all these departments to have fairly stable planning or serious losses will result. Cases of poor planning have appeared time and again in the past and they must in no way reappear in the future. Measures have been taken since last year to carry out regulation by market mechanism and broaden the scope of production. Such measures are correct and they have had quite good results. Therefore, these measures must be affirmed and continued in the future. The question is to investigate well the market situation and make better predictions so that the auxiliary regulation by market mechanism can be correctly combined with the regulation by planning mechanism that plays the main role. Now various departments concerned are very enthusiastic about producing industrial consumer goods, particularly those in short supply. This is a good situation. But we must in no way do this work rashly without planning. It must be carried out carefully and according to our capabilities. Boldness in carrying out this work must be prevented. The state's unified planning and rational management are indispensable and very important, and therefore they must be strengthened.

Reorganizing and restructuring the machine building industry and readjustment of its service orientation must be considered from the important angle of improving economic results. Viewing our national economy from this angle, the present investments must bring economic results in the future. Increasing economic results is the way out for our economy. Our machine building industry must, through reorganizing and restructuring, improve the quality of its products, develop new products, improve technical services, establish additional economic departments with modern equipment to meet market demand by producing durable consumer goods, increase exports and be active in entering international markets. By doing so, not only will the level and results of the machine building industry itself be considerably improved, but also socioeconomic results will be greatly improved. This is also a target of the machine building industry in carrying out reorganizing and restructuring.

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JOURNAL ON USE OF ENTERPRISE FUNDS

HK220515 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81
pp 37-39

[Article by Liu Chunqin [0491 2504 0530]: "It Is Necessary to Strengthen Guidance Over Utilization of Funds Retained by Enterprises for Their Own Use"--note passages within slantlines denote boldface type]

[Text] Since the expansion of enterprise autonomy in 1979, funds at the disposal of enterprises have been increased notably. The total annual balance retained by enterprises for their own allocation amounts to approximately 15 billion yuan, comprising the following items: profits retained as their own share, basic depreciation funds for fixed assets, funds for major overhauls, funds for replacement and transformation set aside according to output, income from improved assessment value of and rental from fixed assets, and new profits resulting from tapping potentials, renovation and restructuring supported by production development funds of the enterprises (according to the stipulation of Sichuan Province, this newly made profit will be retained by the enterprises for 2 years and used at their own discretion. The amount differs with the various enterprises, for some it is equivalent to 1/3 of the profits). This financial source taken as a whole is quite considerable, and its utilization exerts significant influence on the whole national economy. For this reason, in order to improve the performance of funds retained by enterprises for their own use, to promote economic development, and to achieve liveliness without chaos, it is necessary for the state to strengthen guidance and management of these funds.

To strengthen guidance over these funds retained by the enterprises for their own use means to stipulate certain rules to be followed as principles as well as to adopt certain concrete measures in regard to the allocation of these funds on the part of the enterprises without infringing on basic interests of the enterprises. In the light of the present situation of our country, it is necessary for the state to strengthen guidance in the following respects.

/1. Unify the fund categories. This is a prerequisite for compiling statistics and for carrying on supervision in regard to the allocation of the various funds, and a further step for controlling the proportion between consumption and accumulation./ Currently, in our country various categories of funds have been set up in various regions and various enterprises. Most of the enterprises have accounts for production development funds and for welfare and award funds. In addition to these, some are also keeping accounts for plant construction funds or reserve funds. Some enterprises have set up welfare and award funds for their staff and workers and have done nothing in respect to production development funds. Perhaps this is necessary in the initial stage in order to gain experience, but in the long run this should not be so. A unified rule should be made at a suitable moment. In the meantime, for the enterprises that carry on the practice of profits sharing, it is necessary to add another fund, namely the price adjustment fund. Now the state is making use of the deviation of prices from their value for the purpose of regulating the relationship between production and sales of certain commodities, and of balancing state revenue and expenditure. As a consequence, of the profits made by the enterprises, a part represents the surplus value created by the staff and workers of the enterprises, and the other part is the extra income resulting from price policies, having nothing to do with the labor of the enterprises. The purpose of setting up a price adjustment fund is to set aside that part of the profits not related to the performance of labor in the enterprises so that part of it can be turned over to the state, and the remaining part can be kept by the enterprises in the form of price adjustment funds to iron out the advantages and disadvantages within the enterprises caused by unreasonable pricing practices. Another thing to be done is to combine the housing construction fund for staff and workers and the fund for collective welfare. The combined funds can be called housing, culture and welfare funds (for the sake of brevity, they can also be called collective welfare funds). As a result, for enterprises that carry on the practice of profitsharing, there should be four funds, namely the production development fund, the housing, culture, and welfare fund, the awards fund for staff and workers, and the price adjustment fund. The enterprises that are undertaking experimental responsibility for their own profits and losses should set up another fund, a reserve fund, making five funds altogether.

The financial allocation of these funds should differ as the types of enterprises differ. In corporations and other types of combined organizations, generally speaking, plants at the basic level have set up award funds for staff and workers, housing, culture and welfare funds as well as a partial production development fund (that is, a part is turned over to the corporation for the development of major projects). As for the other funds, for example reserve funds, price adjustment funds, partial production development funds, shares of foreign exchange earned in export trade, and so on, they are left to the corporation for unified allocation. In consequence, the performance of these funds will be enhanced. Of particular significance, is the setting up of price adjustment funds in the corporations. This might provide a solution in ironing out the disparities brought about by the deviation of prices from value.

/2. Lump all the funds together./ For the trial-point enterprises, a share of the profit or profit after tax is the only source of special purpose funds for production development. The basic depreciation fund, and the income from assessment of orice of fixed assets and from rentals are set aside and kept in separate independent accounts, not included in the corresponding special purpose funds. However, in the meantime, it is stipulated that the enterprises are given the right to combine these funds with the production development fund in deployment of the funds. This being the case, why should they not be lumped together in a reasonable manner? An appropriate combination undoubtedly is beneficial to the strengthening of financial management, and better control of the enterprises as well as the social consumption and accumulation. With the combination of the funds, it should be kept in mind that they are still kept for their original purposes and are not to be used for other purposes.

1) The production development fund: This includes part of the profit share or profit after tax (not including the profit of enterprises arising from the factor of price policy, the same below), the basic depreciation fund for production equipment, income from price changes of production equipment and from rentals, replacement and renewal funds set aside according to output, and new profit arising from tapping potential, renovation, and restructuring supported by the production development funds of the enterprises.

2) The housing, culture and welfare fund: This includes part of the profit share or profit after tax, the depreciation of living facilities, the income from change of price of such facilities and the daily business earnings of such facilities.

3) The price adjustment fund: Due to the factor of price policy, the enterprises gain part of the extra profits.

4) Award fund for staff and workers: Part of the profit share or profit after tax.

5) Reserve fund: Part of the profit share or profit after tax.

As a result, with the exclusion of the above-mentioned funds, the enterprises have only one independent fund, namely the major overhaul fund, which should be kept as a special purpose fund so the present equipment may be kept in good condition, and the simple reproduction of the enterprises may be maintained.

/3. Devising a method of fund allocation with a set purpose./ This means to direct the initiative of the enterprises to the set economic targets of the state by means of economic methods. In order to attain this end, the first thing the state must do is to designate the key problems awaiting solution in a specified period. The second thing is to correlate allocation of the funds to these targets so as to stimulate the growth of the national economy.

One key problem in the development of our current economy is the shortage of energy, raw materials, and good quality and new products. Naturally, the allocation of funds of various categories should be related to these problems as much as possible. The energy products used by the enterprises are different, so are the consumption levels of fuel of the various enterprises. This makes the calculation of allocating the funds quite inconvenient. For this reason, the energy-saving and raw material consumption indicators should be replaced by production-cost reducing indicators (raw materials, fuel, and consumption of power generally comprise about 70 percent of costs). In this way, the allocation of the funds of the enterprises can be correlated with the following four indicators: Cost of production, volume of production, the rate of high quality products, and the rate of profit. The ratio of profit for each indicator should also differ. As it is more difficult to reduce costs, the ratio for profit in this respect should be larger. Since it is easier to increase the volume of production, its ratio of profit should be smaller, and consideration should be given to the question of whether the product is in short or in excessive supply in the respective profit ratios. In the case of high quality and new products, since in the early stage of their development very possibly their profits are meager, the enterprises should either be given all the profits within a specified period, or be given an encouragement profit share out of the profits of the enterprises, taken as a certain percentage of the allotment price (or wholesale price) of the products. Ultimately, the enterprise then sets aside a certain portion of its profits earmarked as its fund. However, this should not be the major part of its total funds. In this way, the enterprises are made to turn their attention to cost reduction of their products and increasing the output of products in short supply and the enhancement of their quality as well as the development of new products.

The key problems arising from the development of the national economy may change with the passage of time. By then, the allocation of enterprise funds will also change in respect to their aims and methods of allocation. To appropriately adjust the ratios of fund allocation and the targets of encouraged development is an important task in management of the leading economic bodies henceforth.

/4. The designation of fund allocation. The state gives guidance to improve effective use of the funds./ Here, first of all, the enterprises must be allowed to manage the funds, and the basic uses of the funds must be clearly specified. The purpose of this is to urge the enterprises to make good use of the funds and to devote the funds to the major targets of the state awaiting facilitation. This is a task relating to the economic policy of the state as well as a basic premise in deciding the proportions of the various funds.

At present, the old enterprises are facing two major problems, replacement and transformation of facilities and housing for staff and workers. Replying solely on the production development funds of the enterprise to replace and transform existing facilities obviously provides limited financial strength. Consequently, we must study and develop a production development fund for our enterprises which is suitable to our national condition. Study must also be made as to how to make use of other funds.

1) The production development funds should be mainly devoted to the purpose of upgrading and redesigning products. Sometimes, the upgrading and redesigning of products are mutually effected by the replacement and transformation of plant facilities. As new products are designed and developed, the old plant facilities must be transformed somewhat according to the requirements of production techniques. It should be pointed out that this is a problem of adding certain facilities that are needed, rather than an overall renovation and restructuring, still less is it a problem of large-scale expansion of production capacity in relation to replacement and transformation of facilities. Tasks in this regard will be undertaken after readjustment of our national economy and the completion of overall planning and preparations.

2) The housing, culture, and welfare funds, for the present, should be focused on dealing with the housing problem of the staff and workers of the enterprises so that their living conditions may be improved. As for the housing problems of the peasants, the problems should be dealt with by the collective and the peasants' own efforts.

3) There is no problem in regard to the award funds for staff and workers being used to give awards to the staff and workers. However, certain principles must be set. In the regulations in this regard, aside from setting limits to bonuses

granted and other matters, it should also be stipulated that enterprises be allowed to grant bonuses at the end of the year to their staff and workers. With the total bonus kept unchanged, taking part of the bonus (for example 30 percent) as a yearend bonus, perhaps, will be beneficial to both the state and the enterprises. Of course, yearend bonuses are to be granted only upon completion of certain prerequisites. One prerequisite is that the enterprise must complete all the tasks assigned to it by the state. Another is that no violation is committed in regard to financial discipline (prompt and full payment of tax and profits to the state). Without the fulfillment of such requirements, bonuses should be reduced or withheld. With such a yearend bonus, enterprises will undoubtedly be urged to improve production and management as well as mobilize the initiative of the staff and workers in keeping a watchful eye on the economic disciplines to which the enterprise must abide. In the meantime, this is a safeguard against granting bonuses for exceeding the quota before knowing the business results of the whole year.

Naturally, in order to strengthen state guidance over the utilization of funds retained by the enterprises for their own use, studies must be made and conclusions arrived at in regard to the proportions of the various funds. For example, there is the problem of the capability of the funds to make good the shortages in question, and under what conditions should such a service be given. There is also the problem of priorities with respect to the setting up of the various funds. When the enterprise earnings are not enough to cover all the funds, then which funds should be set up first, and which should follow? In short, with respect to the economic activities of enterprises that wield expanded power, the state is still groping for experience in order to provide them with guidance to achieve liveliness and to screen out chaotic elements. It is the purpose of this essay to present to the readers the author's preliminary viewpoints so that these viewpoints may be studied and discussed by the readership.

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China Report

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No. 169

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CHINA REPORT

ECONOMIC AFFAIRS

No. 169

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NATIONAL POLICY AND ISSUES

CONFUSION OF MAJOR REPAIR, DEPRECIATION FUNDS DISCUSSED

Beijing CAIWU YU KUAIJI /FINANCE AND ACCOUNTING/ in Chinese No 6, 20 Jun 81 pp 10-13

/Article by Tian Chunsheng /3944 2797 3932/: "On the Nature and Control of Major Repair Funds"/

/Text/ Should the major repair funds of enterprises have the characteristics of fixed assets or those of circulating funds? This question must be clarified in both theory and practice. A popular view at present is that the expenditure of major repair funds should be charged against fixed assets along with depreciation funds. Such a view will cause not only theoretical confusion but also practical damage.

I.

People believe that major repair funds should be related to fixed assets simply because these funds, like depreciation funds, are used on fixed assets for the purpose of maintenance and preservation of their utility. This sounds plausible, but it is actually wrong. Although major repair funds and depreciation funds are both used on fixed assets, they nevertheless have different characteristics. While depreciation funds have the characteristics of fixed assets, major repair funds are of a circulating capital nature. Marx conducted a fairly detailed analysis on the different characteristics of these two funds.

First, Marx analyzed the different functions of these two funds. He pointed out that depreciation funds are intended as reserve funds to replace salvaged fixed assets. In his opinion, "the value of the fixed capital flows back to its starting point in proportion to its wear and tear in the form of a sinking fund" which "will replace the value of the capital originally invested." ("Collected Works of Marx," Vol 24, p 203) Major repair funds, on the other hand, are for necessary additional outlays to maintain the normal operation of the fixed assets within a prescribed period. "It is a question here of additional labor, without which the machinery becomes useless.... Hence it is a question of keeping the machinery literally in working order." (Ibid., p 194) The difference between the functions of these two funds can be summarized this way: While depreciation funds are used for the purpose of compensation, major repair funds are intended for the purpose of maintenance.

Second, Marx further pointed out the difference between these two funds on the basis of their turnover. He said: Depreciation funds are included in the original value of the fixed assets and, along with the value of fixed assets, are gradually converted into the value which they have helped to create in the products. Then compensation is obtained by installments from the sale of these products. When the life of the fixed assets has expired, the depreciation funds will have accumulated to their starting point and will provide the full amount of money for the replacement of these fixed assets. As for major repair funds, "these expenditures are not included in the originally advanced capital and cannot therefore be replaced and covered, at least not always, by the gradual replacement of the value of the fixed capital. For example, if the value of the fixed capital is 10,000 pounds and its total life is 10 years, then these 10,000 pounds, having been entirely converted into money after the lapse of 10 years, will replace only the value of the capital originally invested, but they do not replace the capital, or labor, added in the meantime for repairs." (Ibid., p 195) It is obvious that the major repair funds, as an additional outlay, can by no means be gradually accumulated to the point of replacing the equipment, because they are spent immediately after appropriation.

Third, judging from the use of these two funds, we can see that depreciation funds will certainly bring about the recovery, or even an increase, of the fixed assets' value (because depreciation funds have the characteristics of accumulation funds). For example, when a set of machinery has been salvaged, a new set can be bought with the depreciation funds as a replacement and the value of the fixed assets is thus recovered. However, the use of major repair funds cannot, theoretically speaking, recover the fixed assets' value, much less add to their value, because the use of such funds can only create the conditions for the fixed assets to be used up to the stipulated number of years. Even though some new elements have been added to the fixed assets, this can only embody the utility of the fixed assets within the limited period, but can neither recover nor add to their value in any way. As Marx said, fixed assets can be utilized for so many years because "this average life itself is based on the assumption that the additional capital required for maintenance purposes is continually advanced," "just as we assume, in placing a man's life at 30 years on the average, that he will wash himself." (Ibid., pp 196 and 194)

Fourth, speaking of the use of major repair funds, we can see that major repair funds (which also include expenses on medium and minor repairs) are necessary for the maintenance of regular production, including materials, wages, administrative expenses and similar outlays. Marx said: "As it is of paramount importance to remedy every damage to machinery immediately, every comparatively large factory employs, in addition to the regular factory force, special personnel--engineers, carpenters, mechanics, locksmiths, and so forth. Their wages are a part of the variable capital and the value of their labor is distributed over the product." "This labor must be continually expended in production, and hence its value must be continaully replaced by that of the products. The capital invested in it belongs in that part of the circulating capital which has to cover the general expenditure." "This maintenance work counts as current expenses and is therefore an element of circulating capital. (Ibid., pp 194-196)

By analyzing the difference between depreciation funds and major repair funds, Marx drew the conclusion that major repair funds belong to the category of circulating capital. This conclusion in no way conflicts with his famous thesis of differentiation between fixed capital and circulating capital based on the different forms of capital turnover. It has also been proved in practice in many countries for many years.

It is harmful to consider the expenditure of major repair funds as related to fixed assets. For example, some localities have ruled that major repair funds can be combined with depreciation funds; some localities have combined the depreciation rate with the major repair fund accumulation rate and looked upon this combination as a source of funds for renovation or transformation of fixed assets; some localities have combined major repair funds with production developing funds--obtained from retained profits--and the depreciation funds to be used by the enterprises for tapping potential and renovating and transforming their equipment; and some localities have used the major repair loans as investment loans instead of circulating capital loans; and so forth. On 10 November 1979, RENMIN RIBAO carried a frontpage report on the reform of the economic administration system by the Thread Reeling and Belt Weaving Company under the Shanghai Textile Bureau. The report said: "The plant has the power to combine the basic depreciation funds, the major repair funds, and the production developing funds appropriated from the company for its expenditure, thus ending the irrational situation of 'forbidding the use of vinegar money to buy soy sauce,' and helping the enterprises to tap potential and renovate and transform their equipment." It also mentioned that this reform had already been approved by the higher leadership and endorsed by the departments concerned. This certainly produced widespread repercussions. Because of the ideological confusion of major repair funds with depreciation funds, it is quite possible for major repair funds to be diverted to other uses, such as the purchase of new fixed assets and the expansion of productive capacity, resulting in damage to fixed assets from the lack of repair funds. Because of high targets and blind commandism during the Great Leap Forward of 1958, major repair funds were used on capital construction, and under the slogan "neither minor nor major wounds can justify a retreat from the firing line," many worn-out machines had to continue operating, resulting in serious breakdowns. The state was later forced to spend huge amounts on "overdue" major repairs in the subsequent years of readjustment. Even this failed to preserve the "average life" of some fixed assets. The "premature death" of these assets was a great loss to the national economy and this experience is still fresh in our memory. We must never return to the old ruts. Another phenomenon was the unjustified diversion of funds. Funds for renovation and transformation were diverted to capital construction; major repair funds were diverted to renovation and transformation; and major repairs had to be accounted for in the production costs. It is true that the need for fixed asset repairs was not overlooked; however, since major repair funds had been diverted to other uses, such expenditure could only be charged against the production cost. Thus the production cost was greatly increased and the profit greatly reduced. Finance was undermined and the scope of investment in fixed assets was enlarged. This was a hindrance to the implementation of the national economic readjustment policy.

In 1979, the open-hearth workshop of a steel plant in a certain municipality had its furnace and factory building remodeled. The bottom area of the open-hearth furnace was enlarged from 36.2 to 42 square meters; the residue-heat boiler was renovated; and some equipment for eliminating smoke and dust was added. The capacity for continuous casting was raised. According to the original plan submitted by the plant, some 8 million yuan was required. Since some 6 million yuan was to be appropriated out of the repair funds, only some 2 million yuan was to come out of the renovation funds. Yet the municipal authorities and the department in charge actually approved the exclusive use of major repair funds on what should mainly have been a renovation and transformation project. A total of 14.89 million yuan of major repair funds had to be spent on the completion of the project. Since there were not enough major repair funds, the bank had to be approached for a loan of 3.5 million yuan. The funds required for genuine major repairs had to be charged against the production cost. In another instance, a major repair required for a cupola furnace of the second converted workshop cost 3 million yuan. The plant claimed that since there was no clearcut regulation on the scope of repairs, it should be rated as a medium repair to be charged against the production cost. Such diversion of funds is by no means an isolated case, but a rather prevalent practice. As an end result, the financial income which should be handed over to the state was used for financing an unplanned capital construction project. This is one of the reasons why financial revenues cannot be increased and the capital construction front cannot be reduced at present.

II.

To distinguish between the different characteristics of major repair funds and depreciation funds and to ascertain their different uses, we should further clarify two problems of understanding--or two practical problems--in addition to what has been mentioned so far.

1. Is "major repair fund" an abbreviation for "major repair and depreciation fund?" Some comrades contended that the name "depreciation fund" was omitted only for the sake of brevity, and that such funds were mainly used to cover depreciation and therefore belonged to the fixed asset spending category. "Major repair fund" was used in the sense of "major repair and depreciation fund" by the Soviet Union in the 1950's. At that time, depreciation funds were called "basic depreciation funds," while major repair funds were called "major repair depreciation funds." Aside from the difference in nomenclature, there was also a subtle difference in financial accounting. There were then three different types of depreciation rates. The formulas of their computation are (residual value and expenses for dismantling or removal excepted) as follows:

$$\text{Comprehensive Depreciation Rate} = \frac{\text{Original Fixed Asset Value} + \text{Major Repair Expenses}}{\text{Estimated No of Years of Use}} + \text{Original Fixed Asset Value} \times 100\%$$

$$\text{Basic Depreciation Rate} = \frac{\text{Original Fixed Asset Value}}{\text{Estimated No of Years of Use}} + \text{Original Fixed Asset Value} \times 100\%$$

$$\text{Major Repair Depreciation Rate} = \frac{\text{Major Repair Expenses}}{\text{Estimated No of Years of Use}} + \text{Original Fixed Asset Value} \times 100\%$$

Second, appropriations for major repair depreciation, like those for basic depreciation, reduce the net value of fixed assets; however, if major repair funds were used on fixed assets, the net value of these fixed assets should be recovered through a certain process.

The old depreciation method of the 1950's was both complicated and unnecessary. Appropriation for repair and depreciation each year reduced the fixed assets, and when major repair funds were used on fixed assets, their original value had to be recovered. Thus the reduction and subsequent addition of value caused unnecessary complication. For a certain fixed asset, the amount of appropriation for major repairs and depreciation could not be the same as the amount actually spent. Therefore, when the fixed assets had to be salvaged after having been used for the required number of years, the natural outcome would be either an incomplete or an excessive depreciation of their original value. More important still, this old type of major repair and depreciation method was merely a formality without practical significance. Depreciation and depreciation funds reflect the wear and tear as well as the remaining value of fixed assets. If a major repair fails to supply this information, the appropriation will not be able to reflect the extent of the loss of fixed asset value; nor can it shed any light on the cost of the replacement when the asset has to be salvaged. In the final analysis, it is a type of additional outlay instead of a depreciation reserve. It takes the form of depreciation reserve only because of the need to account for it in the production cost. That is why this system of major repair and depreciation had to be reformed after only a brief existence. After the reform, the term "major repair and depreciation fund" was changed to "major repair fund;" the major repair depreciation rate was changed to major repair reserve rate; and the basic depreciation rate and basic depreciation funds were changed to depreciation rate and depreciation funds respectively. Incidentally, it may be pointed out that when some documents and articles mentioned depreciation and depreciation funds, the word "basic" was frequently used, although this was entirely unnecessary. Before the reform, the word "basic" denoted major repair and depreciation; now major repairs are no longer associated with depreciation, and the word "basic" is no longer necessary.

2. There is the relationship between the use of major repair funds and the expansion of decisionmaking power for the enterprises. In expanding the decisionmaking power of enterprises in business management, all unnecessary barriers between various types of funds should be removed. However, it would be wrong to oppose, as some sort of inhibition, the regulation that major repair funds should be used on fixed assets only. If there is no need for the major repair funds to be independently set up and used, then how can this system have been so popular in foreign countries for a full century?

There is no data for the exact year or month of the origin of major repair funds. However, we are sure that when Marx wrote "Das Kapital," there was already such an economic category. At that time, repairs were already classified as "major repairs" and "minor repairs" (ibid., p 198) and major repairs were financed by a reserve fund, based on "an average expense distributed over the average life." (Ibid., p 196) We understand that even to date, foreign countries are still using this system. The "System of Regulating Time Limits for the Use of Fixed Assets" (ADR system) issued by the U.S. Government in 1971 specifically stipulated the proportion of funds to be drawn for building up the repair reserve for various types of fixed assets, in addition to various depreciation rates and the margins of readjustment. In view of the possibility that the repair expenses may be transformed into fixed assets, a rational limit was set for the compensation of repair expenses. Expenses within the limit are transformed into fixed assets and compensated by the depreciation funds. From this, we can see that the United States not only sets up and uses the major repair funds independently, but it also exercises a very strict control over them.

Any value of fixed assets acquired through repairs would be accounted for in the depreciation fund. In sharp contrast to our system it uses renovation and transformation to protect instead of competing with major repairs. Under this ADR system, the stipulated rate of building up the repair reserve is approximately 5.8 percent. It is our understanding that the Soviet Union also revised its depreciation rate in 1975 and made separate stipulations for the depreciation rate and the proportion of major repair reserve.

Why should these countries have their self-imposed "inhibitions?" It is quite clear that finance is a reflection of the economy, and fixed assets being used must be protected and repaired. This is an objective fact. The setting up of major repair funds is decided by objective facts. If you do not recognize them and divert major repair funds to other uses, the equipment still needs repair. As a result, you are only violating the objective economic laws and will be duly punished.

Therefore, in expanding the decisionmaking power of enterprises, we should not disturb the channels of major repair funds which objectively exist. Yet we must not adopt the same overly rigid control as we did before, leaving the enterprises without any flexibility. The ideal way would be as follows:

1. We should establish and perfect a control system for the fixed assets of enterprises while implementing the policy of readjustment, restructuring, consolidation and improvement and streamlining enterprise management. This will include setting up and perfecting a system of equipment inspection and repair which will clearly define the specific economic and technical limits for major, medium and minor repairs of various fixed assets, and a system of advance inspection and repair, so that there will be certain regulations to go by and certain rules to follow. We should constantly keep the fixed assets in excellent operating condition so as to insure regular production. Major repair funds should be appropriated according to regulations so as to insure that the requirements for major repairs are met and to prevent the diversion of these funds to capital construction or to renovation and transformation of equipment. All units drawing major repair funds should not charge such expenses against production cost. Should there be any temporary shortage of major repair funds, they should apply for bank loans for this purpose, but treat them as circulating funds.

2. In view of the continual development of science and technology today, we should break through the old convention of "four originals" (original structure, original materials, original scope and original location which cannot be changed). We should permit and encourage the coordination of major repairs with renovation and transformation. If we can improve the economic effects, we should strive for a reasonable increase in fixed asset value through repair, renovation and transformation even though this may involve changes of form, location and structure. We should also strive to improve the functions of these assets through upgrading or replacement. In coordinating major repair with renovation and transformation, it should be permissible for two different funds to be combined, as practiced under the ADR system of the United States, whereby each party should be responsible for its own share of funds.

Upon introduction of the system of payment for the use of circulating capital, the enterprises will have to pay the principal as well as the interest. It would obviously be unfair if these enterprises could not use their major repair funds in the way they consider necessary. Therefore, provided funds for major repairs are assured, the enterprises should be permitted to use part of the temporarily unused major repair funds as circulating funds for other purposes. However, these funds must be returned when a major repair is required. All funds must be flexibly and efficiently used.

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PRC JOURNAL ON ENTERPRISES' DECISIONMAKING POWER

HK141450 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 81 pp 24-26

[Article by Li Shayu [2621 1421 1342] and Chen Zehung [7115 3419 3163] of the Sichuan Academy of Social Sciences: "Problems in Expanding the Decisionmaking Power in Enterprises"]

[Text] The reforms of the economic system are new and some shortcomings and problems will inevitably crop up. Therefore, it is necessary to sum up experiences in economic reforms, study new situations and new problems and further perfect the various reforms. We have made tentative studies on some problems in the reforms of the economic system which need solutions. They are as follows:

1. The Problem of the Relation Between the Macroeconomy and Microeconomy

Taking the form of socialist planned economy as the prerequisite and proceeding from the expansion of decisionmaking power of enterprises, the reforms of the economic system carried out in Sichuan have focused on the distribution of economic interests, which is the crux of the matter. By expanding the decisionmaking powers of enterprises, the enterprises have been turned into relatively independent commodity producers. Having their own economic interests, they have integrated regulation by planning mechanism with regulation by market mechanism in operations and management. Thus, the enterprises have become self-operating organic bodies with both inner motivational force and external pressure for competition. The experiments over the past 2 years have reached the expected targets in the main.

Since the main subjects of the experiments were the enterprises, attention was concentrated on the economic interests of the enterprises and economic conditions for automating the enterprises. For this reason, the distinct success chalked up in the experiments in Sichuan was the mobilization of the enthusiasm of the grass roots enterprises. However, one noteworthy problem in expanding the decisionmaking power of enterprises was that while arousing the enthusiasm of the grass roots enterprises, the guidance of macroeconomic planning fell behind. Hence the economic activities of the enterprises lost to a certain degree the overall macroeconomic balance. This problem was expressed in a concentrated way in that the measures for controlling the distribution of bonuses by the enterprises could not keep pace with the situation and some enterprises expanded production in an unplanned way.

In order to solve this problem, first of all, the relation between the macroeconomy and microeconomy must be thrashed out. We hold that the relation between the two is a relation between the whole and the part, and between the general and the particular. The microeconomy is the basis of the macroeconomy while the macroeconomy is the sum total of the microeconomy. The macroeconomic movement restricts the orientation of the development of the microeconomic movement. The socialist economy is a planned commodity economy. Without the macroeconomic analysis of the total sum, the data from economic analysis of the amount of the individual sums are not comprehensive from a microeconomic point of view. Therefore, in the economic reforms, attention should be paid to the roles of both the macroeconomy and microeconomy. While enhancing the enthusiasm of the grass roots economic units, it is imperative to strengthen the guidance of macroeconomic planning and administrative intervention, integrate the macroeconomy with microeconomy and regulation by planning mechanism with regulation by market mechanism and coordinate the enthusiasm of the localities, departments and enterprises with socialist planning.

Then it is necessary to strengthen the planned guidance over regulation by market mechanism. This is not an abstract conception but rather regular work of the leading economic organs. At present, many enterprises have asked the responsible departments to supply them with information on the economic movements of the market. Of course, the leading economic organs have some difficulties in doing this at the moment, but it is entirely possible to make investigations, calculations and forecasts of the key points of investment, main projects, productive capacity and main products within the period of the plan, and the information of various localities producing goods of different types, the variations of commodity prices and the quotations on the market at home and abroad. This will enable the enterprises to understand the overall situation of market economic movements and variations in the macroeconomy, proceed from reality and work out correct operational decisions under the guidance of macroeconomic planning.

Furthermore, it is necessary to exercise guidance and control over the orientation of investment of the funds belonging to the enterprises. In this respect, the state's reinforcement of planned guidance in the macroeconomy is mainly manifested in doing a proper job of maintaining an overall balance. Attention should be paid to balancing the orientation of investment of the enterprises and the social needs. In using their own funds to expand reproduction, the enterprises should maintain a balance between the types and quantity of items produced on one hand and social needs and market demands on the other. They should also maintain a balance in the situation of production of the existing enterprises; otherwise, blindness will occur. While carrying out expansion of reproduction by extension, the enterprises should make reports and get approval from the departments concerned according to capital construction procedures and exercise strict control over administrative procedures. In solving this problem, the experience of Shanghai deserves our attention. On the basis of different bureaus, trades and companies, they carried out regulation of interests, worked out plans for tapping potential, innovating and transforming production and carried out expanded reproduction. In this way, blindness in enterprises production can be reduced.

In short, it is imperative to integrate well the reinforcement of the guidance of macroeconomic planning with the further revitalization of the microeconomy. While preventing the tendency of one-sided emphasis on independence of the microeconomy to the neglect of planned guidance, we should spontaneously prevent the tendency to overstress the importance of the guidance of macroeconomic planning resulting in excessive rigid control over the microeconomy.

2. The Problem of Defining the Amount of Economic Interests of Enterprises

Sichuan's experiments in reform took the rational distribution of the net income created by the enterprises as the core. Therefore, reforms directly involved the material interests of the state, the enterprises and the staff and workers. Judging from some experiments carried out in Sichuan, the problem of the state-run industries and enterprises having relatively independent economic interests was solved fairly successfully through the reforms of the whole economic system. But in the past 2 years, extremely sharp disputes have arisen between the financial departments and enterprises over the proportion of profit-sharing. In order to increase their economic interests, the enterprises have always persisted in having their proportion of profit-sharing increased. On the other hand, fearing that too large a proportion of profit-sharing for the enterprises will affect state revenues, the departments concerned have all along intended to reduce the proportion of profit-sharing for the enterprises. Thus, the problem of how to decide the amount of the independent economic interests of enterprises was put forward to the public. We hold that the basic factors for determining the economic interests of enterprises are the position and powers of enterprises as relatively independent commodity producers. The economic interests of enterprises should be commensurate with their powers and economic responsibilities. The interests of enterprises consist of three key elements. They are as follows: First, the enterprises' funds for developing production. The amount of these funds is decided by the degree of power possessed by the enterprises for carrying out expanded reproduction by intension and extension. Second, the enterprises' funds for collective welfare: The amount of these funds depends on the extent of the development of the enterprise collective welfare and the financial strength of the enterprises. Third, the enterprises' funds for rewarding the staff and workers: Apart from the amount of funds stipulated by the State Council, the enterprises that have been run really well should be allowed to retain more profits to reward the staff and workers. In addition, we are of the opinion that in defining the economic interests of the enterprises, the financial revenues and expenditures of our country in a certain period should be taken into consideration. Generally speaking, the amount of economic interests of the enterprises is directly proportionate to that of the state financial revenues. At present, when the financial revenues of our country are somewhat strained, it is entirely justifiable for the enterprise to have a smaller economic interest. According to estimates, in Zhongqing the profits retained by the enterprises after paying industrial and commercial taxes will be 15 percent by or even before 1985. Based on our investigation of 10 enterprises in Chengdu, the retained profits can only reach 16.2 percent. The economic interests of more than 400 enterprises participating in experiments in expanding decisionmaking power last year in Sichuan did not surpass 20 percent of the profits they generated. This not only ensures financial revenues for the state but also enables the enterprises to have the economic conditions for their own development, and the interests of the staff and workers are taken care of as a result.

The enterprises participating in the experiments in Sichuan first took into consideration their vested interests in defining the proportion of distribution of interests between the state and enterprises. Of course, it is undoubtedly a good thing to stimulate their enthusiasm for participating in the experimental work. However, it must be pointed out that the protection of vested interests is fundamentally wrong. It is known to all that after the smashing of the "gang of four," the production of many enterprises was restored to normal, with the result that production grew very fast and output and profits increased by a wider margin. Under these circumstances the experiments of expanding decisionmaking power of enterprises were carried out. Planned profits were very often on the low side but the profits in excess of the plan were relatively high. Therefore, if the interests gained by the enterprises in the experiments of expanding decisionmaking power in the past 2 years are consolidated and what is more, protected, two problems will emerge: One is that the regulation of economic interests among the state, the enterprises and the staff and workers will be hampered. Things will go all right with the ever-growing production and ever-increasing profits of the enterprises, but things will become worse when production falls and profits decrease due to subjective mismanagement or to objective causes such as lack of energy and raw materials. Under these circumstances, although the income of the state and enterprises decreases simultaneously, the state gets less revenue than the enterprises. In order to protect the vested economic interests of the enterprises, bonuses cannot be reduced, with the result that there are decreases in the income of the state and the enterprises but the economic interests of the staff and workers are not readjusted accordingly. The other problem is that consolidating and protecting vested economic interests will make it difficult to carry out regulation of the amount of economic interests among enterprises. In the initial stage of the reforms, little consideration was given to the external conditions of the enterprises, for instance, the condition of equipment, the quantity of fixed assets, the condition of resources and transportation. In particular, prices were irrational and only a rough proportion (with only slight differentiations) was determined in drawing on a certain percentage of profits, resulting in unfairness in profit-sharing among the enterprises and even resulting in a situation in which with relatively poor management and administration and little exertion of labor, some enterprises got more profits than the others. In order to change this situation, it is entirely correct for the economic departments and the theoretical circles to propose using economic levers such as a regulatory tax to ensure fairness in profit-sharing among enterprises. But some enterprises used "protecting their vested interests" as an excuse and refused to accept this necessary regulation of interests, thus putting themselves in a passive position. This situation must be changed.

3. The Problem of the Limits of Authority for Enterprises to Expand Reproduction

In the experiments in Sichuan the enterprises have been given greater decisionmaking power. Economic results have been good for the past 2 years.

The problem now is that there is one-sidedness in the enterprises' understanding of market demands. This will probably lead the enterprises to blindness in making investment decisions on expanding reproduction. Judging by the experiments carried out in Sichuan, generally speaking, being afraid of taking risks, the enterprises make careful decisions on matters of investment, for they mainly use their own funds with bank loans as a supplement. On the whole, there is little blindness in the enterprises' carrying out of the projects of expansion of reproduction by intension such as the renewal of equipment, the tapping of potential, renovating and restructuring, but there is relatively great blindness in a few enterprises' carrying out of expansion of reproduction by extension such as making investments externally, forming joint ventures and building new factories. As a result of this, some comrades in the economic circles hold that since the power to make decisions to expand reproduction was given to enterprises, great expansion of capital construction has occurred. This "caused greater disproportions in the national economy" and "brought new difficulties to the work of readjustment." They maintain that expanded reproduction should be concentrated in the hands of the state while enterprises can only carry out simple reproduction within the limits of the existing funds. "Apart from the retained profits to be used for public welfare and for bonuses, that portion to be used to expand reproduction should be centralized." We cannot agree with these opinions.

First, as for the blindness that occurred in a few enterprises in expanding the decisionmaking power of enterprises, a concrete analysis should be made. We should not attribute the excessive expansion and the disproportions in the national economy to the enterprises having the decisionmaking power to expand reproduction. It is known to all that both the excessive expansion of capital construction and serious disproportions in the national economy existed long before the expansion of decisionmaking power of enterprises.

Second, there is no inexorable relation between the blindness occurring in expanding reproduction by the enterprises and the state-run enterprises having decisionmaking power to expand reproduction. In many enterprises involved in expanding their decisionmaking powers in Sichuan, there was no blindness in expanding reproduction. Even though there was blindness in a few enterprises in expanding reproduction, the main reason was that the responsible economic departments lacked planned macroeconomic guidance. So long as the information system is set up and emphasis is put on strengthening the guidance of macroeconomic planning and the necessary administrative intervention, it is more advantageous than disadvantageous to let the enterprises have the power to expand reproduction.

Third, blindness in capital construction is closely related to the implementation of a two-level financial system and blindness occurred in the production of the localities and commune-run or brigade-run enterprises. We should not attribute these two kinds of blindness to the enterprises having the power to expand reproduction.

We advocate that enterprises should have the power to expand reproduction. However, in the period of economic readjustment, owing to a lack of medium and long-term state plans, a sound market information system, normal and timely economic calculations and forecasts and other factors, the enterprises' power to expand reproduction should not be excessive. So long as they have the power to carry out expansion of reproduction by intension, that is, the power to renew machinery and equipment, raise the scientific and technical level of the staff and workers, transform the existing production [words indistinct] by themselves. The power to carry out expansion of reproduction by extension and use the funds, that is, the power to enlarge the scope of production, add new means of production and expand the fields of production can be utilized within the limits of a province on the basis of unified planning, coordination and balance based on different bureaus, trades and companies. In this way, the achievements can be doubled: the blindness in expanding reproduction by some enterprises can be reduced and the enterprises' development on their own as relatively independent commodity producers can be ensured. This will do no harm.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' DISCUSSES COMMERCIAL FORMS

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[Revised draft of article by Gao Dichen [7559 3321 7115] of the Finance, Commerce and Economics Research Bureau of the Chinese Academy of Social Sciences dated November 1980: "On the Objective Basis for the Existence of Various Commercial Forms"]

[Text] In the course of readjusting and reforming the economy and for the purposes of fully utilizing the markets, enlivening the circulation of commodities and accelerating economic development, the localities, be they the urban areas of the rural villages, have all felt that the circulation process could not cope with the needs of production and that the commercial network was not broad enough and was unable to meet the consumption needs of the people. Hence, simultaneously with increasing commerce under the system of ownership by the whole people, energetic efforts have been made to promote the development of commerce and service trades under the system of ownership by the collectives and also those under the system of ownership by individuals. Concerning this new development, people have ventured diverse views. Some believe that this is an important measure suited to the level of development of the productive force of our country at the moment and to the people's livelihood. However, some think that this development is incongrous and in fact a retrogressive step which in the foreseeable future would mean going through socialist restructuring again and thus involve a waste of time and effort.

In this way, actual practice in economic readjustment and economic reform has brought up a problem in economic theory, namely, what is the objective basis for the existence of various commercial forms in the process of commodity circulation? (Note: Here the concept of commercial forms includes the various types and forms of commerce and commercial enterprises under the various forms of the ownership system, such as wholesale, retail, specialized stores, comprehensive stores. Concerning this problem, a conclusive viewpoint to the effect that the various commercial forms in the circulation process were determined by the forms of the ownership system of the production materials in the realm of production used to prevail. It is necessary now to make a renewed study of this viewpoint which was once considered more or less conclusive.)

First, in theory this viewpoint takes production as the determinant factor for exchange or circulation. In simpler terms, it implies that the ownership system of the production materials in the production sector determines the ownership system in the circulation sector. In other words, that production determines exchange may be interpreted to mean that whatever the form of ownership in the production process the same form of ownership is obtained in the circulation process. For example, industrial production under the system of ownership by the whole people must be complemented by state-operated commerce, and agricultural production under the system of ownership by the collectives must be complemented by rural commerce under the system of ownership by the collectives. The so-called three-commodity circulation channels in our country were in effect formed on the basis of this theory.

Second, this viewpoint was closely related to a seriously erroneous tendency in the economic theories of our country. In these economic theories, when explaining the problem of the reciprocal relationship between production relations and the productive force and after having basically completed the three big socialist restructuring processes, there has been a steadily widening departure from the basic Marxist doctrine that production relations must be suited to the nature of the productive force and that changes in the development of the productive force determine changes in the development of the production relations. The theory that changes in production relations can promote the development of the productive force has been unduly emphasized. At the same time there has been an increasing tendency to propagate one-sidedly the belief that the bigger and the more thorough the public ownership system of the production materials the better and more advanced it is. The departure is even wider in the circulation sector. From a system of three circulation channels and commercial forms under two kinds of ownership there evolved a diminishing number of commercial forms. The reasoning was that the fewer the better, preferably one commercial structure only, on the pretext that it would be much easier to work with only one structure, that one structure would result in savings on expenditures, and so on. Thus, administrative orders were issued to "elevate" the status of the ownership system, that is to convert ownership by the individual to ownership by the collectives and to convert ownership by the collectives to ownership by the whole people. It was thought that such conversion would be more "fashionable" and that the sooner they were carried out the greater the possibility of their becoming advanced models. This tendency gathered momentum as time passed. By the time of the disturbances under the Lin Biao and Jiang Qing counterrevolutionary cliques it had developed to preposterous proportions, and it appeared then that only through continually changing the production relationships and continually changing the form of ownership of the production materials could the productive force attain a continuous development. This was equivalent to changing from what originally occupied first place and was the determinant factor to something in second place which played only a minor and subordinate role. It was equivalent to changing from the principle of the productive force determining the production relations to a new and contrary principle of the production relations determining the productive force.

This kind of economic theory was immensely disruptive in the socialist construction enterprises of our country. Actually, it constituted a "leftist" error in economic construction and should be considered an important source of the ideology and reasoning responsible for the many ups-and-downs and massive upheavals in the development of the national economy. This theory made a particularly striking appearance in the circulation sector where its disruptive effects were especially serious. It may be said that although in the production sector there was a continuous expansion in the scope of the public ownership system and a continuous increase in the extent of public ownership, the existence of the system of ownership by the collectives was still permitted. However, in the circulation sector, it developed that not only was the system of ownership by the individual completely obliterated but also there were no grounds for the continued existence of the system of ownership by the collectives. Quite obviously, this type of theory provided a theoretical basis for a single type of operation in the circulation process and also provided the ideological background for the coming into vogue of the practice of persons playing the dual role of bureaucrats and merchants.

It is precisely under the guidance of this type of economic theory that after 1958, on various occasions rural supply and marketing cooperatives were merged with state-operated commercial units, that cooperative stores (units) were either elevated step-by-step or "reached the sky in a single bound," while individually-operated commercial units were either rejected or banned altogether. By the time of the great Cultural Revolution, little was left of the commerce and service trades under the system of ownership by the collectives, while commercial units and service trades under individual ownership were banned for being capitalistic and were obliterated in certain localities. In 1957, the total number of individually-operated commercial units in the whole country was 3.59 million; by 1978 it had dwindled to only 610,000. In Shandong Province, in 1957 there were over 70,000 collectively-owned units doing business or engaged in the service trades; by 1978, the number had dwindled to only 500, while the number of business or service units operated by individuals was reduced from over 90,000 to only 274. In Shenyang Municipality, in 1957 there were 13,588 cooperative stores (units) and individually-operated commercial or service units, but by 1970 not a single individually-operated unit was in existence while only 1,080 cooperative stores continued to exist. However, these stores were "collectively-owned" in name only; in fact they were branches of state-operated stores. Since the many commercial forms of varied economic composition were reduced in a short time to state monopoly commerce, the impetus of competition in commodity circulation disappeared. This, plus the rigid and stereotyped control system, the numerous administrative procedures, and the excessive control over the form and planning of the purchasing and marketing of commodities, practically reduced the originally lively and ever-changing circulation process to mere "exchange" operations that were ossified and lifeless. The results were the serious impairment of the development of production, while in the circulation sector laziness and bureaucratism were fostered. The people suffered great inconveniences in their everyday lives.

The theoretical viewpoint holding that the form of the ownership system in the production sector determines the form of the ownership system in the circulation sector has no basis in historical fact. In the historical development of the commodity economy, commodity producers under any form of ownership system always prefer to have many different commercial forms to market their products. Similarly a commercial form under any system of ownership habitually handles commodities of many and different owners. This is because the circulation process of commodities comprises numerous exchanges of commodities and the process in the exchange of commodities has all along taken place between a variety of owners of commodities; otherwise it would not be an exchange of commodities in the real sense. Commerce plays the special role of the intermediary in the exchange of commodities between the variety of owners in the circulation sector. This intermediary role of commerce between different owners of commodities determines that a commercial form must serve the circulation of commodities produced under different systems of ownership and cannot confine itself to serving the circulation of products of only one system of ownership. Therefore, the viewpoint that the kind of system of ownership in the production sector determines the kind of system of ownership of the commercial units in the circulation sector, and the conclusion that the kind of system of ownership in production must be complemented by a similar kind of system of ownership in the circulation process are not in accord with the historical facts of commodity circulation and have no basis in theory.

In view of the above, how do the rule that production relations must be suited to the nature of the productive force and the rule that the development level of the productive force determines the form of the ownership system assert themselves in the circulation sector? In other words, what is the relationship between the various commercial forms in the circulation sector and the development level of the productive force?

A simple answer is as follows: The forms of the system of ownership in the circulation sector are also determined by the state of development of the productive force. At the current stage of the level of the productive force there must be various types of commercial forms because only in that way can the objective demands of the current development level of the productive force be met. Such an answer is obviously correct in principle. However, if we further ask, in the final analysis, what particular level of the productive force requires what particular form of the system of ownership in commerce, the above answer would appear to be too generalized. This kind of answer does not give people a clear understanding and an available objective basis concerning the development and reform of the commercial forms. At the same time, historically the evolution of the commercial forms has shown that such a generalized answer cannot really solve the problem. In a feudalist society, commodity economy was undeveloped, the degree of the socialization of production was low, and exchanges were carried out on a relatively small scale. Under the condition of the social productive force being at a low level, there were huge commercial capital engaging in purchasing and marketing activities on a nationwide scale and big merchants enjoying exclusive selling rights, but there were also the rank-and-file medium-size and small merchants, street peddlers and roving peddlers carrying their goods on their shoulders all of whom played a part in the commodity exchange activities of the circulation sector. In a capitalist society where large-scale socialized production has developed rapidly and in a modern capitalist society wherein the productive force is highly developed and backed by a firm basis of mechanization and automation, there can likewise be large monopoly commercial capital operating on a nationwide scale and even in international markets, big department stores, and big retail companies in control of the urban and rural markets and large supermarkets. There may also be medium-size and small business, family business, small merchants and small roving peddlers. In Japan, the total number of people employed in small businesses stores of less than four people each (in fact the great majority are in the nature of family business) is over 80 percent of the entire social commercial network. In the United States, Britain, France and other countries, the number of small commercial units is relatively small, but it is still about 40 percent of the total. Although there have been many ups and downs in the economic development of our country over the past 30 years, we may still say that the level of our productive force is far above that in the initial period of the liberation. However, the realities of our economic life require that in the process of readjusting and reforming the economy we change the situation of a monopoly type of commerce and restore that of the coexistence of various commercial forms similar to the situation in the 1950's. In addition to increasing state-operated commerce, we must on the one hand develop collectively-owned commerce and service trades and on the other hand restore individually-owned commerce and allow these types of commercial and service activities to participate in the circulation sector. We should not only permit the coexistence of various forms of economic composition in the sector of commodity circulation but also promote the development of various forms of businesses such as large, medium-size and small businesses, specialized businesses, businesses engaged in all types of activity and roving businesses. We should also promote various types of commercial operation methods, so that they may form a variety of commodity circulation channels and thus ensure the smooth flow of goods in the entire social structure. If we do not do this we will be unable to enliven the markets, enliven the entire economy or vigorously promote the development of production and meet the consumption needs of the extensive masses of people.

The historical phenomenon of the coexistence of various types of commercial forms in commodity circulation as mentioned above and the reality of economic life in our country both demonstrate that the forms of the system of ownership of the production materials in the production sector do not determine the forms of the system of ownership of commerce in the circulation sector. The ultimate function of the level of development of the social productive force in determining the form of the system of ownership of commerce is neither simply nor directly manifested. In reality, the state of development of the social productive force frequently plays its functional role in the relationship of the system of ownership in the circulation sector and in the commercial forms only after having gone through various intermediate, transitional links and along an extremely winding path.

This being the case, how is the ultimate function of the development of the social productive force in determining the commercial forms in the circulation sector manifested concretely? Let us analyze this problem from the three different angles of consumption, circulation and production.

First, from the standpoint of consumption, the products of a producer of commodities must pass through the exchange process to be transferred to the end user. If a commodity is not wanted for consumption, or if the consumer demand for it lessens resulting in difficulties in marketing it, then the reproduction of this commodity cannot be pursued consistently. Hence, the consumer demand of the social structure cannot but play an extremely important and direct determinant role in the organizational forms and operational methods of commerce which has as its first and foremost function the marketing of commodities. The role played by consumer demand in the social structure in determining the commercial forms is principally manifested by the evolution and changes in consumption. In the realities of economic life we can readily discern that changes either in the consumption level or in the consumption structure and reforms in either consumption methods or consumption habits all directly produce new demands on the commercial forms and thereby necessitate appropriate changes in these forms. (1) Mankind's level of consumption constantly rises in accordance with production development and increases in monetary income. Such changes in mankind's consumption level can directly bring about changes in the organizational forms of commerce and of the service trades. For example, following the increase in the consumption level, the people's demand for durable consumer goods may sharply increase. This in turn requires the setting up of specialized businesses to handle the management of durable consumer goods. Simultaneously, as a result of the increase in the volume of such durable goods as television sets, washing machines and refrigerators, various kinds of repair and other service units must be set up. If changes are not made in the commercial organization forms to suit these demands and if there are no additional or new servicing facilities, then it will be difficult to satisfy the new consumer demands arising from an increase in the consumption level. (2) Changes in the consumption structure can also directly require corresponding changes in the commercial forms. Constant changes in the consumption structure of the society accompany the rise in the consumption level. Such changes are not only seen in the changes in the relative proportion which food, clothing, articles of daily use and housing occupy in the gross consumption level but are also reflected in the demand for concrete kinds of commodities. This may be seen in the constant increase in the demand for high-grade commodities and in the more intensified selection of commodities in the purchasing process. In turn, this requires the existence of big department stores and various kinds of specialized businesses which engage in large-scale operations and which are financially strong and have a plentiful supply of manpower, in order to meet the consumer demands which constantly rise to higher planes. In recent years, the "supermarkets" found in nations of a relatively high economic development level are precisely a new commercial form appearing to suit the changes in the consumption level and the new and ever-rising demands of the buyers. (3) Changes and revisions in consumption methods and consumption habits also have direct effects on the commercial forms. In the course of socioeconomic development, the consumption process constantly displays the tendency of being dispersed and divided into small segments. This tendency is not only seen in the increase in the number of family units, the decrease in the number of members of each family unit and the steady dispersal of consumption units but also more importantly in that with regard to commodity requirements, consumer demand for general and common kinds of goods has steadily decreased while the demand for specialized commodities has constantly increased. Following the rise in living standards, this phenomenon is all the more evident in the demand for variety, color and style in the commodities. A clear illustration can be found in the changes in taste in clothing. With the improvement in living conditions, demand for clothing of fixed specifications and ordinary colors (blue, white and gray) will steadily decline while that for tailored suits will greatly increase. For this reason, the tailoring trade (including the garment processing trade and the relevant commercial establishments) must adapt to such changes and in processing and making garments, a study must be made not only of the special features of a certain category of users but also of the individual's likes and dislikes. In organizing the processing trade and clothing supplies, large plants for processing garments should be established to engage in large-scale production of ready-made suits, and specialized clothing stores must also be set up to fill the general consumer needs. At the same time, in order to satisfy in a lively and flexible way the different and special tastes and demands of individual consumers there must be tailoring establishments which have their businesses in front and their workshops in back, and small collectively-owned tailoring establishments as well as tailoring units run by individuals which combine the business and the household in a single unit. Changes in consumption habits similar to those bringing about the dispersion of units in the tailoring trade will, following social development, occur in respect of other commodities. In the organizational forms of commerce this will result, on the one hand, in the emergence of big and specialized stores, and on the other hand in the appearance at every street corner in cities and towns and rural villages of medium-size general stores, small stores, goods pavilions, and mobile stands for goods selling. Not only will we need big commercial enterprises or specialized companies which have big capital, have a large concentration of manpower (such as the state commercial enterprises at present) and which are capable of handling large-scale purchasing and marketing activities both within the country and abroad, but we will also need small commercial units which require little capital and employ few people (such as the current collectively-owned and individually-owned commercial units and service trades). In this way, the ever-changing consumer demands can be met automatically and in a lively way, and the supply of commodities can be well organized.

As we all know, consumption is determined by the development of the productive force. Be it the elevation of the consumption standard, or a change in the consumption structure, or a change in the consumption method and consumption habits, the cause may be traced to the economic development of the social structure and may be attributed to the natural result of the development of the social productive force. Therefore, in the last analysis, the direct role of consumer demand in determining the commercial forms may be interpreted as the manifestation of the determinant role of the productive force. In other words, the role of the productive force in determining the economic structure and the organizational forms of commerce is indirectly reflected in consumer demand.

Second, let us look at the problem from the special aspects of commodity circulation itself. Commodities have their own special requirements as soon as they leave the production process and enter into the circulation sector. These requirements or demands come mainly from two directions, namely, the innate physical property of the commodity and its socioeconomic attributes. Let us take the innate property of a commodity. The definite technical conditions governing the period of time a fresh and easily perishable commodity can be preserved is an absolute limiting factor for this commodity in circulation. The more readily perishable a product is and the more quickly it must be consumed, the shorter is its circulation time. Just as Marx said: Commodities relying principally on being marketed locally can achieve the greatest development only in densely populated areas. Commercial units handling this kind of commodity must be flexible and lively in their structure and form of organization. They must have relatively stable circulation channels comprising a main channel and branch channels fully coordinated with each other and permitting the free flow of the commodities and must also have supply points which are rationally distributed. In addition, they must have a highly efficient organizational system and operational methods, such as the "one-dragon system" of coordinating production, transportation and marketing, in order to suit the objective demands of this type of commodities and so that they can reach the consumers as soon as possible. Contrarily, in the case of durable consumer goods which take many years to be completely consumed, the concentrated operation of specialized businesses is needed so that the buyer may have the freedom of choice in purchasing the goods. In addition, such stores must be supplemented by an appropriate network of repair and servicing units. Thus, the concrete organizational form of commerce must be suited to the special points of circulation determined by the innate property of the commodity and these special points are closely related to such other factors as whether production of the commodity is concentrated or diversified and whether its consumption is seasonal or nonseasonal. In the event that the commercial form is not suited to the special demands of commodity circulation, then it will not be possible to organize well the exchange process of these commodities. In turn, production development will be impeded and consumer demand cannot be satisfied.

Besides the innate nature of the commodities, the socioeconomic attributers of a commodity also determine and influence the special points of commodity circulation and thereby exercise control over the relevant commercial organization forms. The so-called socioeconomic attributes of a commodity refer to certain special operational laws of commodity economy, such as the law of exchange at equal value, the law governing competition, the law of supply and demand, and so on. The commercial forms must be in accord with the objective demands of various commodity economic laws in operation in the course of the circulation process. The choice of the commercial structure and commercial form must help in breaking down barriers in the localities and in ensuring the smooth flow of commodities. It must also help in getting rid of management monopolistic practices and encourage the commercial enterprises to compare their performances and vie with each other, to ensure competition and provide the commodities with an active and enlivened market. Furthermore, it must help in bringing about an equilibrium in supply and demand of the commodities, and achieve the objective of taking the shortest time and incurring the least expenses in transferring the commodities from the production sector to the circulation sector. Besides commercial enterprises of multiple economic components, in the urban and rural areas in our country such commercial forms as trade warehouses and large trade centers are still in the stage of development. They are products arising from the demands of the special features of the commodity circulation itself.

Third, from the standpoint of production, commerce is the product resulting from the development of commodity production and the need for the exchange of commodities. It performs the special function of an intermediary in the exchange activities among the producers of commodities. It provides central facilities for various producers to pursue their exchange activities and effects enormous savings of time for the producers of commodities engaging in the exchange of their products. In this way, it promotes the development of commodity production. However, following the development of socialization of production and following the development of a highly mechanized and automated productive force, big modernized enterprises and big producers of commodities have begun to set up their own marketing facilities and sell their products directly to the consumers without passing through the intermediary link of commerce. In certain developed capitalist nations, the production enterprises not only set up their own marketing structures but also set up research organs on commodity marketing to study market conditions and to forecast changes in the supply and demand of commodities. They not only market their own goods inside their own countries but also set up marketing organs abroad to sell their products. The self-marketing of products by large enterprises represents a new economic phenomenon under the conditions of a high-degree of development of the present-day productive force. In terms of speeding up the turnover of funds and shortening the circulation period, this appears to be a rational and natural development. Naturally, not all enterprises can rely on their own resources to market their products. The great majority of the enterprises still have to use commerce as the intermediary to dispose of their products in different directions. From this it can be seen that historically the development of the productive force brought about the birth of commerce, while the development of the modern productive force has enabled a portion of the products to skip over the middle link of commerce and brought direct exchanges between the producers or between the producers and the consumers. That is to say, the development of the productive force directly influences the forms of exchange in commerce, determines whether the exchange of commodities must have commerce as the intermediary link and determines whether or not commerce should exist. At the same time, the development of the productive force can also directly influence the organizational forms of commerce. For example, following the development of the productive force and the increase in the variety and output of the commodities, the need for many medium-size and small businesses scattered on the street corners of cities, towns and the rural village emerges. There also arises the need for more large commercial enterprises which have even greater operational capacity to enlarge the scope of marketing of the commodities so that the steadily increasing volume of commodities may be dispatched to more distant and broader consumption areas. In addition, the development of the productive force can also influence the organizational form of commercial labor. Indeed, with the appearance of new business machines and their wide adoption by the commercial enterprises, changes will definitely occur in the organizational form of labor in commerce in regard to the sale of commodities and such other aspects as transportation, loading and unloading, warehousing, storage and packing.

In summary, we can see that the factors determine the economic structure in commerce and the commercial forms are complicated and many-sided. There are factors concerning consumer demand, commodity circulation and production. These factors are the natural results of the determinant function of the social productive force and are the concrete manifestation of the productive force influencing the commercial forms through various kinds of intermediary links and following a zigzagging and indirect course. Therefore, in theory there is no basis for the assumption that the system of ownership in the production sector determines the commercial forms. Neither is there any basis for such viewpoints which conclude that the fewer the commercial forms and the more simplified the structure the less trouble involved and the greater the economy effected on the assumption that the larger and the more thorough the public ownership system of the production materials the more advanced it is. All these assumptions are found in practice to be unsuitable to actual economic life which is complicated, ever-changing, lively and resplendent in many ways.

Under the conditions of the public ownership system being in operation and enjoying the upper hand and viewed from the standpoint of the objective demands of commodity economy, the newly developed economy under the system of ownership by the collectives will for a rather prolonged period of time coexist with the economic components under the system of ownership by the whole people. In this way, they can compare their performances and help each other advance, thus promoting the development of the entire economy. As for the small portion of commercial units and service trades under the system of ownership by the individual, since they are engaged in operational activities under the condition of the public ownership system occupying the dominant position in the economy, the emerging new economic conditions may make it possible for them to go on the road of socialism without having to pass through the cooperativization process. The realities of economic life have made it abundantly clear to us that by means of joint operation of system of ownership by the whole people and the system of ownership by the collectives, the individual economy can proceed just the same on the road of large-scale production under the public ownership system. Naturally in this connection experiences have yet to be gained from actual practice.

At present, our country is in the process of further readjusting the national economy. To readjust well the economic structure of commerce and to organize well the circulation of commodities constitute important tasks in this connection. In readjusting the economic structure of commerce, we must develop multiple commercial forms. Not only must we develop state commerce and commerce by supply and marketing cooperatives but also vigorously develop new commercial units and service trades under the system of ownership by the collectives. In addition, certain individually-owned commercial units and service trades must be restored and developed. We must develop big and specialized businesses but also have our cities, towns and rural villages dotted with medium-size and small commercial stores, roving peddlers and vendors stands. We must vigorously develop various kinds of economic forms and at the same time organize direct commodity exchange activities among the producers. All these are necessitated by the demands of the realities of our economic. The demands emerge from the production side, from the consumption side and from commodity circulation itself. Therefore, the development of various kinds of economic components is not a step backward. On the contrary, it precisely fits in with the present state of development of the productive force in our country, is advantageous to production and circulation, and is the demand of consumption by the individual and the production process. Hence, it is beneficial to the smooth progress of our country's socialist reproduction movement at the present stage.

CSO: 4006/465

FINANCE AND BANKING

NEED FOR CONTINUING POLICY OF CURRENCY WITHDRAWAL STRESSED

Beijing ZHONGGUO JINRONG /CHINA'S BANKING/ in Chinese No 7, 4 Jul 81 pp 22-23

/Article by Wang Xiyi /3769 0823 5030/: "It Is Necessary To Uphold the Policy on Withdrawing Currency From Circulation"/

/Text/ Due to the implementation of the policy to carry out further economic readjustment and to achieve political stability and unity as decided by the Central Committee Working Conference, the national economy has developed in harmony and the market has become brisk since the beginning of this year. In appearance, the situation of currency withdrawal is good. Despite the increase in production and the brisk market, however, some comrades have different views on whether the circulation of currency has returned to normal and whether continuing to uphold the policy on withdrawing currency from circulation as decided by the Central Committee is still necessary. Besides being a matter of policy, currency circulation also concerns the implementation of the policy of national economic readjustment. Here are my superficial views on this question.

1. The situation of currency withdrawal in the first 5 months of this year has been fairly good. However, the situation of a market with excessive banknotes accumulated over a long period has not been basically changed.

Compared with the same period of 1980, the amount of currency withdrawn from circulation in the first 5 months of 1981 showed an increase of more than a billion yuan. This was an initial success in the implementation of the policy of national economic readjustment. However, judging from this year's planning for economic readjustment, the situation of currency withdrawal is by no means ideal, and market conditions characterized by excessive banknotes in circulation have not been basically changed. First, if we review past experience, it will be seen that currency was usually withdrawn in the first half and issued in the second half of each year. There should be a little more withdrawal in the first half before there can be a suitable amount of issuance in the second half of the year. Thus the situation of currency circulation can only be judged from an overall survey of the whole year instead of only the first half of the year. Second, if we review the ratio between currency withdrawal in the first half and currency issuance in the second half of each year in the past, we will see that the ratio of withdrawal in the first half of this year was low. In 1979, it was 41.37 percent; in 1980, 40.82 percent; and in 1981, only 38.98 percent. (Based on figures released by the end of May, because in June every year, there have been only minor issuances and withdrawals. Thus the figures in the first 5 months basically reflect the situation of the first half of every year.) This means that according to the historical pattern, the currency withdrawal in the first half of this year is not ideal. Third, the people's purchasing power left over from 1979 and 1980 was increased by 82.7 percent over that of the past several years. It is necessary therefore to have a larger supply of commodities on the market to meet the social demand. According to a preliminary estimate by the departments concerned, there should be some 3 billion yuan's worth of such major items as sewing machines and bicycles available throughout the country this year. The state is now speeding up the production of consumer goods for daily use, particularly these major items. Yet it is difficult to meet the social demand in time in view of the people's greatly increased purchasing power. At present, there is generally a shortage of commodities on the market, and in some places, the scale of rationing is on the increase. There are even isolated cases of blackmarket dealings in ration coupons because of the serious shortage of material forces to support currency withdrawal. From all this we can see that the market condition with excessive currency in circulation has not been changed and that continued adherence to the policy of currency withdrawal is necessary.

2. There has been increased currency issuance in the countryside, where the need to solve the problem of commodity shortage is keenly felt.

Since the Third Plenum of the party, the correct policies have been carried out in the countryside with the result that all five undertakings /agriculture, forestry, animal husbandry, sideline production and fishery/ are now flourishing. The peasants' income has been increased, their living conditions have been improved, and purchasing power in the countryside is rapidly rising. According to a preliminary estimate, the rural commune members' currency holdings in 1980 were increased by 30.56 percent over the previous year, while the holdings of enterprises and establishments operated by communes and production brigades were increased by 43.14 percent. From January to May 1981, the cash spent on the procurement of agricultural and sideline products increased by 22.5 percent, and financial payments in the form of both credit and cash in the countryside also increased by 22.3 percent. However, from January to May 1981, the state supply of commodities to the countryside declined by 1.8 percent. This problem deserves the attention of the leadership at various levels and the departments concerned. If there are insufficient commodities to be supplied to the countryside and to help in the withdrawal of currency, the peasants will not be able to buy what they need with their money. This will be a legitimate cause for complaint and will affect their morale. Therefore, in organizing the withdrawal of currency from circulation and the increase of commodity supply, we should first bear the countryside in mind and pay particular attention to the supply of construction materials and industrial goods of daily use in the countryside.

3. Upholding the policy of currency withdrawal is in line with the requirements of economic readjustment.

Currency circulation in the market is a comprehensive reflection of the national economy as well as the result of a combination of economic factors. Since further readjustment of the national economy has been carried out for only half a year, the economic problems have not been basically solved and the task of economic readjustment has not been accomplished. In such circumstances, currency circulation in the market cannot completely return to normal. The problems of currency circulation are mainly attributed to the 10 years of turmoil and cannot be completely solved in several months. Normal circulation in the market can only be gradually accomplished along with the progress of economic readjustment.

The national financial statements of receipts and payments have shown deficits in the past several years, and bank overdrafts alone were more than 17 billion yuan. As we can see, there are some problems in bringing about a balance of payments this year. The foundation is not quite firm and great efforts are still required. The first several months showed financial surpluses mainly because of the curtailment of expenditures. However, the income from some main sources was lower than that of last year. Under the present system of monetary control, the financial situation has not basically improved and therefore the issuance of currency cannot entirely conform to economic principles, and normal currency circulation in the market cannot be maintained.

There are also problems in production and circulation as reflected by the situation of bank credit, because the four "continueds"--continued production of goods already in excessive supply, continued procurement, continued stockpiling and continued grant of loans--still exist. This will upset the credit balance and increase the issuance of currency.

From the standpoint of commodity prices, we can see that administrative intervention this year has basically checked price inflation. However, the problem has not been basically solved, because prolonged price control with administrative methods cannot produce long-lasting effects. This also reflects from another angle the abnormal situation of currency circulation in the market.

According to the trend of currency issuance in the second half of this year, it is likely that more currency will be issued in the second half of this year than in the same period of last year. A preliminary estimate has shown that even though great efforts are being made to withdraw currency from circulation and to strictly control irrational currency issuance, it will still be difficult to keep such issuance in the second half of 1981 at the same level as that of the same period in 1980. This means that we will have to do better than what was planned by the state at the beginning of this year. Then the retail sales price index will be reduced from 7.53 to less than 7 yuan, or close to 6 yuan, which is fairly low. Even though certain new elements in the course of economic development may affect the amount of currency in the market, currency circulation in the second half of 1981, as shown by these circumstances, cannot completely return to normal.

In short, it is still necessary to continue the implementation of the policy on withdrawing currency from circulation in view of the actual situation of currency circulation and the need to meet the requirements of economic readjustment. The banks, on their part, should continue to implement the resolution of the State Council concerning the tight control of credit and strict restriction of currency issuance. While on the one hand tightening their control of credit and strictly restricting the issuance of currency, they should, on the other hand, be careful in stimulating the economy by supporting the increase of consumer goods of daily use and construction materials for the countryside, assisting in the development of service trades, and promoting procurement by the commercial departments. Thus they will provide greater material strength for the withdrawal of currency from circulation. Any control which should be tightened must be tightened, and every effort should be made to stimulate whatever should be stimulated. They should issue currency only for economic, but not financial, requirements. All these are principles which must be upheld in banking.

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CSO: 4006/439

BRIEFS

GUANGDONG REVENUE--By the end of June, Guangdong Province had fulfilled 53.26 percent of the quota of revenue in the annual budget which was adopted by the provincial people's congress. The amount of revenue in the first half of this year was 11.89 percent more than in the corresponding period of last year. The province increased its revenue in this period by 220 million yuan. The province's total industrial output value in the first half of this year was 11 percent greater than in the corresponding period of last year. The province has conducted a large-scale inspection of tax evasion and arrears of taxes. The province fulfilled 55.4 percent of the quota for collecting taxes from industrial and commercial units in the first half of this year. The amount of such taxes was 14.16 percent more than in the corresponding period of last year. [HK030902 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 8 Jul 81]

GUANGXI SAVINGS, LOANS--Since the beginning of this year, the credit cooperatives in the rural areas in Guangxi region have done well in commune members' savings and issuing loans to support production. By the end of June, the amount of rural commune members' savings in the region was some 59 million yuan more than at the end of last year. The region fulfilled 86.7 percent of the quota for this year's savings. The region issued loans of some 81 million yuan in the same period. The amount of loans was some 2 times greater than in the corresponding period of last year. Yulin Prefecture has established some 1,900 credit service stations in its 2,062 brigades to facilitate commune members' depositing and withdrawing money. The amount of commune members' savings in the prefecture by the end of June was some 28 million yuan more than at the end of last year. The prefecture overfulfilled its quota for commune members' savings this year by 4.3 percent. [HK030902 Nanning Guangxi Regional Service in Mandarin 1100 GMT 10 Jul 81]

HEILONGJIANG REVENUE PLAN--By the end of June, Heilongjiang Province had fulfilled over 51 percent of the 1981 municipal and county-level revenue plan. The province's industrial output value increased 1.6 percent and commodity sales increased 11.5 percent compared with the corresponding 1980 period. [SK080546 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 7 Aug 81]

GUANGDONG URBAN SAVINGS DEPOSITS--In the first 6 months of this year, Guangdong's savings deposits in the urban areas had increased by more than 379 million yuan, up more than 167 million yuan compared with the same period of last year. By the end of last June, the total amount of savings deposits in the urban areas in Guangdong had reached 1.82 billion yuan. [HK120446 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 13 Jul 81]

LOW INTEREST LOANS--Beijing, 2 Aug (XINHUA)--Low-interest loans will be issued for the expansion of traditional trade of minority nationalities and the production of their traditional goods, according to the People's Bank of China. In a recent decision, the bank says that it will give priority to the enterprises producing such goods in Hohhot, Lanzhou, Chengdu, Kunming, Guizhou, Lhasa, Yanji, and four other centers when they solicit circulating funds or short and medium-term loans. The decision says that the monthly interest will be 0.33 percent as against 0.42 percent for other industrial and commercial enterprises. Commercial enterprises and marketing cooperatives with financial difficulties or collective handicrafts units in the areas inhabited by minority nationalities will also be given low-interest loans. [Text] [Beijing XINHUA in English 0754 GMT 2 Aug 81]

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ENERGY

BRIEFS

NORTHEAST POWER OUTPUT--Hydroelectric power plants of China's Northeast Electric Power Network have improved their economic management and stepped up power generation. As of 1 August they fulfilled this year's quota of generating 3.45 billion kw/hr of electricity, an increase of 26 percent compared with what they generated in the same period last year. [Beijing Domestic Service in Mandarin 1600 GMT 14 Aug 81 OW] --Shenyang, 25 Aug (XINHUA)--By 1 August, the Northeast China Power Network had already fulfilled its hydroelectric power generation plan for this year. The total power output was 3.45 billion kwh, topping that of the same period last year by 26 percent. [Excerpts] [OW270615 Beijing XINHUA Domestic Service in Chinese 1323 GMT 25 Aug 81]

SHAANXI PETROLEUM PRODUCTS--The amount of petroleum supplied to Shaanxi Province in the first half of this year was less than in the corresponding period last year. The whole province has saved 9,900 tons of all kinds of petroleum products. Of them, some 4,000 tons were gasoline, some 4,000 tons were diesel oil and some 1,000 tons were lubricant. According to incomplete satistics, from January to May this year, 14 transport companies in the province, prefectures and municipalities saved some 469,000 kg of petroleum products. [HK280219 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 20 Aug 81]

HENAN ELECTRICITY OUTPUT--All power plants of the Henan electricity network generated 7.2 billion kilowatt-hours of electricity quarterly in the first half of this year. Their electricity output in the first half of this year was 215 million kilowatt-hours--3.08 percent more than in the corresponding period of last year. They fulfilled more than half of their quota for electricity output in the first half of this year. [HK030902 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 8 Jul 81]

LIAONING POWERPLANTS--Hydropowerplants under the northeast power grid had prefulfilled their annual output plans by 1 August, increasing power output by 26 percent over 1980. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 6 Aug 81]

NEI MONGGOL COAL MINE--A new open-cut colliery with an annual capacity of 1.2 million tons was recently constructed and put into operation in the mining area of Wuhai Municipality, Nei Monggol. Verified coal reserves are 91 million tons and workable reserves 78 million tons. [SK091215 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Aug 81]

HEILONGJIANG POWER CONSTRUCTION--Harbin, 27 Jul (XINHUA)--Two major thermal power plants are under construction in Heilongjiang Province. Generating units with a total capacity of 400,000 kilowatts are to be installed this year, accounting for 40 percent of the country's total, according to the provincial power department. One plant, in Hulan Ergi, southwest of Qiqihar, will have a capacity of 600,000 kilowatts, and will be the biggest in western Heilongjiang. A 100,000-kilowatt generating unit went into operation recently at the other plant, in Mudanjiang City. Supplementary projects, including a 220,000 volt transmission line linking the power grid in eastern Heilongjiang and Harbin and a 400-kilometer-long 220,000 volt transmission line linking Hulan Ergi, Daqing oil field and Harbin, are also under construction, the department said. The plants will help reduce electric shortages in Heilongjiang, one of China's major industrial and grain-producing centers. [OW031441 Beijing XINHUA in English 0219 GMT 27 Jul 81]

HENAN OIL ECONOMY MEETING--The Henan provincial flood control command, the provincial agriculture committee, the provincial agricultural machinery bureau, the provincial commerce department, the provincial supply and marketing cooperative and the provincial petroleum company recently held a joint on-the-spot meeting in Xuchang on economizing on diesel oil in the rural areas. The meeting pointed out that the province now has some 61,000 large and medium-size tractors, some 120,000 hand-held tractors, some 540,000 diesel engines, some 7,900 generator assembling units, some 6,400 motor vehicles for agricultural use and some 16 million horsepower of power-driven machinery for agricultural use. The amount of diesel oil consumed only by this power-driven machinery last year accounted for 73.7 percent of the total amount of diesel oil consumed by the whole province last year. A fairly large number of agricultural machines leaked. The investigation revealed that some 6,000 metric tons of diesel oil leaked from large and medium-size tractors every year. The meeting demanded that the province teach the masses to save diesel oil, establish oil economy leadership groups at all levels, implement the system of being responsible for a task until it is completed with the supply of a fixed quantity of oil, sum up progressive experience in saving oil, carry out technical innovation and reduce the consumption of oil to a minimum. [HK030908 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 8 Jul 81]

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MINERAL RESOURCES

BRIEFS

JILIN GOLD EXCAVATION--By the end of June, Yanbian Korean Autonomous Prefecture, Jilin Province, had excavated 2,206 liang of gold, 13 times that of the corresponding 1980 period. [SK070540 Changchun Jilin Provincial Service in Mandarin 1100 GMT 5 Aug 81]

LIAONING GOLD PRODUCTION--Between the beginning of 1980 and 15 July 1981, the (Xingyongjiazi) commune of Chaoyang County in Liaoning Province produced 4,079 liang of gold and achieved an income of over 1.6 million yuan. [SK072304 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 5 Aug 81]

CSO: 4006/459

INDUSTRY

PRC JOURNAL ON SUBSTITUTING TAXES FOR PROFITS

HK190528 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 81 pp 44-47

[Article by Shanghai Light Industry Machinery Corporation: "Do A Good Job of 'Substituting Taxes for Profits' and Promote Production Increase and Income Increase"--passages within slantlines denote boldface]

[Text] The Light Industry Machinery Corporation of Shanghai (hereafter, the acronym LIMC is used) is a trial point authorized in 1980 to try out "substituting taxes for profits and assuming responsibility for one's own profits and losses." LIMC was also changed from an administrative corporation to an enterprise corporation. The following is a general picture of what happened to the corporation as a trial point in a year's time.

(I)

LIMC originally had 40 plants. It is a specialty corporation with light industry machines as its main product line. Among its products are paper-making machines, printing presses, centrifugal pumps, pharmaceutical machines and so on, which can be divided into 25 main categories comprising some 420 products. With the convocation of the 3d plenary session of the 11th Party Central Committee in 1979, LIMC regained its historical record-high levels in most of its major technical and economic indicators.

For 1980, the main content of the experimental program was "substituting taxes for profits" (for the sake of brevity, we call it "tax reform" hereafter), which was a reform in financial management. As practice indicates, this reform has played an important role in giving play to the inner motivating forces of the enterprise, arousing the initiative of the basic-level cadres and masses in developing production as well as in increasing production and income, promoting improvement of business management of the enterprise, tapping potential, improving economic results and guaranteeing the increase of state revenue as well as its constancy and timeliness. The major technical and economic indicators of the corporation in 1980 were furthered developed and improved in comparison with 1979. Total output increased 13.6 percent over the previous year's figure. The total value of products for civilian use increased 11 percent as compared with the previous year. As for quality of performance, there were 15 grade one products according to the assessment of the bureau in charge and 35 such products according to the assessment of the corporation. There were three excellent performance plans and all were successfully completed, and 96.96 percent of the product contracts were completed. In comparison with the previous year, profits increased by 17.2 percent, production costs of comparable products decreased by 2.65 percent (after removing the factor of the price increase of raw materials), and the turnover of the circulation fund quota was reduced by 13 days.

Due to the development of production, the reduction of costs and the increase of profits, the results of more revenues for the state, larger profit share for the enterprise, and more income for the staff and workers have been achieved. Of the total accumulation of the enterprise for that year, 85.1 percent went to the state and 14.9 was kept by the corporation as profit share. Of the incremental accumulation over that of the previous year, 55.3 percent went to the state and 44.7 percent was kept by the corporation as profit share. The state's revenue from the corporation increased nearly 10 percent in comparison with the previous year, and profit shares of the corporation increased almost 70 percent (comparisons made according to comparable specifications).

Of the profit share, 41 percent went to the production development fund which increased the most correspondingly, both the welfare fund and bonus fund increased. On the average, the bonuses for all the staff and workers of the corporation increased 24.7 percent as compared with the previous year. The above-mentioned facts indicate that the direction of "tax reform" is a correct one, and its effectiveness has been obvious.

(II)

The "substitution of taxes for profits" means that instead of making the original payment to the state treasury in the form of taxes and profits, the enterprise makes a unified payment of five taxes (industry and commerce tax, real estate tax, license tax for vehicles and boats, regulation tax for income and earnings tax) and two fees (the fee for keeping fixed funds and the fee for keeping circulation funds). As an enterprise, LIMC operates on the basis of unified control and independent accounting for all levels, as far as its financial system is concerned. The corporation operates on the basis of independent accounting, as do its plants. The tax reform experimental program takes the 40 plants as an entity. According to specific provisions, the real estate tax, license tax for vehicles and boats, industry and commerce tax, and income regulation tax are to be paid directly by the plants, while the earnings tax is to be paid in advance by the plants and collected and settled by the corporation. Then the two fees are to be paid by the corporation out of profits after taxes, and the remaining net profit share is to be kept by the corporation and divided among the three funds according to set ratios. The purpose of making such rules is: (1) to ensure that the production development fund set aside from the profit share can be used in a relatively centralized way on important concerns of the industry such as technological improvements and environmental protection; (2) to enable the corporation to take responsibility for managing the welfare and bonus funds, and to resolve the problem of income disparity as well as other problems in order to give full play to the proper role of the headquarters of the corporation.

In light of the above-mentioned requirements, the corporation has formulated the temporary measure of "profit sharing" to be followed by the plants. The following are the important points of the measure:

(1) //Internal distribution in relation to delegation of authority:// Regarding delegation of authority, in principle, authority already vested in the plants is not to be taken back by the corporation. The authority of the plants can only be expanded and not reduced. The additional authority given to the corporation is to be gradually delegated to the plants in accordance with the prevailing circumstances. Regarding the three funds, most of the welfare and bonus funds are to be kept by the plants, and 40 percent of the production development fund is also to be kept by the plants. As for the remaining part, it is to be kept by the corporation, unified arrangements are to be made, and use of these funds by the plants is available at a cost. Besides, the retained portion of basic depreciation is increased by 10 to 20 percent (large plants may retain 60 percent and small plants 70 percent) so that there is a corresponding increase of authority to use the plant renovation and transformation fund.

(2) //The measure for distribution should be designed to encourage to the maximum the initiative of the staff and workers of the plants.// In 1979, just as the profits of the various plants differed so also did the retained profit shares. On these grounds, in regard to the staff and workers welfare and bonus funds set aside respectively by the various plants, instead of adopting a unified approach for all plants by directly correlating the profit share with earnings, the method of integrating the fixed profit share and the proportionate profit share was implemented.

The actual way of doing this is as follows: The corporation examines and fixes the respective earnings base (profit minus the regulation tax) and the profit share base. Of the profit share base, the equivalent of 11 percent of total wages is set aside as the welfare fund, and 8 percent of the average standard wages of staffs and workers is set aside as the bonus fund. Both are taken as fixed shares and set aside monthly without being affected by fluctuations in earnings. The rest of the profit share base (the total profit share base minus the fixed share) is to be examined severally, and a share rate is to be fixed based on the earnings base, known as the proportionate profit share. The fixed share and the proportionate share are to be evaluated and set aside. This provision will enable those plants with lower earnings than in 1979 to suffer less from the effects on their profit shares and to project their profit shares from excessive decline.

(3) //Those plants which had earnings in excess of the 1979 base were restrained to a certain extent in regard to their fixed shares.// In order to remedy these adverse effects and to arouse their initiative, these plants can set aside an above-quota profit share. In consideration of the necessary distinctions to be made in regard to the subjective and objective factors in business management of the plants and the differences of their respective 1979 bases, readjustments have been made to the above-quota profit shares of certain plants to make their share higher or just a little higher than the normal share so as to resolve the problem of unequal distribution.

(4) //With the passage of the distribution measure, plants that had higher profit shares were protected from acquisitions by the state. As for the small number of plants that had lower profit shares in comparison with the previous year for objective reasons, the corporation gave them subsidies out of the collective reserve funds.//

(5) //Payment of the fees for the corporation's keeping the two funds does not imply that the corporation assumes sole responsibility.// After the verification and assessment of assets and supplies in 1980, if the state funds kept by the various plants were shown to have increased or decreased, corresponding changes were made with respect to their profit share.

This temporary measure will remain unchanged for 3 years, and all the units concerned are requested to make trial calculations in accordance with the tax reform. In the meantime, the corporation's "finance and accounting department may make temporary rules for accounting matters" and specified special forms for monthly profit reports. All these measures are to be carried out in a unified manner within the system of the corporation.

(III)

The three striking changes in the corporation and its plants following the experimental program were:

(1) //Accompanying the relatively independent economic benefits for the enterprises, the motivation of the staff and workers to increase production and income was greatly heightened.//

The "tax reform" measure ascertains the definite ratios for the distribution of earnings of the corporation by way of "fixing the proportions." According to the tax reform program and the stipulations made by the corporation regarding distribution of profits, if the tasks of the plant being roughly known, it is possible to calculate the profits of the plant and the bonus for the staff and workers after tax payments. In comparison with the profit-sharing measure, the plant has the advantage of not having to worry about making excessively large increases in production and income in the current year, which may form a large base detrimental to future benefits. This is most obvious in the changes of plants operating up to the capacity. Take the Shanghai machinery factory for making plastics as an example. Its profits amounted to 1.64 million yuan in 1979. At the beginning of 1980, 1.8 million yuan was reported as the planned target for profits. According to the regulations of the enterprise funds, the maximum bonus level was reached, and there was no incentive for tapping potential, even though there was some room for it. After the implementation of the "tax reform," the concern about unfavorable profit shares resulting from "linking rations" was eliminated, and the motivation to increase income for tapping potential was greatly enhanced. The actual profits for 1980 topped 2.67 million yuan, an increase of more than 50 percent compared to the previous year, and an increase of 48.33 percent over the originally planned target. For another example, certain factories were in difficult positions with respect to increasing production and income. In 1980 they were facing the unfavorable prospect of price decreases for their products and price increases for raw materials; hence their concern about a drop in profits and decline of profit shares and bonuses for their plants. For a time, their initiative for increasing production and income was hampered. After the "tax reform," they realized that the increase of income meant increase of profit share, and the larger the increase of income, the larger the profit share. They delved into their actual circumstances, repeatedly made careful calculation of their accounts, and found a definite direction and targets for themselves. This aroused their initiative to increase production and income. The Shanghai battery-making machinery factory rallied the masses and took the measure of producing more parts, making savings on funds, reducing costs, promoting contests, carrying out extensive renovation, improving the bonus system and so on. On this basis, increase of production and income was also achieved. Profits made that year surpassed the planned target by 60 percent and more than doubled in comparison with those of the previous year (all items calculated in comparable terms). In addition, there was a small number of small factories whose profit levels were affected by objective factors such as variations in product variety and insufficient production tasks. The profit targets assigned them by the corporation were lower than those of the previous year, and they lacked enthusiasm. After implementation of the tax reform, they were still beset with worries. However, timely studies were made by the corporation. In the spirit of the relevant documents issued by the State Council, the following measure was taken valid only for the year 1980 for the benefit of these factories: If the planned targets were achieved, bonuses would be kept at the previous year's level; if above-quota profits were made, above-quota profit shares would be given. (All these funds to remedy the problem of gaps were taken from the collective funds in the custody of the corporation, and the other plants were not affected with respect to their due share.) As this supplementary measure made clear the target to strive for and the corresponding benefits to be gained, under the guidance of the factory the initiative of the broad masses of the staff and workers was accordingly aroused.

That factories with differing conditions can achieve the end of increasing income all the same demonstrates that since the "tax reform," experiment, the economic responsibility, efficiency and benefits of the plant and those of the staff and workers have been brought more closely together. The plants are no longer worried about "flogging the fast," nor are they worried about a rise of profits not being followed by corresponding increases in bonuses. Furthermore, by making calculations they can know the amount of corresponding economic benefits brought about by the economic results achieved as well as how to achieve better economic results in order to strive for greater economic benefits. In comparison to the situation prior to the experiment, it certainly can be said that the self-motivation has been enhanced and the initiative to increase production and income has been greatly heightened.

(2) //Attention is generally being paid to market sales by the enterprises, economic budgeting and control are being emphasized, bonus plans improved, and efforts made to tap potential in business operations and management to bring about income growth.//

As estimated in terms of the 1979 sales profits rate of LIMC, keeping the state funds in use at a constant level, from now on, one-third increased profits as a result of increased production and income and one-half of the increased profits due to reduction of costs can be retained by the enterprise. If the state funds in use are reduced, the savings as a result of cutting expenses in this aspect will all go to the enterprise. In order to achieve better economic results, great attention has been paid to business operations and management by the corporation as well as by the plants. First of all, a business service department has been set up in the headquarters of the corporation, and the sales personnel of the various plants have been organized and a team of 70 specialists set up to undertake market surveys and to ensure good market forecasts. At present, integrated sales organizations have been set up in Hangzhou, Wuhan and other places. The preliminary research report of the corporation has indicated the direction and target for product replacement and renewal and development of production variety as the means to enhance its predominance in the production of light industry machinery. With regard to overall quality control, effectiveness has been achieved, first with regard to spare parts and then with regard to complete machines. The precision of production assembling, the efficiency of assembling, and the capacity of complete machines have been enhanced. With regard to economic accounting and the problem of integrating value analysis and value engineering, the corporation has conducted two training courses successively. The first group of plants in which economic accounting was introduced has already seen the effects the four other plants which tried value analysis in order to reduce production costs have also achieved some good results. In 1980, the planned number of manhours devoted to the products of the corporation as a whole was reduced by 1.7 million hours, and hourly labor costs per machine were reduced by more than 10 percent compared with the previous year.

In order to further enhance the incentive of the staff and workers, to produce and to save, the plants made serious studies regarding the allocation of bonuses, some new methods were adopted, bonuses were correlated with economic performance of the producing departments as well as with the individuals so that the principle of distribution according to work could be implemented and egaltarianism be overcome. For example, in the case of the synthetic plates plant, the bonus system was used flexibly and encouragement was given in numerous ways, thereby yielding good results. In the case of above-quota production bonuses for hot pressed plates, profits increased by 100,800 yuan in 9 months, and a bonus of 420 yuan or 0.4 percent of the profits was granted to the participating workers. In the case of key tasks such as machining the pedestals of hot grinding machines, bonuses were granted to three workers in the total sum of 25 yuan only. In return, a solution was found for the problem of progress in material processing and the loss of 1,000 yuan that could be incurred in melting was averted. In addition renovation, savings, security, quality and so on were greatly encouraged, and good economic results were achieved. The Huai Hai [3232 3189] casting factory implemented a bonus system of three fixes (fixed person, fixed output and fixed bonus), two guarantees (guarantee of production and quality) and one clearing (clearing of daily tasks) for its sand-clearing group and has achieved the end of strengthening production and economic responsibility system in the group. In the first month of trying out the system, production exceeded the planned target by 10 percent. This put an end to the passive situation of the sand-clearing process lagging behind which caused overstocking of unfinished products. As a result, castings were delivered on time. This not only accelerated the inflow of funds but also satisfied the needs of customers with respect to completing sets of equipment. There were 10 comrades in the group. An extra bonus of 37.62 yuan was granted, and overtime pay was reduced by 197 yuan for that month. So the outcome was beneficial for the factory, individual workers and the customers.

(3) //With the implementation of profit-sharing as a result of internal accumulation, the enterprises have more funds at their disposal to deal with certain urgent needs and problems.//

In the meantime, as a result of the distribution of funds, the sense of responsibility to pay taxes in accordance with tax codes has been heightened, and the collection of government revenues has been stabler, more reliable, and timelier. As the enterprises are maintaining the production development fund, the basic depreciation fund no longer has to be turned over to the financial authority of the state and can be used according to plans for developing potential, carrying out renovations and transformations as well as developing products in short supply and trial-producing new products. Besides, this fund can also be used in tackling the three waste products and reconstructing dilapidated buildings. Furthermore, the welfare fund from the profit-sharing may have a credit balance after regular expenses have been paid. This can be used to construct housing for the staff and workers.

While the profit shares of enterprises are to be accounted for and set aside, emphasis is also given to the recognition of tax laws. Originally, taxes paid by the corporation's plants comprised only 15.8 percent of the total funds turned over to the state. As a result of poor operation and management of the plants or of the misallocation of funds, payment of profits to the state was often in arrears. This was detrimental to the inflow of state revenues. After the adoption of "substituting taxes for profits," corporations that were in arrears in the payment of profits to the state were liable for penalty payments as stipulated by law, and such penalty payments were not allowed to be included as part of the costs. This stipulation impelled the enterprises to abide strictly by the tax laws and to improve management of their funds. Since the implementation of the experimental program, payments in arrears of profits to the state have been eliminated on the whole, and the inflow of state revenues has been timely. At present, with the exception of the earnings tax, the four taxes and two fees due to the state from the enterprises, which amount to 64.4 percent of the total, are not affected by the performance of the enterprises and fluctuations in their costs. This further ensures the stability of the inflow of state revenues.

(IV)

Practice indicates that achieving notable results was also accompanied by the emergence of many problems awaiting improvement and investigations. The following are the more serious ones:

(1) //"Enterprises' responsibility for their own profits and losses" has not been achieved in name nor in reality.//

Up to now, LIMC has been conducting the experiment according to the tax reform plan authorized by the Ministry of Finance, in which the requirement that enterprises take responsibility for their own profits and losses as stipulated by the state economic commission is not included. As a consequence, the enterprises have been considering whether to select a larger profit share or a smaller one. No consideration has been given to what should be done in the case of losses. If losses do occur, the worst that could happen would be the halting of bonus payments and an unfavorable effect on welfare. Government subsidies can still be counted on to tide over the losses. If "taking responsibility for losses" falls on the LIMC, it will lack the necessary conditions to achieve this end. The reason is that with the exception of financial power which has been expanded, every little change or practically no change has occurred with regard to the powers relating to supply, production, sales, personnel, other materials and so on in the experiment. If an enterprise can neither run its own business independently with a free hand nor administer the necessary rights of management within the enterprise, naturally it cannot take up the responsibility for bearing business losses. For this reason, the corporation is pleading with its superiors at all levels to give them support in the realization of the due delegation of power as stipulated by the relevant documents issued by the State Council in 1980, in order to create the appropriate conditions for the enterprises to "take responsibility for losses."

(2) //As the distribution plan of the state and the enterprises uses 1979 as the base, and in the situation of growing market competition, the enterprise that is used as a trial point finds itself in unfavorable position.//

In 1979, LIMC reaped the largest profit; the corporation scored a profit rate on sales amounting to more than 25 percent. Profits must be maintained at this level henceforth to put the corporation in an advantageous position. Beginning with the second quarter of 1980, the machinery industries all over the country turned towards the production of light industry products, thereby intensifying market competition. Pricing is an important aspect of competition. In the case of products with high profit rates, factories not enlisted in the experimental program were in a position to sell at lower prices, as they were not encumbered by the restriction of a high base. On the contrary, if LIMC were to lower their prices in order to be competitive, its profit share would have been adversely affected. This unreasonable situation faced by plants undertaking the experiment has not been dealt with so far. Obviously, the plants taking part in the experiment find themselves in a disadvantageous position when they compete with plants not participating in the experiment.

(3) //The income regulating tax correlated with the volume of sales is detrimental to the development of new products.//

Generally speaking, the costs of new products under trial production or small-batch production are comparatively high. Since their selling prices are to be pegged at a high level, their profits are bound to be low. Accordingly, an income regulating tax comparable to that of old products should not be levied on them. So far no immunity has been granted to the manufacturing of new products with respect to the income-regulating tax. In the case where the profit rate of a product for sale on a trial basis is lower than the income regulating tax rate, the enterprises will be reluctant to develop new products in order to avert business losses. Without the development of new products to carry on the process of replacement and renewal and the development of new varieties in order to meet the needs of the society, in the end, the market will be lost and the development of production hampered. This will be detrimental to the interests of the state, the enterprises and the individuals. Therefore, application of the income regulating tax should be made more lenient. For example, immunity should be given to products for sale on a trial basis and reductions should be granted for products for export and low-priced products as well as for those products liable to the increase of overall enterprise accumulation after cutting their prices. In this way, the income regulating tax will be able to better play its role as an economic level.

CSO: 4006/464

INDUSTRY

BRIEFS

JIANGSU LOCAL INDUSTRY--Nanjing, 8 Aug (XINHUA)--The total value of products turned out by various enterprises run by communes and production brigades in Taicang County, Jiangsu Province, reached 97.04 million yuan during the period from January to May this year, an increase of 29 percent over the same period last year. The total value of consumer goods produced by various enterprises in the county since the beginning of this year has reached more than 61 million yuan, an increase of 14 percent over the same period last year. [Beijing XINHUA Domestic Service in Chinese 0105 GMT 8 Aug 81]

SHANGHAI TV SETS--Production of television sets in Shanghai increased from 140,000 in 1979 to 710,000 in 1980. Production in 1981 is expected to exceed 900,000 units. [OW111109 Shanghai City Service in Mandarin 1130 GMT 9 Aug 81]

JILIN INDUSTRIAL OUTPUT--The industrial output value of Jilin's first light industrial enterprises in the first 7 months of 1981 was 1.27 billion yuan, an increase of 10.1 percent over the corresponding 1980 period--62.3 percent of the annual plan. Of the 54 major products, 41 increased in output. Other products in short supply also markedly increased. Bicycles increased 39.1 percent; sewing machines, 28 percent; wristwatches, 51 percent; clocks, 28 percent; sugar, 45.7 percent; and beer, 18 percent. Textile products such as cotton yarn, cotton cloth, printing and dyeing cloth, chemical fibers, knitted goods, and woolen goods also increased slightly over the corresponding 1980 period. [SK150930 Changchun Jilin Provincial Service in Mandarin 1100 GMT 14 Aug 81]

FUJIAN INDUSTRIAL PRODUCTION--As of the end of July workers on the industrial front in Fujian Province fulfilled 58 percent of the annual production tasks in terms of total output value, increasing by 3.3 percent as compared with the same period last year. They fulfilled 60 percent of the annual quota for light industry products. Light industry products now account for 65.3 percent of the total value of industrial production in the province. During the first 7 months of this year bicycle production increased by 150 percent as compared with the same period last year, radios increased by 190 percent and sewing machines increased by 45.5 percent. [OW150302 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 14 Aug 81]

NEI MONGGOL BRASS FOUNDRY--A new brass foundry, the first of its kind in Nei Monggol, was put into operation in Hohhot 30 July. The production capacity of this foundry is 1,000 tons and annual output value is expected to be 700,000 yuan. The state invested 250,000 yuan in building the foundry, expecting to earn this sum back in 1 year. [SK091215 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Aug 81]

GUANGDONG INDUSTRIAL OUTPUT VALUE--Since the beginning of 1981, industrial production in Guangdong has set new records every month. The province's gross industrial output value has now fulfilled 51 percent of the plan for the whole year, showing an increase of 11 percent compared with the corresponding period in 1980. The output of 21 kinds of consumer goods increased considerably. Output of bicycles increased by 25.2 percent, sewing machines by 15.6 percent, watches by 23.1 percent, television sets by 278.7 percent, radios by 88.9 percent, recorders by 89 percent, electric fans by 417.7 percent, washing machines by 207.2 percent, electric meters by 56.3 percent and cameras by 58.4 percent. Output of sugar, cigarettes, leather and furniture also increased tremendously. In 1981, a number of heavy industrial enterprises were shifted to production of consumer goods. In the first 6 months, the proportion of output value of light industry in relation to all industries increased by 16.9 percent. [HK180840 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 9 Jul 81]

SICHUAN LIGHT INDUSTRIAL PRODUCTION--The No 2 light industry system's enterprises in Sichuan Province incurred serious losses in the big floods. According to incomplete statistics, 17 percent of the total number of enterprises suffered floods; 396 enterprises were seriously affected and their factory premises and main equipment were basically damaged. By 27 July, 81 percent of the affected enterprises had wholly or partially restored production and 221 of them had reached the level of production before the floods. [HK120500 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 2 Aug 81]

CSO: 4006/460

BRIEFS

NONPRODUCTION INVESTMENTS--Beijing, 29 Jul (XINHUA)--Investment in nonproduction projects in the first half of this year remained the same as the corresponding 1980 period though China greatly curbed the scale of capital construction this year, according to the State Capital Construction Commission. Between January and June 1981, investment in workers' housing was 3,000 million yuan, a slight increase over the same period of 1980. The proportion of housing investment to total capital construction investment rose from 18.5 percent during the first half of 1980 to 23.6 percent in the 1981 January-June period. Construction of 74.45 million square meters of housing was started in the period, and 10.89 million square meters of floor space were completed, the same figures as the 1980 period. The state spent more than 800 million yuan on urban public utilities. A total of 259 cold stores are now under construction, and 36 were completed in the first 6 months of this year. [Beijing XINHUA in English 0715 GMT 29 Jul 81]

JILIN RURAL HOUSING--Changchun, 24 Jul (XINHUA)--To expedite rural housing construction, Jilin Province recently appropriated 1,000 dun of steel, 10,000 dun of cement, 3,000 cubic meters of timber and 40,000 cases of glass panes from surplus materials of capital construction projects. To support rural housing, the provincial construction committee and the various prefectural, municipal and county capital construction departments trained more than 1,000 building technicians and designed over 400 layouts of houses for the rural areas. [OW031441 Beijing XINHUA Domestic Service in Chinese 0137 GMT 24 Jul 81]

CSO: 4006/460

DOMESTIC TRADE

BRIEFS

GUANGDONG MATERIALS EXCHANGE FAIR--Recently, a materials exchange fair was held in Huaiji County by 11 counties in mountainous areas in the border regions of Guangdong, Guangxi and Hunan. The total volume of business done in the 5-day fair amounted to 33 million yuan. The 11 counties are Huaiji, Fengkai, Lianshan, Lian, Liannan, Fuchuan, Zhongshan, He, Jianghua, Dao and Jiangyong counties. Early in 1963, they had organized materials exchange activities in their economic zone; and each of the counties would host a materials exchange fair every year by rotation. However, the fair was forced to be suspended for 10 years during the Great Cultural Revolution. It was resumed in 1977. [HK120446 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 13 Jul 81]

CSO: 4006/460

BRIEFS

LIAONING PORT EXPORTS--Dalian, 27 Jul (XINHUA)--Dalian, Liaoning Province, one of the country's biggest ports, handled export goods worth 1,918.3 million U.S. dollars during the first 6 months of this year, a port spokesman said today. He said the amount represents a 3.1 percent increase over the same period last year. During the January-June period, the spokesman said, an increase was registered in exports to Japan, Hong Kong and Macao. Exports to the United States were down because of reduction in crude oil exports. Goods to Japan totalled 1,227.4 million U.S. dollars, 16.5 percent more than that of the same period last year, and 64 percent of the total export volume, the spokesman said. The export of shelled peanuts, gunnysacks, gym shoes and aluminum alloy ingots increased three to seven times. According to the spokesman, goods from Dalian went to more than 140 countries and regions, including Britain, Japan, Romania, Sweden, the United States, and Hong Kong and Macao. [OW031441 Beijing XINHUA in English 0222 GMT 28 Jul 81]

CSO: 4020/235

TRANSPORTATION

BRIEFS

LIAONING RAILWAY REPAIRS--The task for rushing to repair tracks damaged by floods on the railway line linking Shenyang and Dalian has been completed. By 1900 on 4 August, both Shenyang and Dalian railway stations had restored service. [SK072304 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 5 Aug 81]

SICHUAN COMMUNICATIONS, TRANSPORT--Since the beginning of this year, the staff and workers of Sichuan's communications and transport departments have actively strived to increase production, practice economy, increase income and economize expenditures. Under the conditions of the short supply of fuels and insufficient task assignments, they overfulfilled in the first 6 months the volume of freight transport, the rotational volume of freight transport, the volume of passenger transport, the rotational volume of passenger transport and realized a profit of 32.94 million yuan, fulfilling the task to deliver profit to the state. [HK120500 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 11 Jul 81]

TRANS-TIANSHAN-MOUNTAINS HIGHWAY--Urumqi, 2 Aug (XINHUA)--Officers and men have completed a 560-kilometer-long highway across the Tianshan Mountains, the first of its kind in China. Asphalt is being poured to surface the new highway, and the last tunnel is still being driven. The project is undertaken by a unit of the construction corps of the people's liberation army to improve the road transport between the northern and southern parts of Xinjiang separated by the Tianshan Mountains. Usually it takes 4 days to travel by truck taking a roundabout route from Urumqi or from the Ili Valley. The time will be greatly cut after the new road is opened to traffic, and the dense forests, the vast pastures and the buried deposits in the area will be better utilized. [OW031443 Beijing XINHUA in English 0238 GMT 2 Aug 81]

CSO: 4020/235

NATIONAL SYMPOSIUM HELD ON MINERAL ENVIRONMENTAL RADIATION

Beijing GUANGMING RIBAO in Chinese 13 Jul 81 p 1

/Article by GUANGMING RIBAO correspondents Lin Yushu /2621 3768 2885/ and Zhou Zhumou /0719 3137 6180/: "Gratifying Progress in Mineral Environmental Radiation Research in China--First National Academic Discussion on Mineral Environmental Radiation Held in Beijing"/

/Text/ Gratifying progress has been made in mineral environmental radiation research in China, and a scientific and technological contingent of a fairly high level is now in existence. For many years this contingent has undertaken a great deal of scientific research on uranium mines and associated radioactive minerals with considerable success.

First, research on the methods of, and equipment for, ventilation and radon reduction in uranium and other types of mines in various aspects. This has not only solved the problem of ventilation, radon reduction and radioactive pollution control in these mines, but has also produced many comprehensive measures for air circulation, airtightness and the control of radon separation suitable for the specific conditions in China. Particularly noteworthy is the method of pressurized air circulation whereby radon density is reduced by more than 90 percent when the wind force is reduced by two-thirds.

Second, new methods of and equipment for radon measurement. The balloon method for speedy measurement is now in popular use, while the activated charcoal filter paper, the portable KF-601 radon-thorium instruments and other similar equipment are well received because of their speed, accuracy and simplicity.

Third, the production of material for protective layers against radon. After extensive laboratory tests and on-the-spot investigations, the workers engaged in mineral environmental radiation successfully manufactured a new type of antiradon plastic in 1970. Popular use of this plastic has shown that it is 83 percent effective in checking the diffusion of radon gas.

Fourth, some new breakthroughs in the study of occupational diseases from mineral radiation. In the spirit of cooperation, scientific workers have conducted thorough investigations of the causes of occupational diseases among miners and pointed out the harmful effects of radon and arsenic on the human body. Their views are of great practical significance and theoretical value.

The first national academic discussion on mineral environmental radiation was held in Beijing from 29 June to 5 July to sum up the experiences and to promote future work, during which 110 scientific and technological workers submitted 103 papers. Wang Ganchang [3769 3227 2490], head of the Special Group for the Study of Controlled Nuclear Fusion and vice minister of the Second Ministry of Machine Building; and Su Hua, vice minister of the Second Ministry of Machine Building, spoke at the meeting.

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CSO: 4006/427

PRC JOURNAL ON ORIGIN, DEVELOPMENT OF CORPORATIONS

HK220651 Beijing JINGJI GUANLI in Chinese No 6, 15 Jun 81 pp 48-50, 55

[Article by Yu Xingmin [0151 2450 3046], Guan Bai [7070 4101], and Sun Zhibo [1327 2535 6886]: "Origin and Development of Experimentally Run Corporations of Enterprises Nature in Tianjin"--note passages within slantlines denote boldface type]

[Text] The reform of the economic management system is a matter of prime importance concerning the success or failure of the four modernizations, and concerning which, no matter whether in theory or in practice many subjects are awaiting exploration. In the process of economic readjustment, with the expansion of enterprise autonomy, how economic integration is to be promoted and corporations of an enterprise nature are to be set up constitutes a new problem worthy of immediate investigation. In the following, we present our preliminary viewpoints regarding some aspects of this problem in connection with Tianjin.

I

During the 30 odd years since the founding of the PRC, corporations of various types in their capacity as a form of organization have played important roles in strengthening economic management and developing production. Just after liberation, there were three types of corporations in Tianjin: corporations of a bureaucrat-comprador nature such as the China Textile Corporation, corporations using foreign capital such as the Yizhong Tobacco Company, and local privately owned corporations such as the Renli Company (with affiliated factories manufacturing woolen textile products, carpets, egg powder, and so on). These corporations made up the industrial foundation of Tianjin during the early period after liberation. With the advent of the socialist transformation of private industry and commerce, and the readjustment and reorganization imposed on industries by the state, more than 30 corporations of an administrative nature were set up in 1956 and instituted as representative organizations of the municipal government. In 1958, the corporations were delegated to various districts. As a consequence, the channels for cooperation were upset and thrown into disorder, and the function of the corporations underwent changes. In the early 1960's, a number of cities had the experience of setting up trial "trusts" of various kinds. Specialized "trusts" of Tianjin covering the field of machine tool instruments, papermaking, dyes, plastics, and so on, made helpful contributions to economic restoration and development. It is understandable that due to lack of experience the trial undertakings of such trusts could not but give rise to certain problems. However, in the "Great Cultural Revolution," they were all smashed to pieces without discrimination. From 1970 onward, the corporations were again restored one by one. It should be mentioned in particular that after 1978 with industrial readjustments and management reforms under way, more than 80 corporations of an administrative nature were organized in the industry and communications sector. As indicated by the history of ups and downs of corporations in Tianjin, every downfall of the corporations brought passiveness and losses to economic management and production development. In contrast to this, each rehabilitation of the corporations stood out as crucial steps for economic readjustment and reform, bringing economic rehabilitation and development. It was notable that industries which persisted in practicing management methods of a corporate nature enjoyed faster development and better economic effects. The Tianjin Papermaking Corporation has been operating on "trust"-based management methods since 1965 with the main features as follows:

//First practice specialized production.// Production of the original plants was reorganized. The original 17 plants were regrouped into 24. Readjustments were made in respect to product varieties in the light of the production technology of each plant, and each plant as well as each machine was assigned a specialized task in terms of product variety. This production specialization ensured extensive use of new technology and skills and the continuous improvement of product quality.

//Second, practice complete sets within trades.// One complete set concerns the supply of pulp for papermaking. Another complete set concerns the supply of unprocessed paper for paper processing. Over a long period of time, the thick-paste pulp produced by the Tianjin Paper Factory, the cotton pulp produced by the Fifth Tianjin Paper Factory, and the conglomerate wood-chip pulp produced by the Jinzhong Paper Factory have been carefully integrated into full sets for the 24 machines of the 15 production plants. This has guaranteed the constant development of pulp, unprocessed paper and finished paper of the group.

//Third, practice unified control over part of the goods and materials supplies.// Since 1965, papermaking companies have set up purchase and supply stations for the whole trade. Unified allocation of major raw materials such as pulp and caustic soda for papermaking have been made according to the needs of the companies, and delivery to the factory of the needed materials has been guaranteed. Rational allocation of the three major materials needed for maintenance and technological adjustments has also been made by the companies according to approved programs. With respect to scrap paper needed by some of the factories, purchase, classification, and supply have been made by the companies on a collective basis. These measures not only lessen the amount of funds tied up, but also facilitate adjustments between surplus and deficit. This ensured the proper production of the factories.

//Fourth, centralize allocation of special-purpose funds according to set ratios.// Ever since the "trust"-style management was run on a trial basis, the corporation has persisted in centralized allocation of the major overhaul funds and depreciation reserves. The corporation keeps half of the major overhaul funds, and the factories keep the other half. As for depreciation reserves, the corporation keeps 30 to 50 percent. For the rest, part of it is turned over to the state, and part is kept by the factories. In the past 15 years, the corporation has rebuilt the pulp-making facilities and 18 papermaking machines of 6 factories by making combined use of the funds it had managed to pool together and other investments. Worthy of particular mention is the conversion of 7 round-net papermaking machines into short and long-net machines, which raise productivity by 20 percent. From 1965 to 1979, the value of fixed assets of the whole trade was increased by 70 million yuan, 40 percent of which was realized through the centralized major overhaul funds and depreciation reserves.

In the last 2 years, Tianjin Municipality experimented with corporations of an enterprise nature producing colored knitted goods and carpets. The results achieved are quite notable. The following are the main features:

//First, corporations practice unified planning and rational division of work according to the principle of production specialization, change from small-batch production to large-batch production, reorganize "large and complete" and "small and complete" enterprises, improve product quality, production reduce costs and enhance competitiveness on domestic and international market.// The Tianjin Colored Knitted Goods Corporation has 12 "small and complete" knitting factories. In the past, one variety of products was produced by several factories; at the same time a single factory produced several varieties of products. This not only brought disorder to management, but also degraded the quality of the products as well as hampered production development. With the setting up of trial corporations of an enterprise nature, based on the principle of "enterprise product variety must be specialized, trade product variety must be complete," and in accordance with the conditions of equipment, technology, management experience, and development orientation of the various corporations, the 17 groups of products of the trade were rationally reorganized and their production reassigned. Basically speaking, as a result of this, each factory has achieved specialization and each has given play to its advantages as well as avoided irrational duplicate production and blind development. In consequence, obvious economic effects have been achieved. With the improvement of product quality, the medium and high-grade goods have increased. With the enhancement of productivity, the weaving efficiency of the whole trade has been improved by 3 percent, and output value by more than 3 million yuan. With the increase in profits and with the reassignment of production tasks, of the 420 white-fabric weaving machines of the whole trade, 240 were converted into colored-fabric weaving machines, increasing profits by 2.1 million yuan. Thereby, the enterprises have changed in appearance, and the fundamental operation and management work have been much improved.

//Second, the centralized allocation by the corporation of part of the production funds and depreciation reserves has accelerated technological restructuring and patching up of the whole trade. This has enhanced the capability in carrying out cooperation and matching up complete sets of equipment, giving full play to production capacity and impetus to the development of production of the whole trade.// At present, many medium and small sized enterprises are facing the problem of outdated equipment, low productivity, poor capability in matching up complete sets of equipment, insufficient production funds scattered among the plants, inability to form a "fist," and thereby inability to achieve anything of importance. By centralizing allocation of production funds, 50 percent of the major overhaul funds and 70 percent of the replacement and restructuring funds, the Tianjin Colored Weaving Corporation combined the three. This year and the following year, the corporation plans to undertake technological restructuring of 10 of its factories. Weaving machines are expected to increase to 1,000, and yarn-dying capacity is expected to increase from 60 pieces per day at present to 100 pieces. By 1981, output value will have doubled in comparison with 1978.

//Third, through redistribution of prices or profits within the corporation, the problem of disparity of joy and hardship due to objective factors such as prices, tax rate, and so on, has been rationally resolved.// While the Tianjin Colored Weaving Corporation was readjusting the product assignments of its factories, it was found that due to price factors, profit differed by too wide a margin among different products, and all its factories scrambled for the high-grade goods with larger profits. Since the implementation of the measure of profit redistribution, which ensured that the staff and workers of the respective factories basically got the same reward for the same amount of labor input, the disparity of joy and hardship brought about by objective factors has been removed, and the division of work by specialization successfully promoted.

//Fourth, since the revamping of the corporation along enterprise lines, emphasis has been put on using economic means to manage the enterprise, and noticeable results have been achieved.// The Tianjin Colored Weaving Corporation has two spinning factories, which supply the yarn needed by its 12 factories. In the past, due to the failure to deliver goods of the specified quality and within the specified time on the part of the dying factory, the production of the weaving factories was hampered. Meanwhile, due to the lack of rigorous planning on the part of the weaving factories, dying work for the items that had not been supplied was often demanded, thus disrupting the normal production of the dying factory. The contradictions on both sides could not be resolved. Since the trial running of the corporation in the manner of an enterprise, the system of business contracts has been promoted. It is stipulated that any party in violation of the contract shall pay a penalty and receive a smaller bonus for its staff and workers. With the adoption of economic means like this, the sense of economic responsibility has been enhanced on both sides, the balance and linking-up of work assignments have been guaranteed, and the quality and production efficiency of the products have been improved. As a result, the turnover of capital has been accelerated, and the development of production promoted.

In short, facts from history and reality tell us that the promotion of economic integration of various forms and the establishment of corporations of an enterprise nature are actions of great vitality.

(II)

In view of the experiences and lessons of Tianjin, the following problems must be studied earnestly and resolved in the event of organizing corporations of an enterprise nature or transforming some existing corporations of an administrative nature into corporations of an enterprise nature:

//First, in setting up corporations of an enterprise nature, the principle of combining voluntary and mutually beneficial integration from bottom to top with guidance and promotion from top to bottom must be upheld.//

In business operation, the economic integration of dispersed but correlated enterprises is much superior to dispersed and independent enterprises. However, this superiority is not comprehended at the beginning, and it takes some time to run through the course of recognition and practice. It is only after experimentation and comparison that a cognizance of the superiority of integration by the grass-roots enterprises can be gained, the demand for integration be formed, and thereby actions be readily put into effect. At present, most of the corporations in Tianjin are of the nature of administrative organizations. In the trial operation of corporations of an enterprise nature, that is, in the process of transition from corporations of an administrative nature to those of an enterprise nature, difficulties and problems of various sorts have been encountered. For these difficulties and problems encountered in the process of development, by taking a positive attitude and adopting effective measures, some corporations have found fairly good solutions and have made encouraging progress in striding forward to becoming enterprise-style corporations. In these cases, repeated consultation from bottom to top and from top to bottom and the correct compromising of interests so as to make economic integration the voluntary action of the grass-roots enterprises, are very important factors. Meanwhile, those enterprises that are reluctant to participate for the time being should be allowed to stay independent, and be allowed either to set up general factories or to look for cooperative partners of their own choice and to engage in competition with the integrated corporations.

//Second, at the very outset of the establishment of corporations of an enterprise nature, the utmost efforts should be made to delegate power to the basic level. The corporation must do its best to serve the basic level units in order to give full play to production potentials.//

In setting up corporations of an enterprise nature, how should authority be delegated? This is a question that must be prudently dealt with. At present, due to our poor management, some of our comrades are still accustomed to managing economics by administrative methods. Consequently, at the outset, too much emphasis is given to centralization of authority, and there is a tendency for the corporation to be transformed from an institution with authority concentrated in its superior controlling organs to an institution with authority concentrated in itself, and the economic segregation of geographical regions may only be replaced by the monopoly of corporations. In fact, if production is organized according to the law of production techniques, the enterprises are best qualified to make comments, when problems arise. Quite often, the superior governing organs are less sensitive to recognizing problems, nor do they provide timely solutions for such problems as do the enterprises, or the staff and workers of the enterprises. Therefore, it is of paramount importance to motivate the initiative of the enterprises and their staff and workers and to confer authority on them as well as responsibility. The corporations should take facilitating production, making things easier for the basic level units and providing better service as their topmost tasks. In accordance with the actual needs and their own capabilities, the corporations should take into their hands in a unified way the matters that the enterprises find very hard to deal with and problems that the corporations cannot solve, and should show the enterprises the benefits in a concrete way in order that full play can be given to production potential.

//Third, corporations of an enterprise nature should be set up along diversified lines.//

On account of the complexity of social production and the diverse forms of specialized cooperation, diversified patterns should be adopted for the establishment of corporations of an enterprise nature, and practices such as "cutting with one knife" should not be allowed. Corporations of an enterprise nature being run on a trial basis and those units preparing to be transformed into corporations of an enterprise nature in Tianjin at present, can be divided into the following categories: 1) specialized corporations composed of plants with similar production techniques and basically similar varieties of products; 2) furniture corporations with emphasis on production operations (one such corporation taking the form of "compensation trade," has set up its lumber supply base in the forest region of the northeast, and contracted sales relations with 88 commercial departments of 17 provinces and municipalities, thus improving sales methods and better balancing market supply and demand); 3) cases such as the carpet corporation that has broken the boundary of trades, bypassed the limits of the ownership system, and set up an industrial and agricultural combine containing both the systems of ownership by the whole people and collective ownership (there are 11 plants operating under this corporation, 9 of which are entities of a collective nature, and 4 of which are agroindustrial enterprises with manufacturing points in rural areas employing a total labor force of 15,000 workers engaged in processing and assembly); 4) loosely organized economic combines such as apparel corporations. Despite the fact that these corporations have just begun their trial operation, and have taken form in an embryonic stage, they have all shown the superiority of economic integration and yielded fairly good economic results.

//Fourth, attention must be paid to economic rationality and economic efficiency in setting up corporations of an enterprise nature.//

Striving for good economic results is the starting point as well as the end result of reorganization and integration. The Tianjin Colored Weaving Corporation has better performance and more noticeable economic efficiency. Since its trial operation as a corporation of an enterprise nature, the value of its industrial output in 1979 increased by 26.3 percent compared with 1978, and that for the first half of 1980 increased by 29.5 percent compared with the same period in 1979. As for profits, its score for 1979 increased by 28.7 percent in comparison with 1978, and an increment of 49.5 percent was made in the first half of 1980 as compared with the same period of 1979. In the meantime, noticeable improvements have been made in labor productivity, exchange earnings in export, and product quality.

By economic rationality, we mean close economic contacts and voluntary integration of those entities that are in need of cooperation. No integration should be made just for the sake of integration itself, putting together through the medium of administrative means enterprises that are not economically related and for which cooperation is irrelevant. When Tianjin Municipality first carried out trial operation of corporations of an enterprise nature, negligible results were achieved in cases where match factories, cosmetics factories and cigarette factories were put together.

//Fifth, the relations among the interests of central government, local government, enterprise, and staff and workers must be correctly handled.//

Since the enterprises were set up at different times and their product lines differ, they are very different in technology and equipment, and many contradictions have been found between product prices and tax rate systems at present. In addition to this, the employment of staff and workers is effected through centralized placement by the state. These objective factors give rise to the unduly large discrepancies among profits made by different enterprises. This evidently again gives rise to artificial inequity in gains and losses. After implementation of unified earmarking of profits and redistribution of profits in accordance with business performance, the Tianjin Colored Weaving Corporation has achieved the heartening result of more revenue for the state, a larger profit share for the enterprises, and more income for the staff and workers. This provides the physical foundation for consolidating and developing unification.

//Sixth, with the establishment of corporations of an enterprise nature, the broad ranks of cadres must adapt themselves to the changing new situation and organizationally guarantee the healthy development of the corporation.//

After the corporations are converted into economic organizations, economic means must be adopted and economic responsibilities must be undertaken. This demands more rigorous requirements from the managing cadres, both in their ideological style and form of management. These managing cadres must be in the prime of life, of enterprising spirit and with a strong sense of responsibility. In addition, they must improve themselves and acquire technological and management expertise. All this must be done so as to gain the initiative in directing production and operation. For the purpose of adapting to the requirements of the enterprization process, last year the Tianjin Colored Weaving Corporation demoted 16 cadres who were not professionals with technical and management knowledge from leading posts, and in their place commissioned 17 young and energetic professionals with technological and management expertise. In the same year, the corporation also appointed five secretaries of party branches of the corporation, who are in the prime of life and who had worked their way up from the professional ranks, and entrusted them with the post of superintendents; in the meantime, 16 engineers and 3 accountants were promoted in order to reinforce the foremost front of production. By virtue of the posts they were assigned to, they were given due authority and responsibility. Through readjustment, among the 63 leading cadres at the basic level, 62 percent of them are professionals. Thus guaranteeing the corporation's realization of enterprization, organizationally speaking.

CSO: 4006/467

ENERGY

PEARL RIVER ESTUARY OILFIELD

'WEN WEI PO' Article

HK210321 Hong Kong WEN WEI PO in Chinese 20 Aug 81 p 3

[Dispatch from Guangzhou: "Extent of Pearl River Estuary Oilfield Published"]

[Text] The responsible person of the South China Sea Geology Investigation Headquarters of the Geology Ministry answered our journalist's questions about the appraisal of the oil and gas deposits in the Pearl River estuary.

Q. How was the Pearl River estuary basin found?

A. The Pearl River estuary basin was found by the second marine investigation squadron of the Geology Ministry in 1976. This squadron started its comprehensive investigation of the marine geology and global geophysical features of the South China Sea in the early 1970's. After the completion of their investigation of the Gulf of Tonkin, they moved to the marine area to the east of the Leizhou peninsula and Hainan Island in 1974. In 1975 they found a relatively thick deposit, which suggested that a great basin may have been formed there. Through prospecting and making a comprehensive study of the data from various sources for more than a year, the outline of the basin was drawn up in 1976 and a report was written stating the discovery of the Pearl River estuary basin.

Q. How big is the Pearl River estuary basin and what is its exact geographic location?

A. The Pearl River estuary basin includes the Leizhou peninsula and the east part of Hainan Island and the main body [words indistinct] geographically it lies south of Shantou, Shenzhoe and the Wanshan islands and east of the Leizhou peninsula and Hainan Island and includes the stretch of sea surrounded by the Nansha Islands, the Zhongsha Islands and the Dongsha Islands. The total area of the basin is 150,000 square kilometers. It extends mainly parallel to the coastline.

Q. How did you come by the estimate of the prospect of oil and gas in the Pearl River estuary basin?

A. The estimate of the oil and gas deposits is the conclusion of the comprehensive analysis, processing and scientific calculation of the data collected through overall geological and global physical investigation, drilling and experiments. Up to now the extent we have covered in the [word indistinct] for earthquake, gravity, magnetic and depth surveys has totaled 48,870 kilometers. Seven drilling wells have been sunk with a total depth of 17,275 meters. What is more, indications of gas and oil were found in two of the wells. The discovery of the drilling has further confirmed the conclusion of physical prospecting. The objective knowledge of the conditions for the combination of the source bed, oil storage layer and cap rock provides an important base for the estimate of the oil and gas deposits. Marine geologists have made a study of the formation of petroleum in the earth's crust. By processing tens of thousands of scientific data and adopting the chloroform-asphalt method of calculation, they have calculated that there are very heartening prospects for the deposits on the basis of the area of the basin, the thickness of the source bed and the structural conditions for the storage of oil and gas. This deposit is bigger than that of any other oil field discovered so far in our country. This estimate is based on a large amount of scientific data.

Pearl River Oil Prospecting

HK270733 Hong Kong TA KUNG PAO in Chinese 24 Aug 81 p 2

[Special feature by Guangzhou correspondent Wang Chien [3769 0256]: "Prospecting for Oil in the Pearl River Estuary Basin"]

[Text] The prospect of petroleum resources in the Pearl River estuary basin in the South China Sea has been highly rated by authoritative people of the geological and petroleum circles both at home and abroad.

The Pearl River estuary basin is one of the largest sedimentary basins in South China. As a result of the silt carried down by the Pearl River system, the rate of accumulation of organic matter and the depth of underwater sedimentary deposits in this basin are quite impressive. The anticlines in the depths of the ocean could possibly be oil reservoirs. The discovery of such unique geological structures has caused people at home and abroad to view the vast Pearl River estuary basin in a new light.

Discovery of the Pearl River Estuary Basin

Following the gratifying results obtained from the aerial survey carried out in the Gulf of Tonkin in the early part of the 1960's and the systematic survey carried out in the Gulf of Tonkin and the waters around Qiongzhou in the early part of the 1970's, the ocean and geological survey personnel of the Chinese Ministry of Geology in the autumn of 1974 moved their forces to the vast sea area east of Leizhou and Qiongzhou and carried out a large-scale ocean and geophysical survey from the continental shelf of Guangdong to the Dongsha and Xisha archipelagos. At the same time, geologists traveled all over Guangdong and Guangxi and also 35 islands in the Pearl River estuary and 14 islands in the Xisha archipelago to carry out a comprehensive study and survey of the land, ocean and islands.

After 2 years of hard work, this ocean geological survey contingent, which disregarded difficulties and perils and made light of discomfort, mapped out 150,000 square kilometers in the Pearl River estuary basin as an area rich in oil and natural gas resources.

The extent of the Pearl River estuary basin stretches from the waters east of Shantou to the eastern side of the waters west of Hainan Island and to the Dongsha archipelago in the south. It has been scientifically proven that the sea bottom of this vast area formed three major depressions ranging from 50 meters to 1,500 meters in depth.

Basin Formed 40 Million Years Ago

The Pearl River estuary basin is a geological structure formed 40 million years ago, and the combination of structures for creating, preserving and trapping of oil is good. This is the scientific assessment of ocean geologists and surveyors.

As a result of the discovery of the Pearl River estuary basin, in order to speed up the investigation of petroleum and natural gas in the basin, the Chinese Ministry of Geology decided to set up the South China Sea Geological Investigation Command in 1976. At present, it has an ocean geological prospecting contingent of nearly 2,000 men equipped with advanced ocean investigation ships and such new equipment as self-hoisting drilling platforms introduced from abroad.

The South China Sea Geographical Investigation Command has mainly adopted the seismic prospecting method in the carrying out of comprehensive ocean geological investigation. It has geophysical prospecting ships equipped with compressed air cannons and electric spark detonators for creating epicenters.

Epicenters are caused by discharging compressed air cannons at the sea bottom at a pressure of 1,800 pounds per square inch and by electric charges released at a depth of 10 meters under water. Echoes created by the epicenters at the sea bottom are picked up by microphones and recorded on seismographs. By means of the seismographs, the underground formation contours, structures and slopes of the sea bottom can be studied.

The geological structure of the Pearl River estuary basin, formed 40 million years ago, is now clearly understood in the light of modern scientific prospecting. Comprehensive investigation of ocean geological prospecting has at the same time adopted gravity surveys to find out about the density of large rock formations and ascertain whether they are granite, basalt or metamorphic rock. Moreover, magnetic surveys have led to an understanding of the very obscure conditions of the magnetic base.

Based on the enormous amount of information from geological surveys and exploratory drillings carried out in the Pearl River estuary basin since 1977, the South China Sea Geological Investigation Command, by means of experiments and chemical analyses, has verified the discovery of a reasonable distribution of anticlinal structures in the more than 20,000 square kilometers already investigated in the northern part of the Pearl River estuary basin.

The numerous anticlinal structures in the Pearl River estuary basin are like a number of oil reservoirs in the depths of the ocean. Some have already been drille for oil and some have yielded traces of oil gases.

Formation of Petroleum in Pearl River Estuary Basin

Since the formation of the Pearl River estuary basin 40 million years ago, the thickness of sediments deposited and the rapid accumulation of sediments have amazed geologists. These extremely favorable conditions for the formation of petroleum are provided by the Pearl River system.

From the plateaus of Yunnan and Guizhou, the water of the Pearl River system winds its way through mountains and hills. Each year, it actually discharges 300 billion cubic meters of water into the sea. The mud and sand carried down rapidly filled the sunken basin, and the thickest part of the sedimentary deposit is about 11,000 meters deep.

The Pearl River not only discharges an enormous amount of silt into the sea, but it also carries a great deal of plankton of higher and lower orders as well as microorganisms. The enormous amount of organic matter sinking into the sea bottom is rapidly covered up by the sand and mud. In the absence of oxygen, it becomes the principal "source material" of offshore oil.

Authoritative people of the geological and petroleum circles both at home and abroad have already acknowledged the "organic oil theory." Data from the drillings carried out in the Pearl River estuary basin indicate that the Pearl River and the South China Sea have a higher organic matter content, and the quantity of organic matter in the petroleum-forming sedimentary rock at the sea bottom is two to three times higher than that of other basins in general.

Another extremely favorable condition for the formation of petroleum resources in the Pearl River estuary basin is the higher stratigraphic temperature of the steps.

At a depth of 80 meters, the temperature of the sea bottom remains at 19 and 20 degrees centigrade throughout the year, but the temperature in the rock strata more than 2,000 meters deep can be over 100 degrees centigrade. According to the "organic oil theory," the formation of offshore petroleum requires such conditions as temperature, pressure and catalysis, but the most important factor is temperature. In the absence of oxygen, organic matter generally begins to change into petroleum at a temperature of about 70 degrees centigrade. The stratigraphic temperature of the steps in the Pearl River estuary basin, being relatively high, promotes the rapid transformation of organic matter into petroleum. Indeed, it can be described as a veritable breeding ground for offshore petroleum.

Stratified Oil Shales of Moderate Thickness

Filled by billions of tons of silt and an enormous amount of organic matter, the sea bottom of the Pearl River estuary basin is like a dome-shaped layer cake with a petroleum layer, an oil reservoir layer and a cap layer on top of one another.

The South China Sea Geological Investigation Command has drilled seven oil and gas wells in the Wanshan archipelago off the mouth of the Pearl River and the sea area south of the Dangan islands. Findings have verified the existence of layers of sedimentary rock and sandstone scores of meters apart on the sea bottom, and this is the most ideal form of combination. Sedimentary rock is an oil-producing layer and the sandstone is a reservoir layer. On top of the sandstone is another layer of mud stone. It not only seals off the oil bed of the lower layer, but it also supplies petroleum to the upper sandstone layer. The sandstone, like a sponge with pores, is the most ideal breeding ground for offshore petroleum.

The overlapping layers of rock generate a tremendous pressure which forces the petroleum produced in the sedimentary rock layer into the sandstone layer. This is known in geology as a "primary migration." Geologists call the ratio between the petroleum forced out from the sedimentary rock and the residue petroleum the "evaporative coefficient." The bigger the coefficient and the more hydrocarbon compounds expelled, the better will the oil-producing rock formation be able to bring its role into play.

The oil-producing rock formations in the Pearl River estuary basin are stratified and of moderate thickness, and what is more their "evaporative coefficient" is rather high. This is an important factor we cannot overlook in determining whether or not an off-shore oilfield has industrial value for extraction.

Ancient Coral Reef of Dongsha Archipelago

The prominent anticlinal structures in the geological condition of the Pearl River estuary basin have aroused the interest of people of the geological and petroleum circles both at home and abroad.

At the same time, the Pearl River estuary basin has also quite a number of nonanticlinal oil traps such as ancient coral reefs buried under the sea.

In the northern barrier of the Dongsha archipelago and the submerged shoal of Shenhu, the elevated parts of the sea bottom could possibly be ancient buried coral reefs. Over a long geological period, they have grown and sunk and eventually become buried in mud at the bottom of the sea. Their honeycombed pores could well be filled with petroleum.

There are also all kinds of sandbanks such as river mouth sandbanks and river course sandbars in delta areas. These have proved to be natural oil reservoirs at home and abroad. There is a good chance that the sandbanks of the Pearl River delta will also contain oil.

We also must not overlook the oil traps formed by the silt deposited in the Pearl River estuary basin.

New Techniques, High Quality and Speed

In prospecting for petroleum resources in the Pearl River estuary basin, the South China Sea Geological Investigation Command has also adopted a series of the latest testing techniques, such as "stable isotope," "chromatography--mass spectrum" and ultramicroscopic fossils to study the strata, oil-producing rocks and crude oil. The very accurate scientific data has provided the scientific basis for making an optimistic appraisal of the petroleum resources in the Pearl River estuary basin.

For example, a number of anticlincal structures have already been discovered in the Pearl River estuary basin. They are large and in perfect condition. Because structural movements have not been intense, faults are not very prominent. This has enabled the oil beds on the sea bottom to be better preserved.

Furthermore, the South China Sea Geological Investigation Command has already drilled seven oil and gas-producing wells in the Pearl River estuary basin. The crude produced by the number five well is a light oil of fairly good quality. The Guangzhou branch of the China Geological Prospecting Company has sold the information on four of the wells to 21 foreign oil companies headed by Texaco, Exxon, Mobil and Phillips.

The outstanding achievements made by the surveyors of the South China Sea Geological Investigation Command of the Ministry of Geology after several years of efforts in the Pearl River estuary basin can also be considered fast in the history of international offshore oil prospecting.

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NATIONAL POLICY AND ISSUES

EXPANSION OF POWER INVESTIGATED

HK240600 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 42-43

[Article by the investigation team of the Kunming Textile Mill: "An Investigation of the Expansion of Power of Supply, Production and Marketing in the Kunming Textile Mill"--note passages within slantlines denote boldface type]

[Text] The Kunming Textile Mill is one of the important mills producing cotton yarn and cotton cloth in Yunnan Province. After expanding its power in September 1979 under the prerequisite of fulfilling the state plan, the enterprise had the power to undertake processing with supplied materials and the power to produce part of the products using the raw materials saved and the power to place new products (such as polyester khaki) on trial sale. Being important products having a bearing on the national economy and the people's livelihood, cotton and cotton textiles are subjugated to state monopoly purchase and marketing according to the present state regulations. In these circumstances, how to expand enterprise autonomy in supply, production and marketing has become a problem which needs further study and solution.

I. The Situation of Supply, Production and Marketing

/1) Production plans are subject to unified state assignment./ At present, the production tasks including the total output and the whole variety, specifications and quantity of cotton yarn and cotton cloth are targets mandatory in nature passed down to the enterprise by the Provincial Textile Industrial Company. The enterprise is basically not authorized to work out any complementary plans in accordance with the market demands.

/2) Raw cotton is subject to unified state distribution./ The specification and quantity of the cotton needed by the production of the mill is checked and ratified by the Provincial Textile Industrial Company and directly organized and supplied by the Provincial Tobacco, Cotton and Hemp Company. Cotton is all supplied by the state. The mill is only in a position to ask for whatever grade of cotton it is supplied with and sets prices in the light of the prices given, hence production according to supply.

/3) Products are subject to unified state purchase and marketing./ Part of the products that should be marked by the cities is purchased by the commercial departments in a unified way. Semifinished products are allocated and sold to various textile units according to the state plan. The enterprise has no power to market them. If a plant plans on setting up a municipal branch retail outlet to place its new products on trial sale, it applies to the Municipal Industry and Commerce Administration and Management Bureau for a business permit. The Municipal Industry and Commerce Bureau refers it to the commercial departments concerned for ratification, but the provincial commerce department maintains that it would be enough to have the agreement of the urban commerce bureau. But the urban first commercial bureau regarded that "it is not necessary for the Kunming Textile Mill to set up its own municipal retail outlets since it is located in the municipal district."

/4) Product prices are subject to unified state determination, no downward adjustment of price is allowed, still less an upward one according to changes in production cost or market supply and demand./

II. The Problems Existing at Present

At the present time, the production of raw cotton in our country is insufficient. We need to import some cotton from abroad. It is necessary for the state to monopolize the purchase and marketing of cotton and cotton textiles in order to ensure the basic needs of the livelihood of the people. However, there are some defects in it. They are mainly:

/1) Plans are excessively and rigidly controlled, the enterprise has become mainly a unit which carries out plans of a directive nature without any power to make its own decisions./ This leads the enterprise to a situation in which when the materials are used up, the enterprise asks the departments above for materials, instead of trying its best to open up new sources of materials; in production, it follows the prescribed order and acts according to the plans of a directive nature; if the products within the plans do not suit social needs, it produces them regardless; as long as it increases production, its revenue is increased. These practices are detrimental to the mobilization of the enterprises' enthusiasm for studying on their own initiative how to raise product quality, improve technology and skills, increase the variety of product design, size and color, reduce consumption and cost and improve labor productivity. In this way, the enterprises live off the state plan, eking out peaceful existence.

/2) The present price and tax systems are detrimental to the readjustment of the product structure of the enterprises./ The present price parities are irrational. Some goods whose supply exceeds demand are overpriced affording big profits and some goods for which supply falls short of demand are insufficiently priced with little profit. After practicing profitsharing, in order to obtain more sharing of profits, enterprises very often seek the production of goods whicy are in excessive supply with big profits and are unwilling to produce goods which were in short supply with little profits, with the result that the production of goods for which supply exceeds demand cannot be reduced and that of goods for which supply falls short of demand cannot be increased.

/3) There are breaches in the supply of raw materials./ The state unified distribution and planned allocation, the mandatory production targets assigned by the higher departments to the lower units and the responsible departments' raising of the quotas at each level cause the constant emergence of breaches between the production plans and supply of materials. Sometimes, the enterprise cannot take delivery of the goods for which it has paid. The supply of cotton of a certain graded length cannot be supplied at a fixed time, the enterprises have to use thick yarn with low cotton spinning, resulting in a decrease in product quality, or they have to use thin yarn with high graded cotton spinning, resulting in an increase in production cost.

/4) The state monopoly for marketing the products, the slight influence of market mechanism over enterprises and the lack of external pressure on enterprises to be competitive are detrimental to the promotion of improving product quality and increasing the variety of product design, size and color./ Meanwhile, the unitary circulation channels, the unified purchase of products by the commercial departments, the redundant circulation links, the lack of direct relations between the production units and the consumers, the enterprises' poor understanding of the fluctuations in market demand and the unmarketable variety of product design, size and color cause the overstocking of products.

III. Some Proposals

Cotton and cotton cloth are important state materials which have a vital impact on the national economy and the livelihood of the people. At present the production of cotton, cotton cloth and knitted cotton goods is far from satisfying the needs of the livelihood of the people. For this reason, the policy of state monopoly of purchase and marketing has to be carried out for comparatively long periods of time. Regarding the matters of how to turn enterprises into relatively independent commodity producers, how to revitalize enterprises and help raise the national economic effect and how to define the expansion of the power of supply, production and marketing of the enterprises under the system of the state monopoly of purchase and marketing, on the basis of our investigation and the opinions of the enterprises and the departments concerned, we have made the following tentative plans and proposals:

/1. On the question of enterprises' autonomy over production plans./

Concerning the total output quotas for cotton yarn and cotton cloth, and some of the main products which are needed badly on the market and are in short demand (such as 23x21 plain cloth and 23x21 gauze), the state should assign plans of a directive nature. With regard to other products, under the prerequisite of not exceeding the total output quotas, enterprises should be allowed to work out production plans according to the contracts for purchase and marketing signed by both sides, the enterprises and the commercial departments. In this way, the enterprises' whole production plans consisting of the state plans of a directive nature and the enterprise-formulated plans enable the enterprises to have part of the power to work out production plans, and help the enterprises to better adapt their products to market demands.

With the prerequisite that they fulfill the state plans of a directive nature and the purchase and marketing contracts, enterprises should be authorized to undertake processing with the materials supplied or cooperation tasks and change the situation in which enterprises are wholly dependent on the state for their supply of raw materials. Under the condition of not changing the orientation of products, enterprises should be authorized to produce marketable products with the raw materials saved in the process of production.

/2. On the problem of the supply of raw cotton/

With regard to the products within the plan of a directive nature, the plan-assigning departments should ensure the supply of raw materials and leave no breaches. Under the guidance of state planning, the contracts for arranging production plans according to market conditions signed by the enterprises and the departments concerned should be submitted to the state, and the departments concerned should guarantee the supply after checking and ratifying the volume of supply of materials in the light of the contracts. In accordance with the reported plans for trial-production of new products by the enterprises, the state should allocate a certain percentage of cotton needed in trial-production of new products, based on their progress. To reduce circulation links and cut down expenses, the mill should be directly supplied with raw cotton.

/3. On the problem of power over sales./

The enterprises maintain that they should have the power to place 5 percent of the new products on trial sale and to sell 2 percent of the marketable goods through their own channels. The provincial knitted textile center has suggested that acting upon the State Council's Document No 170 (80), enterprises should be permitted to sell 5 percent of the new products on a trial basis but it does not agree upon the trial sale of 2 percent of all marketable goods. We are of the opinion that in order to enlarge circulation channels, help enterprises to understand the market conditions of supply and demand, concurrently avoid competition in selling marketable goods and in getting a bigger share of industrial and commercial profits, enterprises should have the power to place new products on trial sale for 1 year, and the commercial departments should have the power to purchase according to the principle of priority. If the commercial departments do not purchase the goods produced with the materials saved by the enterprises, the enterprises are allowed to market them through their own channels both wholesale and retail, but their wholesale prices should be in keeping with the allocated and retail prices of the local commercial departments. The enterprises should demand and collect cloth coupons in this respect according to the rules and regulations issued by the Ministry of Commerce, and collect and hand them over to the departments concerned. For detailed measures, enterprises are justified in organizing sales exhibitions, setting up outlets for sales through their own channels, through industrial and commercial enterprises or on a commission basis.

/4. The problem of prices and taxation./

At present, the prices of cotton textiles brook no fluctuation or readjustment. The price parities of the various products of these enterprises are irrational. This has lead to a situation in which the prices of marketable goods are on the low side and their profits are limited while those of unmarketable goods are on the high side but their profits are enormous. Calculated in terms of the interest rate of production cost, the cost prices of some new products (polyester khaki) are not expensive but they are overpriced, and their absolute profit volume is relatively big. Under these circumstances, in order to correctly handle the economic interests between the state and the enterprises and arouse the enthusiasm of the enterprises for producing marketable goods, the following measures are suggested:

1) The enterprises should ensure the fulfillment of the state's plans of a directive nature. In case they fail to fulfill the plans due to managerial reasons, a fine should be imposed on enterprises for failing to fulfill particular varieties of designs and output and the fine should be deducted from the profits retained by the enterprises after handing over income tax.

2) As for products with a low price and minimal profits, but which are urgently required on the market, an otuput base should be defined in the light of their historical production levels. The whole or part of the portion in excess of the plan should be exempted from income tax but not from industrial or commercial tax.

3) Levy a tax on products. Enterprises are permitted to place their new products (polyester khaki) on trial sale for 1 year and are in a position to retain all the profits for their own disposal. After a year of trial sales, a tax should be levied on the new products and should be paid before handing in income tax to the higher level. The definition of the tax rate levied on products should tally with the principle that the state should get more, the enterprise should get less; the enterprise should get more than it would get for producing ordinary old products.

/5. It is good for the textile trade to take the company as the unit in expanding autonomy./

The level of the socialization of production of the provincial textile trade which has an elaborate division of labor and cooperation is relatively high. Even though the expansion of autonomy in a single textile enterprise enlivens an enterprise, it can hardly tally with the macroeconomic demands and hardly reach the goal of producing more rich and varied textile goods, and is detrimental to regulating the relations of economic interests between the state and the enterprises and among the enterprises themselves. Now that provincial and municipal textile industrial companies have been established, the system of two-tier companies should be solved as soon as possible so as to create conditions for expanding the autonomy of the whole company.

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ECONOMIC JOURNAL ON TRADE ASSOCIATIONS

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pp 56-58, 63

[Article by Li Jing of the Hunan Provincial Academy of Social Sciences [2621 7234] and Du Xiufeng of the Hunan Provincial Machine Building Committee [2629 4403 1596]: "Discussion on the Question of Establishing a Machine Building Industry Trade Association"]

[Text] The machine building industry bears the responsibility of providing technological equipment to various agencies that are involved in the national defense buildup or economic development. It also has the function of supplying durable consumer goods for the people's livelihood. It is strongly connected with modernization of the entire industry. The level of national economic development depends, to a large extent, on the level of development of the machine building industry. The central authorities have determined that the readjustment of the machine building industry is the focal point of the entire industrial development. This is a very correct decision.

There is mutual cause and effect between the readjustment of the machine building industry and the reform of the machine building industrial management system, with each mutually helping the other. Undoubtedly the readjustment creates the preconditions for reform. Inevitable and feasible reforms will in turn help overcome the barriers of readjustment and promote the penetration of such readjustment. This essay attempts to examine the issue of breaking up the departmental and regional boundaries and setting up trade assocation. Through such it will explore a road for reforming the management of the machine building industry. The following presentation will take up three issues:

1. The Defects of the Existing Management System

The machine building industry has developed considerably since the founding of the state. It now has an enormous establishment, however the existing management system of the machine building industry is a multidepartmental and hierarchical institution. There are the military and civilian sectors in the country. The civilian sector is further divided into two manufacturing systems of general equipment and specialized equipment. The machine building industry is spread out over the 43 departments in this country. In terms of hierarchy, there are the central and regional systems. The regional system is further divided into province (city), district (city), prefecture, commune and village and they all run a machine building industry. This is a confused and fragmented management system. The industry is cut up into thousands of autonomous small "feudal lords" pursuing individual interests. A series of defects has resulted and the fundamental ones are listed below:

(1) It Leads to Considerable Duplicate Production, Duplicate Construction. Over Investment, Great Waste and Poor Economic Effect.

Since the machine building industry has been dissected, a unified market of electrical and mechanical products cannot be established. It is impossible to formulate and execute a set of national regulations for the machine building industry. Each department and region plans its own development according to the needs of each unit. It has therefore resulted in 21 local committees, 28 provinces, municipalities and autonomous regions and 375 enterprises that produce internal combustion engines. Industries such as the automobile, tractor, bearing and electrical industry which are geared up for plentiful production are also highly scattered. Factories that produce bicycles, electric fans and other short-term consumer durables that are in short supply are also booming and blossoming at the same time.

Duplicate production inevitably brings out duplicate construction. Each department and region, in augmenting its own production potential, tries hard to find a good base. The overall view of economic equilibrium is therefore overlooked. The Liling electrical porcelain with productivity excedding 7,000 tons. In recent years, orders from inside and outside the country have amounted to about 6,000 tons, meaning a surplus of productivity. However, the Lujiang electrical porcelain factory 5 kilometers away which produces the same products, received 1 million yuan of investment in 1980 from the department concerned to expand productivity.

Duplicate production and duplicate construction lead to a situation of excessive points but inadequate quantity, low productivity and poor economic effect. Much manpower, money, and resources are wasted.

(2) Duplicate Scientific Research, Duplicate Induction, Dissipation of Technological Power and Low Level Technology.

Each department and region arranges scientific research and introduction of technology according to its particular needs and judgment. This has resulted in a situation in which several departments and regions import seven sets of large-scale component circuit equipment. Apart from the First Ministry of Machine Building, there are another two departments and six provincial cities carrying on negotiations with foreign merchants to import heavy motor vehicles and small saloon cars.

There are altogether 480,000 technicians employed in our nation's machine building industry. The proportion is small but the absolute number is considerable and the potential is enormous. If not for the present dissipation of resources, duplicate production and ineffective mobilization, it would be possible to greatly reduce the gap between us and advanced world technological levels.

(3) The Cutting Off of Horizontal Links Among Enterprises and the Low Level of Specialization and Integration.

The horizontal links among enterprises are hampered by regional and departmental barriers. Therefore when a factory is established, it is geared to be a "self sufficient" all round factory which can cater to both cold and heat treatment work. Among 1,502 machine building industrial enterprises on or above the prefectural level (excluding the military industry), there are only three specialized foundries. The furnaces in the steel smelting works have a total capacity of 256,000 tons. But the actual annual demand does not exceed 35,000 tons. The utilization rate of the equipment is 13.7 percent. In cities like Changsha where industry is fairly concentrated, the commodity ratio of steel smelted products is only 7.3 percent, lower than the national level of 18 percent.

Regions and departments form their own complete systems, and aim at an ever higher rate of self-sufficiency. Enterprises all rush to enhance their capability to manufacture things themselves. Under the interference of some supervising departments, some enterprises even sever the connections for coordinated production, and turn the factory into an all-round factory. For instance, take our country's electric locomotives: they are originally jointly researched by the Tianxian locomotive shop and the Xiangtan electrical machinery plant with the Xiangtan plant producing the electrical machines and electrical control equipment while the Tianxin plant assembles the complete vehicles. Yet later on the department concerned expanded the Tianxin plant to include an electrical machinery workshop and assembly plant, so it could undertake the whole production process.

In conclusion, regional and departmental separation is the greatest barrier to reorganizing and integrating the machine building industry enterprises. Without solving these issues, the machine building industry cannot rationalize its organization and hence it cannot improve the economic effect.

2. Breaking All Barriers Imposed by Regional and Departmental Systems of Ownership and Establishing a Trade Association

The reform of the existing management system is inevitable. Yet there are many views on how to approach reform. We believe that the establishment of a trade association and introducing professional management can effectively break all the regional and departmental barriers. It would also pave the way for a rational organization of the machine building industry.

(1) The Nature and Mission of Trade Associations

A trade association is a voluntarily formed organ for coordinating the production of enterprises producing similar goods. It is not a government agency but has certain executive authority. It is not an economic integrated body but has certain economic functions. It is a semiofficial, semi-people-run, semiexecutive and semieconomic organization. The main functions of a trade association are 1) to follow the state's economic plans, target and policies and, based on market forecasting and trade survey, to form medium and long-term development plans and annual plans for industry. 2) To formulate the policy for technology development plans and technological installations. It has developed technician consulting work and technician training. 3) To formulate a trade standard, including enterprise standards and product standards. 4) To organize and adjust internal coordination. 5) To organize the export and trade products. 6) To organize international competition and criticism within the industry. 7) To report to the government on the conditions of production transacts of the trades and propose relevant requests and recommendations.

The trade association represents all the enterprises in a given trade and can at a suitable time consult and adopt certain technological and economic measures. Under the guidance of the national plan, it can propose a development plan for the trade and certain requisite regulations. Upon approval, these will become the solid expectations of the state toward the inudstry.

The trade association is a managing committee formed by representatives of enterprises producing similar products (including whole machines, parts, foundation parts and some intermediate craftwork). It is responsible for discussion and resolution of fundamental issues and settling work policy. The managing committee has a delicate executive organization responsible for daily routine. The work includes taking on government-assigned topical research, long and medium term planning and help in making diagnoses for industry, and answering inquiries from departments and enterprises. Various regions, departments and enterprises of different institutions can freely join or withdraw. An enterprise producing a wide variety of products can join different rade associations. Any enterprise that joins an association is obliged to comply with the duties of the articles of the association. This includes following the trade association resolutions, reporting to the association on the production level and sharing the expenses for the association's activities.

The trade association will determine its form of organization according to different products. Some may include assembly plants and parts plants in the association, like bicycle factories. Some include the manufacturing plants and main parts factories, while plants making minor parts will join other trade associations, like those for automobiles. Some should strengthen the work of the national associations like the basic parts undertakings. Some should focus on the strengthening of the regional associations like the minting, smelting and heating trades.

(2) Functions of Trade Associations

The organizing of a trade association is conducive to the breaking up of regional and departmental restraints and has an active effect on developing industrial production:

First, it can rationalize the production organization and utilize the active function of the enterprises. This is because trade associations can shed the restrains imposed by departmental segregation and regional blockades. It will start by improving the productivity of industry and follow rational economic principles. It will research into and formulate a development plan and organize coordination and collaboration and fix standards for both the industry and the products. "Pass certificates" will be issued to enterprises that attain a certain standard. "Trade standard certificates" will be issued to commodities that attain a certain standard. The association can also fix a unified price and hence high priced goods of lower quality will be eliminated. The issue of duplicate production will then be easily solved.

Besides, the association can serve as the link between the state and the enterprises. It will make the state's guidance in macroeconomic policies effective toward the microeconomic activities. The state's requirements on certain trades and products will become, through the trade association, the managing principles of the enterprises. The irrational development which is caused by departmental segregation and regional blockades will be avoided.

Second, it is conducive to raising the technological standard. It can consolidate the technological potential of an entire trade, research new products, promote new technology and avoid duplicate research and development as well as mutual segregation. Hence the research and development will be expedited and production standards will be raised. Based on the national and industrial conditions, the association will formulate a policy for renovation plans and technological installation. That is conducive to improving backward production technology. This is an assignment which an ordinary agency cannot cope with, neither is it feasible for a single enterprise or scientific research unit.

Third, it is beneficial to developing professional collaboration. One of the major reasons for the slow progress in professional collaboration is the lack of unified management organization for primary products and specialized craftwork. The state's capital is invested according to the development of all manufactured goods. Many enterprises producing primary goods and craftwork and small factories cannot attain a good standard because of lack of financial resources and technology. The big plants do not trust the help of small plants and they proceed to become "factories capable of everything." Small plants have no option but to manufacture the whole machines, thus becoming "small and complete." If trade associations can be established for smelting, heat treatment, hydraulic pressure items and hermetic sealing, professional collaboration will be promoted.

Fourth, it is beneficial to export: the association is better informed of technological and economic data and more specialized in its business. It is more capable of doing business than foreign trade firms. It is also the unified organization for the external, equivalent to a joint sales center. It may centralize export affairs and avoid internal competition among districts for foreign trade. Besides achieving a consensus, the profits are maintained.

Fifth, it is conducive to enhancing the economic impact of the enterprises. It guarantees that our national industry will keep on an investment-saving, efficient and rewarding road.

(3) Several Issues To Be Solved When Organizing Trade Associations

Trade associations are an innovation. In order to break through regional and departmental boundaries and establish an association, difficulties and resistance from all sides must be met. In organizing a trade association, the following issues have to be solved:

1. It should suitably recognize that the enterprise is a relatively independent producer with the requisite business management autonomy. The enterprise will be liberated from real regional and departmental restraints. Otherwise the resolution of the association will be antagonistic to the interests of the "grandma" enterprises and it will not be thoroughly carried out.

2. It is necessary to manage well the relations between a trade association and a joint venture company. They are not adminsitratively connected, but the joint venture company should be the backbone of the association. Big joint companies should assume leadership of the associations in which the big enterprises should be allowed adequate speech and voting power. It should not resort to repressing the big enterprises to develop small and medium undertakings. Yet is should guard against the control of big enterprises and avoid suffocating competition and create favorable conditions for the small and medium enterprises.

3. It should correctly handle the relations between the national and regional associations. It is more favorable for the associations to be established both at the national and regional levels. A national association should follow after the establishment of associations in the cities. The national associations may be established in Beijing or other industrial cities. For instance associations for bicycles, and sewing machines may be established in Shanghai, associations for machine tools in Shenyang, and so on. It is more advantageous to stick to big enterprises and scientific research centers. As a matter of principle, district associations should be located at provincial or regional economic centers, but it is not necessary for each province to establish one. Associations should not be found everywhere or turned into appendages to administrative machinery. District associations should be subordinated to the national organization. The organizing and admission of district associations has to be done through the national association, forming the base organization. A district should both represent its local interests and keep the overall interest in view. The district association should subordinate its work to the guideline of the national association.

4. It should correctly handle the relations between the association and the administrative machinery. Associations should adhere to the planned guidance of the state and persist in the execution of the state's target, policy, law and order. They should also be placed under the supervision of the state. The government should give serious attention to the suggestions of the associations, especially in the arrangement of production, the distribution of investments, and in fixing prices, taxes, and economic policy. Then the association will better understand the condition and requirements of the trade.

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PROMOTION OF RESPONSIBILITY SYSTEM IN FINANCE, TRADE URGED

Experience in Shanxi

Beijing ZHONGGUO CAIMAO BAO in Chinese 25 Jun 81 p 1

[Article by correspondents Zhang Baolong [1728 1405 5693] and Tie Jingkui [1586 4842 7608]: "Finance and Trade Units in Shanxi Promote System of Responsibility for Business Operation"]

[Text] The Shanxi provincial government recently issued a notice calling on finance and trade units at all levels in the province to actively promote the system of responsibility for business operation. In his talk before a report meeting of provincial, prefectural and municipal leaders responsible for finance and trade work, Wu Guantang [2976 0432 3282], secretary of the provincial party committee and vice governor, who relayed the notice, pointed out the need to emancipate the mind and to promote the responsibility system energetically as a type of reform. At the same time, he pointed out that the measures to be adopted must suit local conditions and proceed from realities instead of being carried out as merely a formality or as a ready solution to all problems.

According to incomplete statistics, 220 units of the commercial and grain departments in the cities and countryside of Shanxi Province have tried out various forms of responsibility system in the past 2 years. In April and May this year, vice governors Wu Guangtang and Zhang Tianyi [1728 1131 0044] and six investigation teams of the provincial finance and trade units conducted in-depth investigations in various parts of the province and summed up the typical experiences of the supply and marketing system in Anze County, the food company of Yuci County, the hotel of Datong municipality and some 10 other units practicing the responsibility system. Their methods can be summarized in six different types:

First, responsibility for profits and sharing of surplus profits; second, establishment of work quota, remuneration for fulfillment of quota, reward for above-quota work, and wage deduction for failure to fulfill quota; third, the float-wage sysem under which the regular pay, which is the major portion, is supplemented by a minor portion taken from retained profits; fourth, responsibility for an assigned quota, and remuneration according to sales; fifth, responsibility for loss beyond the approved limit, and such loss will not be made good but loss within the approved limit will be compensated, and the compensation fund will be at the enterprise's disposal; and sixth, responsibility for a set profit quota with rewards for above-quota profits and punishment for failure to fulfill the quota. By closely combining an enterprises' business operation with the responsibility, rights and interests of the workers and staff members, the units practicing the responsibility system have effectively aroused the enthusiasm of the workers and staff members for business operation. Thus their profits have multiplied and their management and service have shown marked improvement. Facts have proved that the system of responsibility for management among finance and trade units is not only necessary but also practicable. It must therefore be unswervingly popularized.

In his talk, We Guangtang pointed out that in promoting the system of responsibility for management among the finance and trade units, the leadership should first of all emancipate the mind and get rid of concern about the difference between finance and trade on the one hand and agriculture on the other and about the complex situation in finance and trade arising from the large number of different departments. They must realize that promoting the system of responsibility is a reform in finance and trade work, and any problem involving policies encountered in the course of such promotion must be promptly solved. Second, the methods and forms used can be flexible and varied, and any of the above six forms can be used. Furthermore, ordinary small and medium-size enterprises can also try out the method of paying tax instead of handing their profits. After paying tax, part of the remaining profits can be used as a bonus fund or for fringe benefits. The enterprises can also practice the system among their workers and staff members in various forms, such as entering into contracts with small groups or even individuals. Contracts for this purpose should be signed, clearly stipulating the main economic targets, duties, and the national policies to be upheld. Third, the measures adopted should suit local conditions and proceed from realities instead of being carried out as a mere formality or as a ready solution to all problems. There should be experiments and summing up of experiences before the gradual popularization of the system. Instead of issuing compulsory orders, they should let the masses conduct democratic discussions before reaching any decision. Fourth, leadership of the organizations should be strengthened, and everyone should cooperate in harmony in solving all problems encountered in the course of experimentation and populatization. Fifth, since the promotion of the responsibility system among finance and trade units involves many other departments and units, including those of urban construction, communications, public health and public security, the departments and units concerned should do everything possible to give the required suppot and assistance.

Gansu Symposium

Beijing ZHONGGUO CAIMAO BAO in Chinese 16 Jul 81 p 1

[Article by correspondent Yang Zhanfeng [2799 2069 6912]: "Responsibility System Is a Necessity for Finance and Trade Departments--Gansu Provincial Symposium on Finance and Trade Work Summed Up Results of Experiments and Called for Emancipation of Mind and Elimination of Fear and Worry"]

[Text] Gansu Province recently held a symposium on finance and trade work to sum up the results of experiments in the system of responsibility for business operation and held that such a system was a necessity for finance and trade departments. It also urged the wiping out of "leftist" ideological influence and the elimination of worry about possible disorder.

More than 200 basic units of the commercial and service trades, supply and marketing cooperatives and food enterprises have tried out the system of business responsibility. The methods used generally took three different forms: First, the workers and staff members as a collective shoulder the responsibility for enterprise management. Second, the enterprise enters into contracts with small groups or the retail department. Sometimes, responsibility for some sectin of the enterprise is transferred to a group which would set up its own store. Third, individual workers or staff members are responsible for the management. The integration of business results with the personal benefit of the workers and staff members aroused their enthusiasm and improved the enterprise's business results, and many enterprises have turned losses into profits.

The participants of the symposium held that in outward appearance at least, the progress of work was not fast enough, because some leading cadres had long been influenced by "leftist" ideas and did not quite understand the necessity and urgent nature of the responsibility system. For example, some leaders thought that "commerce is not the same as agriculture, and therefore, the system of responsibility for business operation, or for profits and losses, cannot be practiced." Others worried about the change in the nature of the enterprises and disorder in the ranks of workers and staff members. To give everyone a better idea, some 10 typical examples of the experiments of the responsibility system were cited in printed form at the symposium. Seeing these vivid examples, those comrades who formerly had misgivings about the system realized that "responsibility for profits, for work, for reduction of loss, and for business results" could work wonders in bringing about vitality and profits. Therefore, they decided that the earlier the change, the quicker will be its effects; and the more drastic the change, the greater will be the benefits.

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INDIVIDUAL, INDUSTRIAL, COMMERCIAL UNDERTAKINGS SUPPORTED

Beijing ZHONGGUO CAIMAO BAO in Chinese 4 Jul 81 p 2

[Article by unidentified correspondent: "Individual Industrial and Commercial Undertakings Should Be Strongly Supported in the Supply of Raw Materials--Specific Regulations Given in Joint Notice From General Industrial and Commercial Administration Bureau and Five Other Departments"]

[Text] Households engaged in individual industrial and commercial activities are independent workers living on their own labor. Politically and economically, we should treat these households in the same way as we do units owned by the entire people and by collectives, and all departments should strongly support them in the supply of raw materials and other goods. Some localities at present are discriminating against these households; such an attitude must be changed. This is pointed out in the joint notice of the General State Material Bureau and the General State Labor Bureau issued in accordance with the spirit of comments by the leading comrades of the central government.

The joint notice contains these specific regulations concerning the supply of goods to individual industrial and commercial undertakings in the cities:

1. All raw materials and other goods required by households properly registered in the cities and holding valid licenses for industrial and commercial undertakings should be supplied by the local state-run commercial enterprises, and grain, supply and marketing and material departments according to the approved scope of business. These households should be entitled to the same rate of wholesale prices as given to state- and collective-run units. State-run commercial enterprises, supply and marketing and material departments should set up more wholesale centers according to the scope of division of work and appropriately reduce the minimum wholesale amount for the convenience of these households. As to the goods in short suply for repair service, the material departments should consider the needs of these individual households and accordingly arrange for the timely delivery of goods. As to grain and edible oil, the grain departments should be guided by market demands in supplying to individual catering undertakings the planned quantities in the same way they supply to state- and collective-run catering units. Foodstuff should be supplied against food coupons and edible oil should be rationed according to regulations. Grain and oil outside the plan can be sold at negotiated prices according to local conditions. If the state cannot supply, or fully supply, the required raw materials or other goods, the individual households can buy their own at designated markets after approval by the relevant departments.

2. Households operating retail stalls at country fairs are required to pay nominal rental for the stalls used. Unless approved by the provincial, municipal or autonomous region people's government, no department whatsoever can collect any other fee which would add to the burden of these households.

3. Industrial and commercial administration, commercial, food, supply and marketing, material and labor departments should closely cooperate with one another in providing guidance for the management of these undertakings and in protecting their legitimate business as well as proscribing illegal dealings. All individually run industrial and commercial undertakings enjoy state wholesale prices should sell their goods and pay their taxes strictly in accordance with the state's unified regulations. They are not permitted to carry out illegal transactions, to drive up prices, or to evade the payment of tax.

The joint notice also calls on all localities to once again examine the problems which may crop up in the implementatin of the policy to develop individually run industry and commerce, and to report on the result of their examination.

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NATIONAL POLICY AND ISSUES

UNPRECEDENTED INDUSTRIAL GROWTH REPORTED IN HUBEI PROVINCE

Wuhan HUBEI RIBAO in Chinese 13 Jul 81 p 1

[Article by unidentified correspondent: "Industrial Production in Hubei Hit All Time High in First Half of 1981--Production of Light Industrial Goods Needed for People's Daily Life Vigorously Developed in the Course of Economic Readjustment"]

[Text] Since the beginning of this year, the broad masses of cadres, workers and staff members on the industrial and communications front of our province have conscientiously implemented the policy of national economic readjustment and have achieved fairly good results in industrial and communications production through hard work. In the first half of this year, the total industrial output value, compared with that of the same period of 1980, increased by 4.38 percent. This is the best record for the first half of any year in history. In six prefectures and municipalities--Shiyan, Shashi, Xiangfan, Huanggang, Hanning and Yunan--the increase was more than 8 percent. Among the 80 main industrial products, in 52 of them the plan for annual increase has been completed. In passenger and freight traffic by railways, long-distance waterways and local transport, the annual plan has been more than half fulfilled. From January to May, the profits realized by state-run industrial enterprises, as included in the budget, exceeded those of the same period in 1980 by 3.7 percent, and the production cost in comparable terms was reduced by 1.1 percent.

Since the beginning of this year, there has been a sustained growth in light industrial production in our province. In the first half of the year, the ratio of light industrial output value to the total industrial output value of the province was increased from 47.1 to 51.8 percent. Of the 27 main light industrial products included in the provincial statistics, 18, or 66.7 percent, have shown increases over the same period of 1980. Production of the main machinery and power products and consumer goods for daily use such as bicycles, sewing machines, wrist watches, TV sets, radio sets, soap, ceramics, and so forth, has also increased by a fairly wide margin. At the same time, a number of new products, new varieties, new designs and new styles--called the "four news"--were for sale on the market.

In the course of readjustment, heavy industry has gradually turned to serve agriculture, light industry, the people's daily life and export in foreign trade, and the product mix has undergone a gratifying change. The production of various types of pipes and steel bands required in light industry increased by more than 40 percent over the same period of last year, and the production of thin steel plates more than doubled. Upholding the policy of supporting light industry with heavy industry and maintaining heavy industry with light industry, the machinery industry has actively readjusted its orientation of service and directed its efforts to producing machinery and power equipment needed in the people's daily life and providing technical equipment for the textile industry and energy conservation. The scope of these activities has continued to expand along with the growing success. In the first half of the year, the number of varieties of light industrial goods and technical equipment supplied by the machinery industry to light industrial departments increased from 86 in the same period of last year to more than 150. Furthermore, the machinery industry has also arranged for the production of 17 complete sets of equipment required by the light, textile and food industries for technical transformation, including such equipment as required for producing sewing machine panels, carbonated water and beer, for baking bread, and for the recovery and utilization of discarded plastic materials.

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LEARNING FROM SHANGHAI

HK010324 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81 pp 1-13

[Article by Min Gan [7036 3227]: "Learning From Shanghai Is a Practical Way To Promote Economic Effect"—slantlines denote boldface]

[Text] The carrying out of learning from Shanghai activities and other coastal areas in a planned and organized way and the transplantation of their advanced technology and enterprise management and their good experience in reorganizing industry and integration into the hinterland is a most practical and effective way to tap and develop the potential of China's existing enterprises and promote the economic effect.

Ours is a big country with many variants in natural and historical conditions. The level of economic development differs from place to place. There are not only industrially developed cities such as Shanghai and Tianjin but also industrially backward interior areas with relatively poorer lifestyles. Shanghai is China's biggest and oldest industrial base with the most solid foundation, complete industrial sectors and departments, concentrated scientific and technical force, good conditions for internal cooperation and prolonged accumulation of experience. Its level of production, technology, business management and economic effect are much higher than the levels of the hinterland and the national average. At present, the fixed value of Shanghia's industrial fixed assets totals about 6 percent of that of the state, its total industrial output value comprises one-eighth of that of the state and its financial revenue (including enterprises under central jurisdiction) constituted one-sixth of that of the state. The ratio between fixed assets and annual output value is about 1:3 for Shanghai and just 1:1 for the whole nation. The appreciation rate of assets in Shanghai is about 57 percent and that of the 200 cities in the country, on an average, is only 20 percent. The annual frequency of turnover of floating assets of Shanghai is around 6 times while that of the state is 3 times. The utilization rate of energy of the industrial departments of Shanghai is around 33 percent whereas the national average is below 30 percent. The industrial output value of Shanghai is about 30,000 yuan per workers, 1.5 times higher than the national average. The average per-capita GNP of Shanghai is about $1,600 which is 6 times that of the national average level. Jiangsu Province has a relatively developed textile industry, but compared with Shanghai, it still has a long way to go. The fixed assets of the textile trade of Jiangsu Province was 72.4 percent of that of Shanghai in 1979, but compared with Shanghai, its output value was only 60 percent; the foreign exchange earnings through exporting goods was 50 percent that of Shanghai, its profits were 37 percent and the overall level of industry was 40 percent lower than Shanghai. It can be seen that if all the industrial enterprises in the country attain Shanghai's present level, the nation's existing output value and rate of accumulation will double and redouble and the pace of our four modernizations will be greatly accelerated.

To realize the four modernizations, it is necessary to earnestly study advanced foreign technology and scientific management methods. But ours is a developing country with a poor foundation, weak economic base and huge population. Therefore, not every locality and enterprise has the abilities to assimilate and digest the new foreign technology and management methods of the 1970's and 1980's. Viewed from the angle of local industry, the most effective way is to focus the emphasis on learning from Shanghai (and other coastal cities). This is because Shanghai's experience created by assimilating and digesting advanced foreign experience, is concrete and practical, and tallies with China's national condition. Learning from Shanghai enables us to give full play to the superiority of the socialist system, the close relation between the different regions and enterprises, in which the more advanced help the less advanced and the latter learn from the former earnestly and sincerely. Learning from Shanghai is less costly and needs no foreign exchange, so it is more convenient and more beneficial than learning from foreign countries. In the light of their own conditions, Shanghai and other coastal cities can digest, before others, the advanced foreign technology and scientific management methods, and then spread and transplant them in the hinterland. This will produce safer and quicker results.

Early in 1956, in his "On the Ten Relations," Comrade Mao Zedong specifically expounded the matter that the coastal areas should support the hinterland. Liu Shaoqi and Zhou Enlai also repeatedly stressed that full play should be given to the role of coastal areas and support should be rendered to the construction of the hinterland. Since the 1950's, a vast number of cadres and workers have been transferred in succession from Shanghai and other coastal cities to strengthen the industrial construction of the hinterland. Some trades have organized technical service teams according to products and big economic districts to provide the hinterland with technical assistance and carry out activities to provide experience in the hinterland. Over the recent past 2 years, the industrial departments of Jiangsu, Hubei, Shizhuan and Heilongjiang provinces further carried out the activity of learning from Shanghai, centering on improving product quality, increasing the variety of product design, color and size and enhancing production techniques and management skills. This resulted in marked achievements.

The level of production has been improved. After following the activity of "Learning from Shanghai and reaching the targets," the textile trade of Jiangsu Province fulfilled in 1980 a total output value of 9.15 billion yuan, an increase of 28 percent over 1979; produced profits of 1.1 billion yuan, a 34 percent rise, and earned foreign exchange of $450 million a 10 percent gain. In the past 2 years, 13 products were awarded gold and silver medals, 46 items were graded as national brand-name products, 364 items as national products of fine quality, 57 items as provincial products of fine quality, and 413 new products and new varieties of product design, color and size were put into production.

The backwardness of a number of less advanced enterprises has been ended. Since the end of 1979, the Wuhan No 2 Ligh Industrial Bureau has organized 96 enterprises which center on learning from Shanghai. They have fulfilled 29 projects, solved 66 key problems in production, resulting in relatively great changes in 25 enterprises out of the 96. Take the spokes produced by the Xinyang County bicycle spare parts plant for an example. The inferior spokes of the plant were overstocked and rejection of substandard products was so serious that plant production had to be suspended in 1979 to rectify this matter. Through the help rendered by the comrades from Shanghai, the plant overcame key technical problems and its product quality surpassed the standards set by the ministry concerned. Now the products of the plant not only are on sale throughout the country but also are being exported in large numbers.

The business management of enterprises has been improved. The Harbin pencil factory learned in earnest from the Shanghai No 1 pencil factory, and other units, experience in business management, perfected the responsibility system, carried out the overall quality management and business accounting, strengthened the building of teams and groups, improved the methods for rewards, defined the policy of product diversity and developed products of fine quality and adopted the business principle of small profits and quick turnover. The rate of regular production has improved, its administrative expenses have dropped, the varieties of goods on sale on the domestic and foreign markets have increased. In the first 2 months of this year, the factory had an additional income of over 200,000 yuan.

The staff members and workers have received training. The localities and enterprises which were engaged in learning from Shanghai assigned relatively efficient staff members and workers to take the comrades from Shanghai as their teachers and learn techniques from them, and invited the comrades from Shanghai to start professional training courses and technical lectures, and trained a group of backbone staff in techniques and management, thus enabling the staff members and workers to learn the good ideas and work style from Shanghai's working class.

The practice shows that if the industrial departments of the hinterland learn from Shanghai and proceed from reality to transplant the experience of Shanghai they can effectively promote the development of local industry, help improve the national economy as a whole, can more effectively raise the scientific, technical and cultural level of the whole nation and also more effectively control the growth of population of big cities and assist in the construction of medium-sized and small cities and towns. This is of great significance in improving the economic effect and the acceleration of the four modernizations program.

According to the experience of some localities and in the light of past experience, in commencing to learn from the advanced, attention should be paid to the following things; 1) "Uphold the principle of giving prominence to ideological work and raise the conscientiousness of study." Learning from Shanghai is not a problem of method, but a way to give full scope to the superiority of the socialist system, to stick to the principle of self-reliance and carry out the four modernization program in the spirit of achieving greater, faster, better and more economic results. Therefore, it is imperative to conduct thoroughgoing and painstaking ideological work and rectify the following incorrect ideas: The experience of Shanghai is too high to attain, thus there is a lack of confidence in studying it; and its level of production is high and unattainable. Because their own products are selling well, some people feel that it is unnecessary to learn any more; some people are unrealistically satisfied with their own achievements in some respect; they are unwilling to learn because it requires too great an effort to learn from Shanghai. We must learn from the experience of Shanghai conscientiously, earnestly, assiduously and persistently. The comrades from Shanghai who were assigned to help and learn from the comrades of the hinterland should stress ideological education. They should bring into play the spirit of socialist cooperation, advocate the approach of "acting as host but not as guest," manage to pass on experience in an earnest and sincere manner and enthusiastically solve the problems on their own initiative.

2) "Adopt varied effective ways of study in the light of the actual conditions." The ways of study for the time being are chiefly: first, organize economic cooperation. It is necessary to give scope to Shanghai's strong points in techniques and equipment and the hinterland's strong points in raw materials, factory building and manpower, and form various forms of economic complexes including integrated enterprises, jointly-operated enterprises, branch factories and compensation trade. Second, establish a fixed relation of helping and learning from each other among the enterprises. It is necessary to link up some selected backbone enterprises with Shanghai enterprises of the same types and the latter should not only pass on techniques and experience but also render assistance in technology, equipment, spare parts, informaton and data. Third, Shanghai can send complete three-in-one teams integrating leading cadres, technical personnel and veteran workers to help the enterprises of the hinterland solve the key problems in production in detail. Fourth, a technology. It is necessary for the both parties to sign a contract stipulating the coordination, requirements, time limits and methods for payment. Payment according to work done can be generally adopted and technical service charges and expenses of man-day and materials can be paid in a single or in several payments. They can share a certain proportion of the net profits or the profits in excess of the production targets of the completed joint projects. As for the activities of helping and learning from each other that consume little amount of work and time on a mutual voluntary basis, free instruction can be practiced or the group receiving instruction can bear the wages, bonuses, subsidies, medical expenses and official business and traveling expenses of the helping-and-learning personnel from Shanghai. Fifth, invite the retired workers and technical personnel from Shanghai to pass on experience. Most of Shanghai's retired workers and technical personnel are superb in techniques, rich in experience, high in consciousness and good in their work style. They are valuable assets of the state. To invite them to strengthen the work of the hinterland can have a great effect. Sixth, send people to Shanghai to "learn from its experience," receive training, go on field trips and visiting trips and attend the training courses, on-the-spot meetings and meetings for exchanging experience sponsored by Shanghai. The abovementioned methods of "inviting in and sending out" must be carried out step by step with a definite emphasis. It is advisable to go to Shanghai in small numbers, and not permissible for people to quickly pour into Shanghai. Besides, the experience of Shanghai can be compiled into data and be made into films. Various localities can start study classes and research classes on learning from Shanghai.

3) //In the light of the imbalances of the development of localities and enterprises, put the classified guidance into effect and integrate the local advanced experience.// For instance, Suzhou, Wuxi, Changzhou and Nantong which are relatively developed

in the textile industry in Jiangsu stressed learning from Shanghai, while Nanjing and Xuzhou put the stress on learning from these four cities. The products of the Nanjing textile trade were in the past never on the lists of public appraisal of product quality. After it took Changzhou and Wuxi as its examples to learn from and to catch up with, in 1980 three items of its products have been graded as brand-name products, 10 items as national products of fine quality and 53 items as provincial products of fine quality. According to the level of technical and economic targets, the level of quality and variety and the enterprise business management skills, Jiangsu Province arranged the enterprises in order of importance and urgency. They were classified into three categories: first, second and third. The enterprises of the first category should learn from Shanghai and are required to reach the level of production of Shanghai in a certain period of time; those of the second category should learn from those of the first category, that is to say, they should first catch up with and surpass the advanced level of the province; and those of the third category should center on rectification and putting an end to the backwardness of the enterprises in a limited time. Thus the activities to learn from Shanghai were carried out grade by grade and step by step, and the way of "finding a single solution for diverse problems" was no longer adopted. This helped improve greatly the level of the whole trade.

4) //Take hold of typical examples to promote the work as a whole and organize the activities of learning from Shanghai in a coordinated sequence.// In studying anything, one must have a clear target, focus on solving one or two key problems, and must not place undue emphasis on quantity or completeness. Instead one must strive for quicker results. In learning from Shanghai, the Shizhuan textile trade first invited Shanghai to send experienced personnel to conduct investigation and study to find out the real conditions, and decided to take four factories of Chongqing as the key and concentrate on resolving the problems that demand a prompt solution in developing present production, such as the quality of the fabrics of medium and long fibers, the quality of printing and dyeing polyester and cotton cloth, the techniques to straighten the finished polyester and cotton cloth and the techniques to print sheets. After that, Shanghai organized helping-and-promoting groups with complete composition of personnel to carry out the work in these four factories, with the participation of the selected personnel of the Chongqing textile trade. Using these four factories as the "models," the Chongqing textile trade organized the enterprises concerned to carry out the activities in a coordinated sequence to tackle key problems from spinning, the making of grey cloth and printing to finished products. The promotion of the work as a whole by using typical examples and the integration of the four factories with other factories enabled them to spread the experience of Shanghai to the whole trade at a faster speed through these four factories.

5) //Combine the learning and transplanting of advanced experience with the rectification of enterprises.// First of all, it is imperative to further strengthen the building of groups which lead enterprise. Sticking to old ways, without the willingness to study and without a definite cultural and professional level, it is hard for the leading groups to learn things. Secondly, it is necessary to amplify the responsibility system, comprehensive quality management business accounting, and fixed quota management and set up the corresponding economic management system in order to help the results of study really take effect in the enterprises in terms of organization, system and measure. It is also necessary to vigorously train every

staff member and worker, enhance the scientific research, designing and trial-manufacturing capabilities of products and effectively improve the level of production techniques of the enterprises.

6) //Enhance the organizational leadership, stress the practical results and avoid blindness.// In the past in launching the campaigns for learning from the advanced, undue emphasis was very often placed on formalism, ostentation and extravagance. People used to rush headlong into mass action in an unplanned way and sought a superficial grand spectacle, disregarding the practical economic effect and wasting a large quantity of manpower, material resources and finances. It is essential to draw lessons from these acts and carry out the activities of learning from Shanghai, coastal areas and the advanced in a down-to-earth manner. In accordance with the policy of readjustment, the various departments and localities should determine where they lag behind such as in economic and technical targets, enterprise business management, production techniques, industrial organizations and economic reform, and analyze the reasons, designate the targets and work out the plans for catching up and learning. After being balanced by the departments concerned in an overall way, the plans should be carried out in a planned and organized way and step by step. In studying, one must have a definite aim in view and learn in order to practice. The personnel should be complete and small in number but highly capable of resolving practicel problems. We must not carry on any political movements, do anything perfunctorily, indulge in extravagance and waste or drag in logs of people, all of which would adversely affect production. The learning side and the helping side should sign a contract and after the completion of the learning and helping activities, the results should be checked before acceptance and implementation in earnest. As for Shanghai, its industrial departments concerned should make overall arrangements for heoping other localities. They can set up technical advisory bodies and service centers to arrange in a unified way the transfer of techniques, management and qualified personnel to "diagnose a disease" for the enterprises of the hinterland, provide them with data, transfer knowledge of techniques to them, install equipment and oversee its initial operation, resolve key technical problems, improve the business management, train the technical operating personnel and start professional training courses.

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'JINGJI GUANLI' REPORTS ON ECONOMIC REFORM FORUM

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[Article in the special collection of articles (Part II) on the reform of economic management systems: "Summary of the Forum on the Theoretical and Practice Aspects of the Reform of Economy Management System (Written on 25 April 1981")]

[Text] At the suggestion of the leading comrades of the State Council, the Industrial Economic Research Institute of the Chinese Academy of Social Sciences and the Sichuan Social Sciences Research Institute jointly sponsored the convention of the "Forum on the Theoretical and Practical Aspects of the Reform of Economic Management Systems" in Chengdu from 16 to 25 April, 1981. The forum was attended by 351 persons, including workers in economic theory, practical workers in economic departments, and comrades from experimental enterprises. Some 120 theses and pieces of compiled information were presented during the forum.

This forum did not aim at pure theoretical discussion. Instead, it demanded the linking of theory to practice, the summing up of experience in readjustment and reform, and the presentation of some constructive ideas for consideration by the leading bodies concerned.

At the opening ceremony of the forum, Comrade Ma Hong [7456 3163] communicated the gist of the recent speeches of the leading comrades of the State Council as well as their demands on the forum, and Comrade He Haoju [0149 6787 3515], secretary of the Sichuan Provincial Party Committee, delivered a speech. During the forum, Comrade Lin Ling [2651 0407] made a special report entitled "The Situation of the Reform of Economic Systems in Sichuan Over the Past 2 Years, and Expectations of Future Developments" and Comrade Jiang Yiwei [5592 0001 5517] delivered a speech to the whole forum entitled "The Essence of the Reform of Economic Managements Systems Is To Achieve Socialist Economy Democracy." At the closing ceremony, Comrade Ma Hong delivered a concluding speech entitled "By Means of Readjustment and Reform, Open up a New Path of Developing our Country's Socialist Economy."

This forum was convened at a time when the principle of readjustment is being implemented to a further extent. All comrades at the forum believed that if we want to open up a new path for our country's economy which is compatible with our national condition and which can fully improve the economic results, we must rely on first, readjustment, and second, reform. Through readjustment, we must reduce the scale of the capital construction front, economize in the use of administrative funds, achieve equilibrium in fiscal revenue and expenditure, and gradually rationalize our economic structure, organization and systems on the basis of economic stability. Therefore, it is quite necessary to conscientiously sum up practical experience and discuss important theoretical and practical problems. Throughout the forum, the principle of letting a hundred flowers blossom and a hundred schools of thought contend was adhered to. People freed themselves from old ideas and spoke freely. Integrating theory with practice, they enthusiastically discussed various issues, such as the aim of readjustment, the steps to be taken in readjustment, and corresponding measures of reform; rectification and improvement in the course of expanding the enterprises' decisionmaking power; the leadership system in the enterprises; the reorganization and intergation of enterprises; regulation by market mechanism under the guidance of planning and so on. A number of constructive ideas were put forth.

I. On the Aim of Readjustment and Steps To Be Taken in Readjustment

All comrades at the forum held that at present, readjustment must be taken as the central task and reform must be subordinated to readjustment, and that nevertheless, this definitely does not imply that reform may come to a halt. On the contrary, many readjustment items cannot be divorced from reform, and moreover, many reform items are advantageous to readjustment. Readjustment and reform complement each other and must be carried out simultaneously.

The comrades at the forum disagreed with the view that certain current economic difficulties have been caused by reform. It is natural that there are defects in our reform at this stage of experimentation. The main question is whether macroeconomic control has been keeping pace with developments. We should strengthen macroeconomic control and guidance on the basis of enlivening microeconomic activity, instead of smothering microeconomic activity by old methods of centralized control. Following the beaten track is not the way out.

All comrades at the forum agreed that the ultimate goal of readjustment and reform should be the rationalization of our economic structure, organization and systems, and that we should work out complete plans which we should implement in stages step by step.

The achievement of the rationalization of these three things is expected to take 10 years or even more. We envisage three possible stages to achieve rationalization.

The first will be the stage of economic stabilization. The principal tasks of this stage will be to strictly control capital construction investment, to vigorously develop the production of consumer goods, to achieve budgetary equilibrium, price stability and economic stability, and thus to enable the people to enjoy continuous improvements in livelihood under the condition that the current income level can be maintained. This stage will last about 2 years. The second will be the stage of coordinating the proportions of agriculture, light industry and heavy industry. In this stage, the key task will be to further readjust the proportions of agriculture, light industry and heavy industry, so that the relationship between the two major categories of social production will be basically well coordinated, and so that continuous improvements in the livelihood of the people in urban and rural areas, as well as increases in the income of those workers receiving low wages, will be ensured. This stage will last approximately 3 years. The third will be the stage of the preliminary rationalization of our economic structure. At this stage, the key tasks will be to solve the problem of backwardness in basic facilities such as energy resources, transport, postal services, telecommunications, and so on; to establish relatively well coordinated relations between industry and agriculture, among various sectors of industry, among various sectors of agriculture and between industry and the infrastructure; and thus to make possible, marked improvements in economic benefits, relatively rapid growth in the people's income, and relatively great improvement in the people's livelihood. We will strive to achieve, at this stage, a rate of growth in the urban and rural residents; average level of consumption that will approach the rate attained during the first 5-year plan period. This stage will last approximately 5 years.

The majority of the comrades believe it is possible that with the accomplishment of the tasks of the second stage, the grave disproportion in the major national economic relations will be overcome, the potential dangers will be eliminated, and the readjustment period that we now talk of will come to an end. However, by that time, the tasks of rationalizing our economic structure will not have been completely accomplished. Even after the accomplishment of the tasks of the third stage, we will have to continuously readjust our economic structure in the light of the domestic and foreign economic situations of that time, and in the light of changes in social needs and technological conditions of production.

II. On Expanding the Enterprises' Decisionmaking Power and on the Correct Handling of the Distribution of Benefits Among the State, the Enterprise and the Worker

The comrades at the forum enthusiastically discussed the issue of expanding the enterprises' decisionmaking power. They all held that, with regard to the reform of systems over the past 2 years, which has been based on expanding the enterprises' decisionmaking power, it orientation has been correct, its development has been healthy, and its results have been marked. The experiences of Sichuan, Shanghai and other localities have played a beneficial role in promoting the reform. The current problem is how to carry out further rectification and improvement on the basis of our experience.

The comrades at the forum held that in order to perfect the experimental methods, it is of key importance to correctly handle the economic relationships between the state, the enterprise and the individual worker. Various forms of distribution of profits have their own advantages and shortcomings. Different methods should be adopted by different enterprises. It will be wrong for "all people in the country to wear shoes of the same size." The majority of the comrades held that if the ratio is appropriately set, it will be rather rational to divide the whole profit between the state and the enterprise, so that both the state and the enterprise will obtain a larger revenue or income when the profit is larger, and vice versa, just as "a boat goes up at high tide and goes down at low tide."

During the discussion, there were different views on how to determine a reasonable proportion of retained profits. There was a general view that we need to further study both the macroeconomic and microeconomic aspects, and we must both ensure the state's fiscal revenue and consider the enthusiasm of the enterprise. In view of the practical experience in expanding the enterprises' decisionmaking power, under present conditions, the average proportion of profits retained by the enterprises should not be lower than 10 percent, but also must not be too high. Moreover, different proportions should be applicable to different trades or enterprises.

In distributing profits between the state and enterprises, should we take a trade, or should we take a company, as the basis for unified distribution? It was generally held that, judging from practical experience, each of these two methods has its own advantages and shortcomings, and we cannot say in general which one is better.

The nature of retained funds is an important theoretical and also practical issue brought up during the discussion. Many comrades held that we must not regard the enterprises' retained funds as belonging solely to the enterprises. The funds should be categorized, according to their nature, into funds "owned by the whole people and at the disposal of the enterprise," and funds "owned by the enterprise and at the disposal of the enterprise." These two categories of funds should be handled according to different principles.

Considering the nature of bonuses and the criteria governing their distribution, it was generally held that when the state distributes bonuses to the enterprise, or when the enterprise is distributing bonuses to the individual, the distributor must implement the principle of distribution according to work done. It is desirable to rename reward funds as extra-dividends funds,because the latter reflects the fruits of the enterprise's subjective efforts in collective production and operations. Employing various methods, such as calculating bonuses on the basis of recorded workpoints, fixing bonuses for fulfilling tasks undertaken, distributing bonuses on a collective basis, or other methods which are closely integrated with comprehensive economic accounting, the enterprise should distribute bonuses to smaller collectives and individuals according to the magnitude of contribution in the overall effort.

It is a general view that appropriate state control over bonuses is necessary, but the present methods of control are not rational. The majority of the comrades thought that bonuses should be linked to profits. We may set a ceiling, and then fix the increase in bonuses in relation to the growth in profits. For example, a bonus may increase by a fixed absolute amount with a given percentage increase in profits. Alternatively, we may prescribe various levels of bonuses in relation to the necessary and expected profit figures in the plans, and so on.

All comrades at the forum held that in order to consolidate the positive results of expanding the enterprises' decisionmaking power, during the period of readjustment, we should sum up our experience, do a good job of carrying out the synchronized and complementary reform, and lead the superstructure to becoming compatible with the needs of the development of the economic base, instead of, on the contrary, adopting the method of "recalling power" or reverting back to the beaten track. To do a good job of carrying out the synchronized and complementary reform. We should solve three problems at present: first, we must define rational limits for the experimental enterprises' power over human, financial and material resources and over production, supply and marketing; second, we must gradually resolve the contradictions between the present systems and the expansion of power; third, we must solve the problem of the subordination of numerous higher authorities.

We must strengthen macroeconomic control and guidance on the basis of enlivening microeconomic activity. However, the policies, stipulations and methods that we hope to formulate must be based on hearing the opinions from an extensive range of different quarters and having a thorough grasp of the situation, and must be thoroughly studied, discussed and considered before they are made known to the lower levels. Once they have been decided upon, they must not be modified frequently, and must be implemented by all departments concerned, which must not do things in their own ways.

III. On Paying Taxes Instead of Turning Over Profits to the State, and on Assuming Sole Responsibility for Profits and Losses

Theorists have two different views on whether the enterprises under the ownership of the whole people should assume sole responsibility for their own profits and losses. The majority of the comrades at the forum held that it is necessary and also possible for our country's socialist state enterprises to assume sole responsibility for their profits and losses or to practice the responsibility systems for profits and losses. To do so will be in line with the orientation of development in expanding the enterprises' decisionmaking power, putting an end to the system of centralized collection of revenue and centralized spending, solving the problem of inequity among the enterprises with regard to material benefits, and reforming our economic systems. The reasons are: first, at the present stage, the socialist economy of our country is a commodity economy subject to planning, and the enterprises are relatively independent producers of commodities. Therefore, the enterprises should follow the principle of operations and management that applies to all commodity economies, that is, the principle of assuming sole responsibility for their profits and losses. Second, with the assuming of sole responsibility for profits and loses, the achievements of the enterprises in production and operations will be more closely integrated with their staff and workers' economic interests; the enterprises' powers, responsibility. Economic results and interests will be more satisfactorily integrated; and the enterprises will have internal motivation and will be subjected to external pressure, so that the enthusiasm in production by the enterprises and their staff and workers will be more satisfactorily mobilized. Third, the practice of experimentation in various localities has also testified that the overall results of assuming sole responsibility for profits and losses are good. Of course, the specific methods of implementation need to be perfected.

Some groups discussed the adoption of different methods of operations and management by different types of enterprises. It was generally agreed that the numerous small enterprises which mainly depend on manual labor should change over to assuming sole responsibility for profits and losses as soon as possible. However, there were different views on certain ideas and theoretical bases. It was argued that it is not scientific to categorize the enterprises on the basis of two factors only, namely, the human factor and the material factor. It was also generally held that for those enterprises with a flexible funding structure or with a high technological standard, it was equally necessary for their operations and management to be well performed and for the enthusiasm of them and their staff and workers to be fully mobilized; otherwise, the economic results would still be poor. Some comrades believed the first type of enterprises (namely, those with a flexible funding structure) can just practice "collective assumption of responsibility for profits and losses." The consensus was that this will inevitably lead us back to the beaten track we followed before the reform of our systems, and will lead to the recurrence of old problems. Practice has proved that by adopting the method of "collective assumption of responsibility for profits and losses," we will not attain the goal of mobilizing the enthusiasm of the enterprises and of their staff and workers.

Considering the issue of substituting taxes for profits, all comrades held that it is an objective requirement of, and also an inevitable trend in, the development of our reform of economic systems, to require the state enterprises to pay taxes according to unified methods instead of turning over profits to the state, and to assume sole responsibility for profits and losses, when the reform of economic management systems continues to develop in depth. Substituting taxes for profits is not merely a change in the method of turning over profits to the state, but amounts to an important reform in the relationship between the state and the enterprise in the distribution of benefits, and is an important measure by which the state manages the economy by economic means. By substituting taxes for profits, not only will we be able to change the enterprise into a really dynamic economic entity, but also will be able to relatively thoroughly free the enterprise from the fetters of the financial system of "centralized collection of revenue and centralized spending." Moreover, this measure will also be conducive to removing the boundaries between various departments or localities, and it will thus help promote economic integration and reorganization.

Under the condition of socialism, taxation is not merely a means by which the state accumulates funds, but it also plays the role of regulating social production. At present since major changes in commodity prices are impossible, to appropriately put an end to the inequity among the enterprises in matters of material benefits, and to launch emulation drives and competition with all parties concerned being placed on the same starting line as far as possible, we must pay special attention to bringing the role of taxation as an economic lever into play. This constitutes an important task in the reform of economic management systems. In the past, because we did not acknowledge the socialist economy as a commodity economy subject to planning, nor did we acknowledge the actually existing differences in interests among the enterprises as relatively independent producers of commodities, we neglected the regulatory role of taxation. Thus, in various past reforms of the taxation system, we simply emphasized simplication, so that the types of taxes continued to decrease in number, and the role of taxation continued to diminish.

The comrades at the forum discussed the questions of types of taxes and tax rates, and had put forth some specific views. There were various views on the present stipulations governing the income-regulation tax. It was thought that the main problem with such stipulations is that they do not embody the distinguishing of subjective factors from objective ones, and they cause all the enterprises' additional income to be transferred to the state, so that the enthusiasm of the enterprises in improving management and operations is dampened.

IV. On Reforming the Leadership System Practiced Within the Enterprises

The representatives at the forum enthusiastically and seriously discussed the "recommendations on the experimental reform of the system of leadership in state enterprises" (draft--opions on which are invited). It was generally held that the "recommendations" are practicable and relatively compatible with the real situation.

It was hoped that they can be communicated to the lower levels as soon as possible, and can be further amended and perfected with practice. Some specific proposals on amending the "recommendations" were put forth.

Among the questions concerning the experiments in reform, the question of leadership of the party committee over the enterprise has been the most controversial one, and the one on which differences in views have been greatest. The representatives at the forum discussed this question in relatively great depth, and analyzed the cause of the problem in the ideology and understanding of many comrades, who have been unable to get their thinking about reforming the system of leadership over the enterprises straightened out. The consensus was that the aim of reforming the system of leadership over the enterprises and effecting division of labor among the state, the government and the enterprise is definitely not to weaken party leadership, but is precisely to strengthen and improve party leadership over the enterprises. However, to ensure the improvement and strengthening of the leadership of the party committee over the enterprise, we must clearly understand the several questions discussed below.

First, we must clearly understand the status and role of the party committee of the enterprise. The party committee is a grassroots organization of the CCP in the enterprise, and is the core of ideological and political leadership over the enterprise. By means of persuasion, education, enlightenment and various other democratic methods, the party committee of the enterprise must exercise ideological and political leadership as well as supervision over the administrative bodies of the enterprise, the staff and workers' congresses, the trade union, the Communist Youth League and the whole staff. It must thus ensure the implementation of the party's line, principles and policies in the enterprise and also the fulfillment of various economic tasks.

All comrades thought that it is very important to clearly understand this point. With the accomplishment of the reform, the party committee will be unable to exercise direct command over production and administrative work or to issue orders accordingly, and will not have the power to decide on or veto the work of the staff and workers' congresses. Nevertheless, as an entity, the enterprise will certainly need to have a core to unify everything. This core can only be the party committee of the enterprise. Moreover, only the party committee will be able to play this role. Without it, it will be impossible to have unified thinking and actions in the enterprise.

Some time ago, precisely because, in envisaging the reform, we did not explain this point clearly or prominently, and because we merely emphasized the party committee's role in ensuring the realization of things desired and its role in supervision, many comrades have not got their thinking straightened out.

Second, we must clearly understand the tasks of the party committee within the enterprise. The principal task of the party committee is to ensure the implementation of the party's line, principles and policies in the enterprise. Therefore, it must conscientiously do a good job of building the party ideologically and organizationally, and fully bring its role as the core of political leadership into play. Taking production as the central goal, it must do a good job in ideological and political work, raise the staff and workers' political consciousness, and enhance their sense of responsibility in regard to their roles as the masters. It must help fully bring the role of the staff and workers' congresses into play, and must give support to, and exercise leadership over, the mass of staff and workers, in their endeavor of correctly exercising their rights as the masters, managing the enterprise well and correctly handling the relations of economic interests among the three parties: the state, the enterprise and the individual. It must support the factory director so that he will be able to effectively exercise command over production techniques, management and operations. It must teach the party members and cadres to take the lead in implementing, the factory director's directives. It must teach the masses to consciously abide by factory rules and regulations, and to subordinate themselves to the factory director's command. The party committee must thus play its role as the core of ideological and political leadership. It must also coordinate the relationships between the administrative bodies of the enterprise, the staff and workers' congresses, the trade union, the communist youth leagues and so on. It must ensure that the whole factory works satisfactorily and in unison.

Third, the party committee must alter its methods of work. It must change over from direct administrative leadership to ideological and political leadership.

V. On Industrial Reorganization and the Integration of Enterprises

All comrades at the forum held that it is an important task in the current readjustment and reform to do a good job of reorganizing industry and integrating enterprises according to objective economic laws and the principle of coordination among specialized units.

The forum emphatically discussed the following few questions.

What path of industrial reorganization and integration should be taken? The comrades at the forum summed up the lessons of the experience over the past 2 years, and held that we should integrate from-bottom-to-top consultations with the requisite administrative leadership, according to the principle of democratic centralism, and adhere to the practice of voluntary action and mutual benefit. Especially at present, when the departments and localities are so severely separated that industrial reorganization and integration are seriously hampered, it is even more essential to rely on administrative power to break the boundaries among departments and localities, and thus to pave the way for reorganization and integration.

In integrating enterprises, we should adopt many forms, proceed from the reality, and proceed from looser integration to closer integration. We must not rely on a single method, or categorize things sweepingly according to some simplistic criteria. Existing administrative companies should gradually change to become companies which are enterprising in nature. We must continue to fully exploit the role of those specialized companies which can help promote reorganization and integration. We should resolutely straighten out those companies which are "as lacking in vitability as an old grandmother."

All comrades at the forum believed that "substituting taxes for profits" is an effective measure to break the boundaries among departments or localities and to promote reorganization and integration. They proposed expanding the scope of experimentation and applying this measure to companies which extend over a number of departments or localities. Moreover, we must solve the problem of double taxation imposed on factories which practice cooperation, and we must introduce the added value tax on a trial basis as soon as possible.

At the forum, the comrades enthusiastically discussed the question of the setting up of trade organizations by production units of the same trade. The general view was that such trade organizations may be called trade associations. Each of them will be a democratic consultative agency, to be voluntarily organized by production units of the same trade, and to coordinate the development of the trade. Such a trade association will differ from a government administrative body, and it will have powers of coordinating its members and imposing constraints on them. It will not be an economic entity, but it will have definite economic functions. To manage the enterprises by means of the trade association is a reflection of socialist economic democracy. The trade association will be able to serve as a bridge between the enterprises and the government or a means of linking various enterprises. It will help us to break up the boundaries between departments or localities, to more satisfactorily promote reorganization and integration, to improve the degree of socialization of economic activity, and to enable the enterprises to organize themselves into networks according to objective laws. At the forum, the functions, organizational forms and methods of organization of the trade association were also studied specifically.

The forum also discussed the question of setting up economic centers. It was generally held that historically, the development of certain cities (or towns) into economic centers of certain regions was a reflection of objective laws of economic development. Bringing the role of economic centers into play will be an important condition for promoting reorganization, integration and economic development.

The comrades at the forum held that the concept of large and medium-sized cities is not identical to the concept of economic centers. Economic centers must necessarily be formed in certain large or medium-sized cities. To establish and develop economic centers, we must presently assign the requisite powers to large cities. However, an economic center differs from a large or medium-sized city in that it is an economic organization instead of an administrative one. It should be a body in a large city, composed of various trade organizations. Under government leadership, it will coordinate the relationships between one trade and another, and it will handle problems common to all trades. At present, we should empower the governments of large cities to formulate overall plans for reorganization and integration, to promote the integration of enterprises, and to support the establishment of trade organiaations. When reorganization and integration have reached a certain scale, organizations of the nature of economic centers should be formed democratically.

The comrades at the forum held that, considering industrial organization, the signs of the rationalization of economic organizations include the following. 1. The government and the enterprise will be gradually separated, so that the enterprise will no longer be directly linked to the government departments concerned and the local government. Thus it will become a relatively independent producer of commodities. 2. The enterprises will be organized into various economic conglomerates according to the principles of economic rationality and coordination among specialized units. 3. Trade organizations will be established, and entire trades will be subjected to democratic management will transcend trades or localities. 5. The government will strengthen its management and control of macroeconomic activity on the basis of economic democracy.

VI. On the Planned Economy and Regulation by Marked Mechanism

The leading comrades of the CCP Central Committee have recently pointed out that we must study how to define some limits on the planned economy and regulation by market mechanism. The comrades at the forum held that it is a very important problem. It is a specific embodiment of the problem of fully bringing the role of the market into play under the guidance of planning.

What amounts to regulation by planning mechanism? What amounts to regulation by market mechanism? What relations exist beteen these two types of regulation? Views on these questions differ greatly among the theorists. The views expressed at this forum also differed. Therefore, there have been different views on how to define limits.

All comrades at the forum thought that with the implementation of regulation by market mechanism on a partial basis over the past 2 years, the integration of production with needs has been strengthened, competition has been launched, the improvement in running and managing the enterprises has been promoted, and the channels of circulation have been extended. Thus, implementing regulation by market mechanism has been very effective in enlivening the national economy and helping to readjust the production structure. Great success has been achieved and must be fully affirmed. However, many problems have also occurred because macroeconomic control, the management of the market, and so on, which have not kept pace with developments.

Many comrades thought that a socialist economy is a planned economy, and the role of the market can just be a supplement to the planned economy. The concept of "regulation by planning mechanism" is not precise enough. The problem is to strengthen "macroeconomic control." To achieve this, we must take a variety of measures, including guidance by means of plans, guidance by providing economic information, the use of economic levers, supervision through economic legislation, carrying out administrative management as necessary, and so on.

There were also some comrades who thought that planning, by its nature, can play merely a guiding role. Theoretically speaking, it is wrong to divide plans into "guiding" plans and "directive" ones. At present, the so-called "directive plans" actually refer to direct state control over the production of certain products and over certain construction projects. Therefore, some comrades thought that instead of having "directive" production plans, it is better for us to have the state ordering goods. Moreover, because the plans formulated by the state include the ordering of goods by the state and also forecasts goods which are not ordered by the state, therefore, the plans as a whole essentially provide guidance, but the stipulations concerning the ordering of goods come in the form of directives. However, the ordering of goods by the state amounts to an economic act, in which both the state and the enterprise have their own rights and obligations. This economic act differs from "directive planning," which involves merely the assigning of targets to lower levels, and which implies that the state enjoys rights without having to shoulder economic responsibility.

The so-called regulation by planning mechanism essentially refers to direct state control over the production and circulation of products. It is a general view that the extent of control (that is, the question of defining limits) should be determined in the light of the following factors.

1. The extent of the market for the product: there must be greater control over products to be sold on a nationwide scale, whereas there may be less control or no control over products that are produced and sold locally.

2. The status and role of the product in the national economy: major products that are important to the national economy and to the people's livelihood must be subjected to stricter control or must be solely purchased, marketed and allocated by the state in a centralized manner.

3. The situation of the demand for and supply of the product: there must be greater control on important products which are in short supply.

4. The situation of ownership of the means of production;

5. The scale of the enterprise: there must be greater control over large enterprises and less control over medium-sized and small ones.

To effect the control that we have mentioned, we may adopt the form of the ordering of goods. For some products, the state may place orders and purchase them monopolistically according to plan, without purchasing the output in excess of planned targets. For some other products, the output in excess of planned targets must also go to the state, but the prices of this extra output may be appropriately raised as a form of encouragement. For a third category of products, the state will not place orders for them, and the enterprises will have to seek on their own ways to sell them. The production of such products will be regulated by market mechanism. On the other hand, a portion of those goods ordered by the state may also be offered for sale on the market, by the state, in a planned way.

CSO: 4006/476

NATIONAL POLICY AND ISSUES

TRUST, INVESTMENT COOPERATIONS

OW171110 Beijing XINHUA Domestic Service in Chinese 0258 GMT 17 Aug 81

[Text] Beijing, 17 Aug (XINHUA)--Since implementing an economic open-door policy, our country has achieved initial results in opening avenues of economic cooperation and technical exchange with other countries and making full use of foreign capital. Following the establishment of the China International Trust and Investment Cooperation, 16 provinces and municipalities have successively set up trust and investment cooperations or have restored overseas Chinese investment cooperations.

It has been learned that since their establishment or restoration, these cooperations have been engaged in business in the following aspects:

Organizing joint ventures using Chinese and foreign investment and cooperative enterprises: According to incomplete statistics, eight earlier-established trust and investment cooperations, which have been commissioned by foreign companies to maintain contact with enterprises at home for them, have helped to set up nine joint ventures using Chinese and foreign investment and 45 enterprises run through cooperation between Chinese and foreigners in the past 2 years. In accordance with the terms of their contract, these joint ventures and cooperative enterprises have a total investment of $158.23 million. The China International Trust and Investment Cooperation has invested more than $7 million in the molybdenum ore concentrate, phosphate ore and graphite electrode projects, achieving relatively good results. For example, plans called for the suspension of the construction of the Xiaosigou molybdenum mine. However, with investment by the cooperation, this mine has resumed production and has exported more than 500 dun of molybdenum ore concentrate in the past year, thus turning losses into profits. The passenger and freight ships jointly operated by the Fujian Investment Enterprise Cooperation and Hong Kong businessmen between Xiamen and Hong Kong shipped over 140,000 dun of exports, more than 130,000 dun of commodities for domestic markets and over 45,000 passengers in 1980, earning more than $8 million. After paying loan interest, they netted a profit of 1.88 million yuan.

Extensively organizing compensation trade and the processing of raw materials and assembling of parts provided, the Zhejiang Overseas Chinese Investment Cooperation has arranged compensation trade for the Hangzhou No 2 cotton mill with Hong Kong businessmen who have invested 3 million yuan in the mill. As a result, this mill has increased not only its foreign exchange earnings but also the number of workers by 1,100. The Guangdong Provincial Overseas Chinese Enterprise Cooperation has organized 10 projects for processing raw materials and assembling parts provided and for compensation trade, which have absorbed more than $16 million of foreign capital and have provided jobs for 2,700 workers.

Raising funds abroad in various ways to be invested in domestic construction projects: According to the statistics compiled by eight cooperations, they have obtained long- and intermediate-term loans from foreign banks and have absorbed deposits from overseas Chinese and compatriots in Hong Kong and Macao in the past 2 years, totaling about $108.25 million. In obtaining foreign funds on the principles of "obtaining foreign funds according to their payment ability and making appropriate use of them," these cooperations have been paying back such funds and making full use of them. The Tianjin International Trust and Investment Cooperation has raised $2.5 million and 8.5 million yuam for the Tianjin medium plate plant. This has made it possible for the plant to replace its rolling mills and auxiliary equipment and to rebuild its factory buildings. As a result, its annual output of steel plates has gone up by 70,000 dun, its specifications of copper plates have increased from a little over 30 to 120 and the quality of its products has reached export standards.

In addition, these cooperations, entrusted by domestic and foreign customers, provide them with business information and counseling.

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ECONOMIC PLANNING

BRIEFS

ECONOMIC LAW RESEARCH CENTER--Beijing, 7 Aug (XINHUA)--According to the Zhongguo Fazhi Bao [China Legal System News], the Economic Laws and Regulations Research Center was recently established in Beijing. The center is a research and advisory organization under the leadership of the State Council. The main tasks of the center are: (1) to study the plan and steps for instituting and revising economic laws and regulations, research important theoretical and practical questions and make proposals to the State Council; (2) to organize, guide and coordinate with departments concerned to draft economic laws and regulations; (3) to study important economic laws and regulations handed down by the State Council and make suggestions for revision; (4) to hold periodic discussion meetings. [Summary] [OW200205 Beijing XINHUA Domestic Service in Chinese 1436 GMT 7 Aug 81]

LIAONING ECONOMIC RESEARCH CENTER--The Liaoning Provincial CCP Committee and the Provincial People's Government decided to establish a provincial economic research center to strengthen the socialist economic research and promote the readjustment of the national economy. This center is an advisory body subordinate to the Provincial CCP Committee. Zhu Chuan, Standing Committee member of the Provincial CCP Committee, is appointed as its director and (Yu Ran), (Zhang Lu) and (Xiao Meng) as deputy directors. [SK241245 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 22 Aug 81]

JILIN RESPONSIBILITY SYSTEMS--The Jilin provincial conference to exchange experiences in economic responsibility systems instituted at industrial and communications enterprises was held in Siping Municipality from 13 to 17 August. The conference noted that although profit-sharing and other economic responsibility systems has been extensively promoted at industrial and communications enterprises throughout the province, further improvement is needed. The conference urged efforts to fully understand the importance and necessity of the systems, continue to improve enterprise management and implement financial and economic discipline. Yu Ke, secretary of the Provincial CCP Committee and provincial governor, and Dong Xin, deputy provincial governor, attended the conference. (Li Dongpu), deputy director of the Provincial Economic Commission, spoke on current industrial production. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 17 Aug 81]

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'JIANGJI GUANLI' ON BANKING REFORM

HK220141 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 5, 15 May 81 pp 45-48

[Article by Li Shourong [2621 1343 2837]: "Reform the Banking System Actively and Steadily"--note passages within slantlines denote boldface type]

[Text] In the eight-character principle of readjusting, reforming, rectifying and improving being implemented at present, readjustment is the key link. However, readjustment and reform are mutually beneficial, as successful reform facilitates the work of readjustment. Reform of the banking system is an important part of the reform of the economic management system as a whole. An active and steady reform of the present bank management system by earnestly summing up past experience and lessons as well as by strengthening our investigation and research work for the purpose of giving it full play in regulating the economy undoubtedly is beneficial to economic readjustment as a whole.

(I)

Our present bank management system, by and large, was indiscriminately copied from that of the Soviet Union in the 1950's due to our lack of experience (the Soviet Union has long since reformed this system). Another part of our bank management system has been inherited from our banking experiences during the revolutionary war days. This system has made a certain contribution to our economic construction. However, during the 30 years after liberation, this system has not been touched by any reforms indispensable in the light of the specific conditions of our socialist construction and the principle of bank management by economic methods. As a result, many problems have accumulated. With the development of socialised large-scale production and a commodity economy, the shortcomings and drawbacks of this system have been all the more exposed. The following are the main manifestations: too much application of administrative methods, no application of management along the lines of an enterprise employing economic methods for banking, inadequate attention paid to economic efficiency, indistinct economic responsibilities for banks at various levels, the lack of economic motivation to do the work well in banks at the basic level, and inflexibility of the performance of the banks. To be more concrete, the following points may be summarized:

1. The operation of the banking business was limited to a narrow scope. For a long time in the past, banks were allowed to make only a part of the circulation fund loans to the industrial and commercial enterprises. Generally speaking, no

operation was allowed in the field of medium and short-term loans for equipment, loans for tapping potential, renovating and restructuring on the part of the old enterprises as well as loans to collective economic units and private individual households. Thus, the activity, the scope and the function of bank credit were very much limited, and it was impossible for the banks to play a fuller role even if they wished to.

2. The lack of flexibility in the extending of credit funds. All credit funds were collected and extended in a unified way by the head office. Banks at the basic level were not allowed to make more loans, even if they received more deposits. Credit funds of all sorts were controlled too rigidly and too little room was left for flexible adjustments. This was unfavorable to providing flexibility to bank operations.

3. The operation and management of the banks were gauged to a unified accounting system of the nation as a whole. This meant "eating out of a big pot." There was a lack of motivation to improve the standard of management and to pay attention to economic efficiency, which hampered the initiative of the masses of cadres to further expand banking operations.

4. The banks lacked independent authority to carry on banking operations. The banks very often were unable to make their own decisions in respect to making loans, many of which were decided by the local party and administrative authorities. The banks lacked adequate leeway to discriminate in order to select and support the better borrowers for their loans as well as to make their own terms of credit. Many loans were not redeemed in full at maturity. Consequently, the economic results of bank credit were rather poor.

Therefore, it is necessary to carry out the needed reforms in our bank management system in accordance with the general requirements of the economic management reforms of our country.

(II)

Since the 3d plenary session of the 11th CCP Central Committee, preliminary reforms have been made in our bank management system in the light of the principle of readjusting, reforming, rectifying and improving. The main reforms have been as follows:

1. A breakthrough has been made in the limitation of extending loans in the field of circulation funds only, thus expanding the scope of credit. In order to give vigorous support to the old enterprises in tapping potential, renovating and restructuring as well as to promote the development of the light and textile industries and to expand production capacity, the banks have made a certain number of medium and short-term loans in equipment financing, and in special projects financing light and textile industries. In many localities, banks have made appropriate loans in support of the cultural, research, tourism and service sectors as well as to certain urban collective units and private individual households which have the ability to repay and whose activities are in conformity with the state regulations. In some large and medium cities, banks have also tried trust and investment business. Besides, a certain amount of commercial credit was extended in a conditional and limited way. To a certain extent, this was helpful in enlivening the economy.

2. A preliminary change has been made regarding the unified collection and allocation of credit funds. In its place has been put into effect the credit management system of "unified planning, management by levels, linkage of deposits and loans, and the control of disparity. Within the allowed range of disparity, more loans can be made. This motivates the initiative of banks at all levels to raise more funds.

3. All loans that are overdue and those related to overstocking of supplies in excess of the stipulated reserves as well as those relating to financial expenses of all kinds are to be penalized by scaled-up interest payments in order to encourage the enterprises to economize on the use of funds and to make active use of the supplies and funds.

4. The domestic insurance work has been restored step by step. Domestic insurance business of every kind with property insurance of the enterprises as the mainstay has been initiated giving play to the superiority of the system of employing insurance to provide economic compensation.

5. Specialized banks (all directly subordinated to the State Council) are put into operation. Among them, the Chinese Agricultural Bank has been restored and the State General Administration of Exchange Control (the Bank of China) has been established. Consequently, rural financial work and foreign exchange management work as well as other work has been strengthened and developed.

As indicated by practice, these reforms are necessary and correct. They have yielded evident results in engineering the economy and motivating our readjustment work. However, all this is only preliminary. In order to give fuller play to banks, reform is to be continued gradually in regard to bank management.

First, the scope of the banking business is to be expanded in order to fully utilize credit to raise and allocate funds.// [First set slantlines missing]

From now on, with reforms of the economic system, on the question of systems of ownership, it is not only necessary to develop the system of ownership by the whole people that predominates in our economy, but also the collective economy as well as an appropriate amount of individual economy, allowing the coexistence of diversified economic elements. On the problem of the limitations of economic management power, the local authorities and enterprises should appropriately be given more autonomy. Enterprises, to a certain degree, will have their own say in respect to personnel, finance and assets as well as production, supply and sales. In regard to profits, the enterprises operate on a sharing basis. As a consequence, the inflow and allocation of profits of enterprises will not be totally controlled by the purse strings of public finance by way of unified revenue and expenditure. The local authorities and enterprises will have more and more funds and they want to make use of the funds. Then, who is responsible for organizing and distributing this part of the social funds. This task very naturally falls on the shoulders of the banks. It is much more flexible, and the economic effect is much betters, to adopt the form of bank credit on a compensation basis relying on economic measures in comparison with the form of financial appropriates that are gratutions. The reform of the banking system comprises reliance on bank credit to provide funds for all the circulation capital of the enterprises, for the needs of the old enterprises in tapping potential, renovating and restructuring as well as the medium and small-scale capital investments appropriated from budgetary expenses that can be recovered in a short time. The government financial authorities will be mainly responsible for strategic investment, the appropriations for state defense, administrative expenses, large-scale energy and transportation facilities, geological exploration as well as other major construction programs. In this manner, it is possible to overcome the disadvantage of providing funds through gratuitous government appropriations for the needs of all expanded reproduction and those for the majority of simple reproduction. This is beneficial to providing solutions to disputes among certain departments contending for projects and investment without due attention to economic effect, giving rise to great loss and waste of funds. This also alleviates the burden of government finance. At present, our government finance is under heavy loads. The final outcome can only be the appearance of deficist, followed by overdrafts and borrowing from banks and pressure on the banks to issue more bank notes. This practice of filling financial gaps by bank credit in the long run is no way to work out solutions for financial problems. Moreover, this also gives full play to bank credit's function as an economic lever, putting these funds into circulation at a cost and making the enterprises operate on strictly controlled budgets and pay attention to efficient use of funds. Of course, it should be noted that the size of total bank loans and their general direction of allocation should be used the control of state planning so that the scale of capital construction will not be expanded.

//Second, banks should be managed as enterprises with autonomy to carry on their operations.//

Banks as financial enterprises should be run as enterprises. This is to say, they should be run according to economic methods to meet the requirements of enterprise management in order to greatly enhance the quality of bank work. The following are the main points: (1) We must work in accordance with the objective law, organize and make use of the funds in the most efficient way and change the practice of running the banks with undue administrative means. Banks at all levels should be run independently, and be responsible for their own profits and losses, and interest must be paid for the use of the allocated funds as well as for loanable funds transferred between banks. (2) Motivation must be given to the masses of staff and workers to arouse their initiative and creativeness as well as their voluntary concern about the economic well-being of the organization they work for. This requires not only the strengthening of our political and ideological work, but also the setting up of certain economic systems and the adopting bonus system, and on a trial basis implement the system of profit-sharing and assigning full responsibility in regard to disbursement of expenses so that the interests of the state, the collective and the individual are all looked after, putting the performance of operation in direct correlation with the interests of the enterprises and those of the staff and workers. This will make every staff and worker pay attention to the quality of their work and economic efficiency. (3) Play must be given to the leverage function of interest. Bank interest of socialist countries is a part of the social net income. It represents the interrelations of the economic interests of the state (through the banks), the enterprises, and individuals in regard to credit funds accumulation and allocation. However, the present interest rates of our enterprise deposits and enterprise loans are on the low side, and the loan interest rate of the banks and that of savings deposits are linked in the reverse order. Moreover, our interest rate brackets are few in number. Once a rate is fixed, it remains so for years. None of this is suited to the requirements of running banks as enterprises. Therefore, the interest on deposits and loans should be increased, and differential for interest rates and floating interest rates should be put into practice. (4) Banks should have autonomy to carry on business operations. The state only specifies the direction of the bank loan allocation, the policy for making loans and the size of total bank loans. As to the conditions governing each loan, its amount and maturity, the banks make the decision according to credit policy, and the leading organizations as well as their supervisory institutions must not unduly interfere. With autonomy the banks must also bear the loan risks and assume the relevant economic responsibilities. (5) There must be advanced management controls. An information system must be set up for the banks which should join the trade associations of relevant industries. Thus, a national economic information network can be set up, the management activities of countless economic entities can be known, and a reliable basis for rational organization and employment of monetary funds can be provided. In the meantime, computers are to be gradually installed and advanced computerized control is to be adopted so that punctuality, speed and accuracy may be achieved in connection with the onerous daily operation dealing with tabulation of data, statistics, accounting, receipt and payment of money, and so on. Finally, in order to carry out enterprise management for the banks, there must be a team of cadres with a good knowledge of the theory and practice, as well as working ability, of financial operations. Correspondingly, a system of job evaluation, rewards and penalties, promotion, conferment of proper titles, and so on, must be set up to facilitate the discovery and training of qualified personnel, and to achieve the end of selecting outstanding candidates to the various posts and to give full play to their talents.

//Third, establish a scientific monetary management system.//

In the past 30 odd years, for quite a long time, we have had only one bank--the People's Bank of China. It assumes not only the functions of a central bank, but also operates the banking business of specialized banks. Now, two specialized banks are in operation. The Agricultural Bank of China has been restored, and the Bank of China set up. The People's Construction Bank of China has been allowed to add the operation of loan facilities instead of being strictly restricted to the operation of allocating funds for capital construction of our country as in the past. In some localities trust investment companies and other financial institutions have been established. What should the interrelations among these institutions be? The People's Bank of China is the central bank, or the bank of the banks. It is responsible for the overall planning and coordination of the activities of the specialized banks and the other monetary institutions. According to the relevant stipulations of our country, the central bank is also responsible for the issue of bank notes, the control of currency circulation, the formation of monetary policies, the setting of the standard interest rate, the drawing up of the plan for national credit allocation and reimbursement and that for bank note issues, the control of the monetary market, the formulation of a monetary settlement system, the coordination of national settlement operations, acting as a financial trustee for the state, the execution of collecting reserves from the specialized banks, and so on. For the specialized banks, within the sphere of their specialized duties, they should operate their business independently, each executing its own function and each assuming its own responsibilities. Between the central bank and the specialized banks, there should be a basic division of duties, but certain overlapping is allowed. This is beneficial to mutual help in work and the advancement of business operations. In the case of surplus and deficit of funds among the specialized banks, they are allowed to lend and borrow among themselves to smooth monetary circulation, provided that economic measures are adopted and interest payment is assured. The banks at the basic level are at the forefront of the monetary system. Every monetary policy and business activity is executed and developed through them. Therefore, the performance of the banks at the basic level is the key link in achieving the full and proper play of the various functions of banks. The superior banking authorities should strengthen their leadership in respect to the basic level banks, but there should not be excessive interference or control so tha the basic level banks may have their own authority and responsibilities and be able to develop various business operations on their own in the light of actual local conditions. Among the banks, a certain degree of unification should be maintained. At the same time, there should be relative independence. There is both specialization and cooperation, forming an integral socialist monetary system.

In short, reform of the banking system is a very complicated task. As banks comprise an integrated economic section, their reform will touch upon every economic department and entity, involving strict compliance with policies and bringing broad contacts. Consequently, a steady pace must be maintained for the reform and "each stone protruding above the surface of the water should be touched before stepping on it while crossing the river."

(III)

The purpose of reforming the banking system is to implement the "eight-character" policy, and to give better play to the functions of banks, and for the present moment in particular, to serve the readjustment of our national economy. Can this end of of reforming the banking system be achieved? The answer is, certainly.

The reason is that in the socialist commodity economy of our country, the activities of money and credit have spread into the realms of production, circulation, distribution and consumption of the country. The banks as special enterprises dealing with money and credit, having a broad range of contacts, with branches all over the country and with business connections with the enterprises of all sectors, play the important role of "regulating the whole country with an economic life organized in the socialist fashion" (Lenin's words). This function the banks have of regulating the economy is realized by employing economic measures such as money, credit, interest, and so on.

First, regulate the economic proportions of agriculture, light industry, heavy industry, accumulation, consumption, the internal structure of industry, and so on, by expansion and contraction of credit and by adjusting the needs and flow of credit. As we know, the characteristics of bank credit are the collection of idle and dispersed funds by paying a reward from various sectors of the society and the reloaning of these funds to borrowers, thus putting them back into circulation to exercise their function. Therefore, the banks can achieve the end of regulating the economy by selecting the borrowers of their loans, by giving favorable or restrictive terms for loans and by putting the loanable funds to rational use according to the requirements of the economic readjustment guideline. For example, in the case of the light and textile industries which need less investment but show quicker results and yield larger earnings, by supporting them with bank credit the banks can stimulate their production growth, thereby supplying the market with more marketable and needed products, and withdraw part of the currency from circulation. For goods in excessive supply which are already overstocked, overstocking can be reduced and the capital construction from shortened by contracting credit which will limit production. As for those products which compete for raw materials and fuel with advanced enterprises and which suffer from high cost of production, inferior product quality and poor sales, the banks will stop giving them loans. This will accelerate the process of closing, suspending, merging, and shifting [to other modes of production]. All these measures are conducive to the successful implementation of economic readjustment.

Second, the basic balance between purchasing power and commodity supply can be accelerated and the stability of prices and the economy can be achieved by regulating money circulation and controlling bank note issuance. The volume of money circulating on the market is an integrated economic indicator, giving a sensitive reflection of the problems in economic proportions and prices. As our experience in the past 30 odd years shows, with excessive currency on the market, the fundamental reasons for price instability are these: the excessive length of the capital construction front and the enormous government deficits. This is what we ordinarily refer to as "capital construction putting pressure on the financial authorities, which pass on the pressure to the banks and the banks end up by issuing more bank notes." Consequently, the control of bank note issuance and the regulation of monetary circulation according to the monetary circulation law that the circulation of money must adapt itself to commodity circulation are important measures for price stability and economic stability.

Third, promote economic efficiency and enliven the economy on the part of the enterprises through the economic leverage of interest rates. For example, for those sectors the development of which is much needed by the country such as agriculture, light and textile industries and the energy industry, preferential interest rates should be extended to expedite their development. Conversely, for products that suffer from high costs, inferior quality and huge overstocking, the banks will require higher interest rates to urge the enterprises to strengthen their management, lower their costs, improve their quality, lessen overstocking, and enliven supplies and funds.

In short, the function of the banks in regulating the economy and stimulating economic readjustment is quite obvious. Of course, in regulating the economy, the banks employ not only economic measures such as credit, money, and interest, but they also use the administrative authority conferred on them by the state such as the control of cash, the management of wages, and the management of foreign exchange in order to directly control the economy according to the policies of the state, under the guidance of the local party committee and government and in cooperation with the departments concerned to make good their economic readjustment duties with their combined efforts.

CSO: 4006/471

FINANCE AND BANKING

INCREASES IN INDIVIDUAL BUSINESS LOANS SEEN

Xian SHAANXI RIBAO in Chinese 10 Jul 81 p 2

[Article from Commercial Credit Department, Provincial People's Bank: "Vigorous Support to Collective and Individual Business Through Liberalization of Credit Policies by Provincial Branches of People's Bank"]

[Text] Shaanxi provincial branch banks and subordinate organizations of the Chinese People's Bank have liberalized policies and abolished restrictions in active support of the revival and development of collective and individual businesses.

1. Expansion of scope of loan grants. Loans issued since last year up until the end of April this year to collective and individual customers amount to 11.01 million yuan, 26.5 times the amount as of the end of 1978. Since last year, the Xida Street Cooperative Clothing Store in Xian has borrowed at 21 different times a total of 2.58 million yuan. Its volume of business has increased from an average monthly 32,000 yuan to 92,000 yuan, and it has accumulated 99,000 yuan after taxes. Last September the Xianyang Municipal Service Corps for Youths awaiting employment borrowed 30,000 yuan, and had a monthly business income of almost 20,000 yuan. It was able to wipe out the entire loan within 2 months.

2. Support of fund requirements for newly added outlets. Last March, when children of the workers and staff of the Xian Municipal Knitgoods Company organized the Julin composite store, they needed 300,000 yuan of start-up funds. Except for 60,000 yuan, which the company provided itself, the remainder consisted of bank loans. By year's end, this store had already accumulated 102,000 yuan, and for the first 4 months of this year, it realized an additional 49,000 yuan of profits. The Zhangjiacun Cooperative Store in Xian added 39 staff and employees last year at two new outlets. Bank loans of 35,000 yuan helped the businesses start up very quickly.

3. Liberalization of limitations on settlement of accounts, support to collective businesses in expansion of channels for bringing in goods, and procurement from elsewhere of readily marketable goods. During this April, the Jiefang Road Office in Xian handled, on behalf of the School Graduate Composite Shop of the Railway Bureau Workers Service Company, seven collections of funds for goods from Shanghai, Wuhan, and Baoji amounting to more than 160,000 yuan, amounting to 70 percent of the store's total goods received for the month.

4. Permission to individual businesses to open accounts at the banks, handling settlement of accounts, and issuing loans. Xian resident Song Wemxiang [1345 2429 4382] started a family sewing shop for which the bank gave him a loan of 550 yuan to help him buy a lockstitching machine to expand his business. As a result of the increase in his earnings, he has repayed the debt ahead of time.

5. Assistance to enterprises in their fiscal management. Banks in Ziyang and Xianyang have taken the initiative in helping school graduate shops and service crops for youths awaiting employment to set up bookkeeping and accounting assistance personnel, to keep accurate accounts, to do a good job of accounting, and to increase profits.

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CSO: 4006/449

BRIEFS

XINJIANG SAVINGS DEPOSITS--There has been a rapid rise in the Xinjiang peasants' and herdsmen's savings deposits. By the end of this June, their total savings deposits amounted to over 130 million yuan, an increase of 35 percent as compared with the same period of last year, thus topping the highest level in history. [HK190706 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 4 Aug 81]

HAINAN PREFECTURE TRADE CONFERENCE--Hainan Li-Miao Autonomous Prefecture recently held a conference on finance and trade work. The conference demanded that the autonomous prefectural finance and trade front eliminate the influence of leftist ideology, gradually implement the various economic responsibility systems, quickly turn loss to profit and enliven finance and trade work. The conference pointed out that the main problem was that the finance and trade front's amount of procurement has dropped and its expenses have increased this year. The profits derived from commerce in the autonomous prefecture were 24 percent less than in the first half of last year. The state-run catering trade generally incurred losses. The conference demanded that the finance and trade enterprises conduct large-scale inspection of financial and economic discipline within this year and special persons be assigned to handle economic cases as quickly as possible. [HK190741 Haikou Hainan Island Service in Mandarin 0330 GMT 2 Aug 81]

QINGHAI TAX EVASION--About 57 percent of the enterprises in Qinghai Province were involved in tax evasion and fraud in the past year. Some units include entertainment expenses as production costs. During an investigation conducted throughout the province, over 6.2 million yuan of taxes were found to be unpaid or evaded. By early July, 1.81 million yuan of evaded taxes had been handed over to the state. [SK201024 Xining Qinghai Provincial Service in Mandarin 1100 GMT 19 Aug 81]

HEILONGJIANG SAVINGS DEPOSITS--Harbin, 10 Aug (XINHUA)--According to figures released by the Heilongjiang Provincial People's Bank, by the end of July Heilongjiang's urban and rural savings deposits totaled 2.24 billion yuan, an increase of 42.3 percent over that at the same time last year. [OW181045 Beijing XINHUA Domestic Service in Chinese 0028 GMT 10 Aug 81]

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ENERGY CONSERVATION SAID A MAJOR PART OF ECONOMIC READJUSTMENT

Beijing RENMIN RIBAO in Chinese 9 May 81 p 2

[Article by Bao Guangqian [7637 0342 0467] and Du Hongyu [2629 4767 7183]]

[Text] In a situation in which the contradiction in energy supply and demand is so outstanding, in addition to increasing the production of energy as much as possible, the most urgent business of the day is to engage in energy conservation in all forms and to build up the habit of energy conservation in general.

Seek Energy in the Form of Technological Renovation

The greater majority of China's enterprises use antiquated energy equipment that has a low thermal efficiency and consumes excessive energy. Only a small number have newly manufactured energy equipment that is efficient and of a high performance type. Of the more than 28,000 items of energy equipment being manufactured today, more than 15,000 items are old models. And many people still entertain the thought of basic construction in order to increase production and are busily building new plants and installing newly built old-model equipment, when there is a serious shortage in the energy supply. A number of comrades who are engaged in energy-related research work consider that the idea of those who hold that in order to double production the facility must also be doubled in scale is onesided and quite out of touch with the reality of China's energy production situation. We must establish guidelines for the future as follows: develop technological renovation centered around energy conservation; systematically replace antiquated facilities which waste energy; and remove oil and coal from the hungry tiger's mouth, in order to significantly save energy and achieve a good economic effect.

Comrades who are engaged in work related to capital investment in basic construction have made some calculations. Due to the shortage of energy, approximately 30 percent of the existing production capacity today cannot be utilized. Specifically, there is a shortage of approximately 10 million kW of electricity, equivalent to more than 20 million tons of standard coal. If we start out with the technological renovation of equpment which wastes energy by undertaking the remodeling of medium- and low-pressure power generating assemblies and old boilers together with some other measures, we can improve the energy shortage situation in a relatively short period. Based on an estimate made by the concerned department, if the technological renovation is done well, the energy shortage that exists today can be basically eliminated in 5 years with an expenditure of only 3-4 billion yuan. The time and money thus expended will be shorter and less than what would be needed if we were to invest in coal mine construction in order to increase energy production. It is evident from this that conserving energy and increasing production of energy are both equally important.

Wasting less energy is an important index of the advancement of the national economy and technology. The very process of technological renovation for the purpose of energy conservation is also the process of raising the technological standard. Therefore, in order to make progress in China's socialist modernization, technological reform ought to be an important starting point. A number of comrades advocate that w must, over a relatively long period, emphasize research in energy-saving technology, making the development of energy-saving technological renovation one of the most amjor subjects of research, and during the period of national economic readjustment, at least, we must properly concentrate our financial and material resources on the remodeling and replacement of energy equipment with low efficiency.

Build Up a Habit of Energy Conservation in General

Since 1964, Troop No 51112 of Beijing garrison district has collected ashes and residue from the furnaces and chimneys of factories in the urban area and used them for cooking purposes as a substitute for coal. They have bought almost no coal in the past 16-17 years, thus saving more than 23,700 tons of coal. The exemplary deed of Troop 51112 is very moving and also thought-provoking.

Since liberation, China's energy resource development has made relatively rapid progress. In 1979, 63.5 million tons of raw coal were produced, 20 times the yield in the early days of liberation; 106 million tons of crude oil, more than 880 times; 14.5 billion cubic meters of natural gas, more than 1,300 times; and 5.01 billion units of hydroelectric power, more than 60 times. It was not easy to reach today's standard (in such a short period of time), a feat not many other countries of the world have achieved. Nevertheless, China's energy supply still does not satisfy the demand and the reserve is low. We must protect our energy resources as carefully as our liberation army soldiers did.

China's energy utilization rate is very low and the waste is very great. In 1978, the energy utilization rate was 57 percent in Japan; 51 percent in the United States; and 40 percent in the Western European countries. It was only 30 percent in China, so 70 percent of the heat was wasted. Raising the energy utilization rate by just 10 percent would be equivalent to an effective increase of 60 million tons of coal a year. This kind of calculation may not be convincing enough, but there is no excuse for not being able to achieve today a standard which was reached in the pst. Between January and November last year, among more than 500 key enterprises belonging to the metallurgy, electric power, petroleum, and coal departments, 30 out of 74 indexes related to energy and raw material consumption were found to be below the highest historical standard, and there were 24 items whose energy consumption indexes were higher than those of the same period of the previous year. Electric power consumption per ton of cotton during the first half of last year was 60 kWh more than the same period the year before, and 27 kWh more electricity per 10,000 meters of cotton cloth. This phenomenon is far from normal. There are many reasons why energy waste is so serious in China today. One of the more important reasons is that the habit of energy conservation has not yet been established in our society in general, and our enterprises in particular. If every department, every unit, and every enterprise will, following the steps of Troop No 51112, take the leading role and work with the masses in attaching great importance to energy conservation, constantly renovating the energy equipment, and encouraging and promoting energy conservation by implementing appropriate policies and regulations, then work related to energy conservation should be able to present a new and bright situation soon.

Energy-Related Legislation Must Be Enacted

Developing energy conservation education and making a list of what ought to be done in order to be able to conserve energy are necessary and effective measures. However, these measures may not be effective for some districts and units. Since 1972, our government started replacing low-efficiency boilers and cut down production of boilers of smaller capacity and less efficiency. But there are many counties, communes and brigades where production of less efficient boilers well in excess of the planned number is still going on. According to the statistics, there are more than 400 such boiler plants in the four provinces of Henan, Shandong, Liaoning, and Jilin. The boilers manufactured by a number of small boiler plants of the Chegang Commune in Fu County, Liaoning Province, are not only low in thermal efficiency but also high in fuel consumption. They also break down quite frequently. Similar problems exist in the field of automotive vehicle manufacturing and utilization. Last year, the government planned to manufacture only 120,000 automotive vehicles based on the need for national economic readjustment and conservation of energy. However, many automotive vehicle plants did not produce according to the plan. More than 90,000 automotive vehicles in excess of the plan were manufactured, contributing to the consumption of an additional 450,000 tons of oil a year, which amounted to half of the oil conserved by all oil-consuming machines, including automotive vehicles. Generally speaking, the transport efficiency of automotive vehicles not belonging to the transportation department is only approximately two-thirds that of those that do belong, and they also consume 30 percent more oil. In spite of this, for a long time the share of automotive vehicles belonging to the transportation department has been smaller than those not belonging. There are more than 1.1 million freight-carrying automotive vehicles nationwide. Of these, more than 80 percent do not belong to the transportation department, while only 13.4 percent do belong to the department.

The reality that the supply does not satisfy the demand and that the energy waste is great demands enactment of a series of legislative measures. For example, production and utilization of boilers and automotive vehicles ought to be controlled by law: boilers whose thermal efficiency is below standard may not be manufactured; automotive vehicles manufactured according to the plan must satisfy a certain fuel-efficiency (mileage) standard: those which fail to meet the standard may not be manufactured, and they may not de delivered even if manufactured. The greater majority of automotive vehicles, especially freight-carrying vehicles, must by law be assigned to the transportation department. The useful life and the retirement standard for boilers and automotive vehicles must be spelled out, and those which are retired may only be returned to the furnace, never resold or repossessed.

Energy conservation has a decisive effect on our national economic readjustment. We must attach great importance to it and treat it as an important matter. We believe that if we can take various measures to reform the economic structure and technology, if we can formulate energy prices, energy laws, and energy policies which will encourage the masses to conserve energy and thus strengthen our energy management, we should be able to build good habits of energy conservation by individuals, enterprises, and the society as a whole.

9113
CSO: 4006/312

READJUSTMENT OF STEEL INDUSTRY

HK230930 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 3-6

[Article by Investigation and Research Office of the Ministry of Metallurgical Industry: "Conscientiously Sum Up Experiences and Do a Better Job of Readjusting the Iron and Steel Industry"]

[Text]

I

Over the past 2 years, the vast numbers of workers in the iron and steel industry have implemented the principle of readjusting our national economy, done a great deal of work and achieved relatively great success. A fine situation in iron and steel production, seldom experienced since the founding of the PRC, has appeared. This fine situation is markedly reflected in the following five changes.

1. Now that output is determined by sales, the industry has begun to gear itself to the needs of the light industry as its market, and the composition of products has undergone a preliminary change. The output of various products urgently needed by the state, such as wire rods, small steel products, thin plates, welded pipes, strip steel, medium-sized products and various steel products in short supply, reached 18.64 million tons in 1980, an increase of 6.38 million tons over 1978. The proportion of such products in the total annual output of steel products increased from 55.5 percent in 1978 to 68.4 percent in 1980.

2. There has been economy in the use of energy resources and output has increased. The consumption of energy resources has kept on falling. In 1980, steel output increased by 5.3 million tons compared with 1978, but the total energy consumption of the iron and steel industry decreased by 2.8 million tons of standard coal. In key iron and steel works, the combined consumption of energy resources per ton of steel decreased from 1.77 tons of standard coal in 1978 to 1.47 tons in 1980.

3. Economic results have improved and profits have grown rather substantially. In both 1979 and 1980, the profits of the iron and steel industry increased by around 1 billion yuan over the previous year. For the medium-sized and small iron and steel works, there was a net loss of 638 million yuan in 1978, a net loss of 292 million yuan in 1979 and a net profit of 486 million yuan in 1980.

4. Because some enterprises have been assigned greater decisionmaking power, they have acquired internal economic motive force, their ideas about operations have changed, and their concepts of the market, of competition and of serving consumers have been strengthened. Consequently, the state has been able to collect more revenue, the enterprises have retained larger amounts of profits, and individuals have earned a higher income.

5. After rectification and the strengthening of basic work, the standard in running and managing the enterprises has improved. Five joint iron and steel works, namely the Anshan Steel Works, the Benxi Steel Works, the Capital Iron and Steel Company, the Panzhihua Steel Works and the Taiyuan Steel Works, have been appraised as outstanding units in enterprise management by the Enterprise Management Association of China.

However, at present, there is serious disproportion in both the relations between the iron and steel industry and other sectors of the economy and the relations between various links in the iron and steel industry itself.

The iron and steel industry is a basic industrial sector which provides various steel products to various sectors of the national economy and supplies steel products for national defense construction. It is a sector which serves others. It is indispensable to national economic development, improvement of the peoples livelihood and the strengthening of national defense. Since the founding of the PRC, the iron and steel industry has made contributions in these respects. However, over many years, it has been placed in an inappropriate position because of the guiding idea "take steel as the key link." On several occasions, forward leaps were launched to boost the iron and steel industry. Our national strength was not considered and no attention was paid to the coordinated development of various related links of the economy. Consequently, the iron and steel industry did not develop healthily, and it even became a drag on the national economy. During the first 2 years after the smashing of the "gang of four," the economic situation was erroneously appraised and "leftist" errors were committed. A grandiose plan to develop the iron and steel industry, which was divorced from actual conditions, was worked out. In particular, the rash construction of the Baoshan Steel Works and the import of foreign equipment on a full scale led to voracious consumption of funds, displaced a large number of other projects and aggravated the disproportion in the national economic relations. According to the principal leading comrades of the ministry at the recently convened national work conference on metallurgy, after the Party Central Committee had put forward the principle of readjustment, the leaders of the ministry did not deeply understand the necessity and urgency of readjustment, were slow to acquire awareness, and did not grasp it vigorously, so that the overall readjustment of the national economy was affected.

The grave disproportion in the iron and steel industry is reflected mainly in the following facts. The vareity and quality of iron and steel products do not comply with the needs of various sectors of the economy. In particular, steel products needed by light industry, by the market or for the peoples livelihood are still unable to satisfy consumers needs in both variety and quality, and a considerable proportion of such products must still be imported. Mining lags far behind smelting, so that it is difficult to fully bring comprehensive production capability into play. Grave disproportion also exists in the relation between "bone" and "flesh."

II

To do a better job of readjusting the iron and steel industry, we must clear away very satisfactorily the influences of "leftist" ideology on this industry. We should note that the above-mentioned situation of grave disproportion in this industry is not a recent phenomenon. It has been formed over many years. The comrades who attended the recent work conference on metallurgy have conscientiously summed up past experiences and drawn the following major lessons.

1. To develop the iron and steel industry, we must clearly understand our national conditions, subordinate the industry to the overall situation, place the relation between this industry and the overall national economy in a correct position and overcome blindness. In planning new construction projects, we must follow the principle of working within our capabilities and fully consider their feasibility in the light of our national strength, so that the development of the iron and steel industry may be coordinated with our national economic development.

2. We must put the basis and emphasis of our work on the existing foundation, fully bring the role of the existing enterprises into play and take the road of emphasizing quality, increasing product varieties, reducing consumption and boosting earnings.

3. We must pay great attention to internal equilibrium in the iron and steel industry, exploit our comprheensive production capability, conscientiously solve the problem of disproprotion between smelting and mining and between production and livelihood, and ensure the healthy development of the iron and steel industry.

4. We must satisfactorily organize production, with key emphasis on increasing product varieties, improving quality, economizing on energy resources and reducing consumption, and thus serve various sectors of our national economy. In particular we must serve the people in providing food, clothing, housing, transport facilities and other daily goods.

5. We must respect science, strengthen investigation and study, and vigorously work according to objective laws. In capital construction, we must satisfactorily complete the earlier stages of the work and work strictly according to the procedures of capital construction. We must work out several schemes for each project and choose the optimum one by comparing results of investment. In exercising leadership over production, we must pay attention to the different characteristics of various industries. We must not "treat everything the same way regardless of circumstances" or even just make a terrific din.

6. We must conscientiously implement the mass line, fully carry forward democracy and earnestly consider different opinions. Making decisions on major projects must involve study by experts and joint consultation between leading cadres and experts. We must not allow a minority of people to have all the say.

III

During readjustment, the iron and steel industry must change over to the path of serving the technological transformation of our national economy and providing various materials which are up to standard for producing durable consumer goods. We must further readjust the composition of products, the internal proportions of the industry and its organizational structure. We must satisfactorily tap the existing enterprises' potential, carry out innovations and improvements and raise economic results. Specifically, we must satisfactorily grasp the following several tasks:

1. Further reduce the scale of capital construction, rectify the orientation of investment and improve the results of investment.

Over the past 2 years, investment in the iron and steel industry has been cut rather substantially. In the coming several years, investment will not increase substantially. Therefore, we must consciously subordinate ourselves to the overall situation and do a good job in using the limited funds. In the future, the orientation of investment in the iron and steel industry must be in the first place use of investment funds to develop mining, increase product varieties, improve quality, develop measures to help economize on energy resources, protect the environment and enhance safety in production. We must also try our best to set aside some investment funds for developing education and scientific research and providing workers with living quarters. We must assimilate the lessons of past experiences of emphasizing capital construction at the expense of production so that in the future, even in undertaking projects involving increasing product varieties and improving quality, we must also proceed from the existing foundation as far as possible. We must in the first place undertake those projects which require a small amount of investment funds and produce quick results, boost the production of meters and instruments for calculation, inspection, testing and control, and set up processes for the earlier or final stages of production which are essential to ensuring quality. We must conscientiously clean up those projects whose design or technology is not up to standard or those in which investment produces poor results. As to those projects which have been suspended or postponed, we must satisfactorily perform various residual tasks, carefully maintain and protect the equipment involved and strive to reduce losses to the minimum. In the case of projects under construction, we must impose stringent demands, ensure quality, complete them punctually, try our best to economize on funds and improve the results of investment.

2. We must gear the industry to the ever-increasing demand of our population of 1 billion and our 800 million peasants for steel products which are used in connection with their consumption of food, clothing, housing, transport facilities and other daily goods. We must further change the composition of products and improve product quality.

Currently, the iron and steel industry must attach prime importance to increasing the output of steel products needed by the market in light industrial products and agriculture or needed for the people's livelihood and civil construction works. We must conscientiously conduct investigation of market needs, strengthen market forecasting, take the initiative to consider consumers' opinions, and take the consumers' needs as a motive force to improve product quality or increase product varieties. We must strengthen product research, vigorously develop technological services, understand the production techniques adopted by consumers, and take the initiative to help consumers choose and use superior materials. The countryside is a vast market. At present, the financial conditions of the peasants in many localities have improved, and building houses, manufacturing handcarts and small farm equipment and so on require large quantities of steel products. We must strengthen investigation and study and adopt measures to increase the output of steel products for agricultural use.

We must devote our greatest efforts to increasing the output of thin plates and strip steel. The manufacturing of certain light industrial products, such as bikes, washing machines, electrical appliances for civil use, enamelware and so on, require large quantities of thin plates and strip steel. Thus, such steel products are currently in the severest shortage. We must also vigorously increase the output of wire rods needed for manufacturing iron wires and nails.

Enterprises with favorable conditions must also vigorously expand the variety of their products, directly produce some consumer goods according to market needs and offer them to the market.

As for those products in excess supply, relatively large quantities of which are kept in stock at present, even if they are really needed by the market, we must reduce their output and inventories according to the principle of clearing the warehouses of excessive stocks before further production.

3. We must try all means to economize on energy resources, take this as a strategic task and vigorously do a good job in grasping it.

Developing our country's iron and steel industry can only be based on low energy consumption. This year, the quotas for energy resources allocated by the state to the iron and steel sector according to plans for iron and steel production have shown a decrease of around 8 million tons of standard coal. The iron and steel works must further reduce energy consumption on the basis of last year's achievement in reducing consumption.

All iron and steel works must continue to strengthen energy resources management, formulate stipulations on economizing energy consumption and fixed quotas for energy consumption for all major subprocesses and conduct rigorous checks according to the set quotas. In the light of various enterprises' actual conditions, we must continue to popularize those experiences in economizing energy consumption which practice has proved to be effective, such as fine screening and repeated grinding of ores, sintering of low-carbon-content raw materials, using large lots of materials and high blast temperatures in the blast furnace process, energy-economizing operations for the open hearth furnace, raising the temperature of hot ingots in roughing down, and so on. We must superbly organize production and must be rational in starting or stopping the operation of equipment. We must integrate the economizing of energy resources with technological transformation. In particular, we must satisfactorily grasp measures to economize on oil, readjust the energy consumption pattern of the iron and steel industry and substitute coal for oil. For those local iron and steel works with high energy consumption, we must appropriately close them, suspend their production work, merge them or shift them to other types of production.

An important task in economizing energy consumption by the iron and steel industry is to vigorously lower the iron to steel output ratio. Because at present, around 60 percent of the total energy consumption by our country's iron and steel industry is attributable to processes prior to iron smelting, lowering the iron to steel output ratio is of great significance to economizing on energy resources. In 1980, this ratio was 1.03 in our country, approximately 0.3 higher than in Japan, West Germany or the Soviet Union. An important reason for such a high ratio for our country is that we produced large quantities of pig iron for casting purposes. Last year, our country produced over 9 million tons of pig iron for casting, whereas in 1978, the combined total output of the pig iron for casting of the five major steel-producing countries, namely the United States, Japan, West Germany, Britain and France, was merely 5.64 million tons. In conjunction with the metallurgical sector, the machine-building industry, construction industry and so on must substitute welded articles for cast iron articles to reduce the consumption of pig iron for casting. We must also strengthen the collection and utilization of scrap steel.

4. We must tap the potential of existing mines, vigorously grasp the building of new mines which are being opened up and place the readjustment of mining in an important position.

The problem that mining lags behind smelting is basically due to emphasizing smelting at the expense of mining. This problem is also due to the fact that in building mines, we did not work satisfactorily according to objective laws governing mining, did not build up comprehensive production capability in earlier periods and did not fully utilize natural resources.

We must vigorously grasp building mines which are being opened up and tap the potential of existing mines so that the results of investment may be realized as soon as possible. We must vigorously grasp the readjustment of weak links in mining and do a good job of filling the gaps and forming complete sets of equipment for mining and ore dressing. We must continue to readjust the relationship between excavation and mining-with-filling, and fully bring the comprehensive production capability of the existing mines into play.

We must attach special importance to satisfactorily grasping various kinds of work at the open pits, which yield 90 percent of the total output of ores. Thus, we must strengthen the management of stopes and equipment. In particular, we must satisfactorily grasp transportation by truck, which is a weak link. We must improve the supply of spare parts and the maintenance and repair of equipment. We must do a good job of building roads to serve the mines. We must raise the efficiency of comprheensive excavation work, increase the rate of extraction and reduce the rate of ore dilution.

5. We must vigorously do a good job of enhancing safety in production, vigorously tackle pollution and improve the environment, and gradually solve the problem of disproportion between "bones" and "flesh."

All iron and steel works must continue to implement the 10 measures put forward at the work conference of the metallurgical industry on safety convened in October last year, proceed from analyzing industrial accidents, conscientiously sum up experiences and adopt various measures in the light of the first aims. The elimination of major hidden dangers must be included in readjustment plans and we must vigorously tackle these dangers. We must actively prevent and tackle pollution and improve the environment. We must deal with these problems step-by-step according to the principle of proceeding from easier tasks to more difficult tasks and from elementary levels to advanced levels. We must include tackling the pollution problem in the production process, strengthen production management and technical management, integrate tackling the pollution problem with the transformation of enterprises, improve technology in combination with large-scale or medium-scale repair as well as renewal and transformation of equipment, and create conditions for further tackling the pollution problem by vigorously launching scientific research on and monitoring of the environment. We must continue to satisfactorily grasp the building of workers living quarters and the enhancing of collective welfare and gradually improve the workers' housing and living conditions.

6. We must improve the running and management of enterprises, improve economic results, increase income and cut expenditures.

Over the past several years, the profits of the iron and steel industry have kept on increasing. However, the level of profits is still rather low. The rate of profits, either as a percentage of investment funds or of output value, has been lower than past records. This year, the output of iron and steel is being reduced. The proportion of some more profitable, superior quality steel products in the total output has also dropped rather substantially. This is a new problem due to readjustment. The iron and steel works must face realities, improve their work, mobilize the masses, overcome difficulties, and vigorously try to reduce the decrease in income to a very low figure or even to zero in the face of a decrease in output. Enterprises with favorable conditions must also try to achieve an increase in income despite a decrease in output.

We must continue to improve overall economic accounting. We must mobilize the enthusiasm of the vast numbers of workers so that all workers will be able to manage financial affairs as masters. We must further strengthen management, improve the running of enterprises, open up many new ways of endeavor and seek a large number of sources of funds. We must reduce consumption, improve product quality, change the composition of products, produce new categories of products, reduce the quantities of inventories, cut expenditures, lower production costs and improve economic results.

7. We must do a good job of grasping the readjustment of organizational structures and gradually effect various forms of integration.

We must vigorously grasp the readjustment of organizational structures and gradually put an end to the phenomenon of enterprises being "large and complete" or "small and complete." Such a readjustment also amounts to a kind of reform.

At present, in the iron and steel industrial system, many forms of economic conglomerations have been organized. We must actively support all kinds of reorganization and integration that are beneficial to the overall situation. In organizing various forms of economic conglomerations, we must proceed from actual conditions and suit measures to local conditions. Integration may be loose or close and horizontal or vertical. In carrying out readjustments of organizational structures, we must pay attention to proceeding from helping the localities achieve the best economic results. Such readjustments, which involve the integration of large, medium-sized and small enterprises, must comply with the principle of cooperation among specialized enterprises and the requirement that enterprises get organized. Moreover, we must pay attention to bringing the strong points of various enterprises in each category of production into play, carrying forward their strength and circumventing their weaknesses, and effecting integration among different categories of production.

The accomplishment of the readjustment of the iron and steel industry depends on the key factor of fully bringing the enthusiasm and initiative of the vast numbers of workers into play and continuously raising their standards in such things as ideology, political thinking, educational attainment, technology and ability to run and manage enterprises. Thus, we must strengthen ideological and political work and conscientiously do a good job of training workers. All enterprises must continue to do a good job of rectification. The key task is to satisfactorily grasp basic management work in a donw-to-earth manner. In particular, the enterprises must continue to pay attention to perfecting the system of personal responsibility, rectifying and strengthening the keeping of original records, statistical work, calculation, checking and testing, as well as doing a good job of management according to quotas.

Over the past 31 years, a relatively good foundation has been laid for the development of our country's iron and steel industry. There are a number of large or medium-sized key enterprises. At present, the conditions of some medium-sized local enterprises are much better than those of the Taiyuan Steel Works or Tangshan Steel Works at the time of the first 5-year plan period. We have a contingent of over 200,000 workers, which includes a number of engineering and technical personnel and cadres specialized in economic management. This contingent has fine traditions, as exemplified by the appearance of many heroic or exemplary personalities. Over the past several years, we have imported some new technology, which we can use for reference in further transforming the iron and steel industry. By studying the principles discussed at the recent work conference organized by the Party Central Committee, clearing away "leftist" ideology and summing up experiences, we will definitely be able to more satisfactorily implement the principle of readjustment and to make new contributions to the steady development of our national economy.

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REFORM AMID READJUSTMENT

HK260921 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 33-36

[Article by the Shoudu Iron and Steel Company: "Fully Implement the Policy of Readjustment and Push One Step Further the Reform Favorable to Readjustment"--note passages within slantlines denote boldface type]

[Text]

(1)

The Shoudu Iron and Steel Company has been designated by the State Economic Committee as a trial-point unit in an effort to expand enterprise autonomy. In 1979, they implemented the system of profit retention. As from July 1980, this has been changed to the system of responsibility for one's own profits and losses which "substitutes tax for profit." Although the reform is still in its early states, it has already enabled the enterprise to free itself from its old straitjacket and thus become an economic unit with specific economic interests and powers of self-management, the ability to assume specific economic responsibilities and a relative independence. It has furnished definite preconditions for tapping potential within the enterprise and for pumping new lifeblood into it. All this is conducive to the implementation by the enterprise of the policy of readjustment and the livening up of microeconomics.

The reform has impelled the old enterprise to find a way of lowering consumption, raising efficiency and increasing profits. In the 2 years since setting up the trial points, we have, with our feet firmly planted on the present base, carried out a rational technological restructuring of the old factory and strengthened the overall management of the enterprise, causing the level of production, technology, administration and management to continuously rise. In 1979, of our company's 30 fixed technological and economic indices, 16 won first prize in competition with domestic enterprises engaged in the same trade. Of the 132 struggle targets laid down in 1980, 94 were reached and 36 won first prize within the country. The grade of concentrate powder, blast furnace capacity factor, coke ratio, converter capacity factor, average furnace life and iron ore consumption, the six norms most commonly used internationally for measuring the level of production technology in iron and steel enterprises, reached an internationally advanced level. As for the products of the Shoudu Iron and Steel Company, third-rate products were eliminated in 1979 and second-rate products were eliminated in 1980. Fifteen products, accounting for one-third of the total products, were promoted to top-grade products. Pig iron casting and concentrate powder won the state's gold medal for quality. High frequency electric welding tubes won the state's silver medal for quality. New improvements have been made to the composition of the products in the course of readjustment. Energy consumption has gradually fallen. The fixed energy consumption for the production of 1 ton of steel in 1978 was 1,247 kilograms of standard gas. This fell to 1,177 kilograms in 1979 and 1,121 kilograms in 1980, showing decreases in the 2 years of 5.6 percent and 4.7 percent respectively. Administration and management of production technology appeared to be at their best since the founding of the state 31 years ago.

Reform brought about a change in the management thinking of enterprise leaders and a change within the enterprises run by the broad masses of staff and workers. They no longer seek to merely finish the production plan, but they also strive for economic effectiveness, thus achieving a continuous growth in total industrial output value. In 1979 and 1980, they achieved increases of 9.11 percent and 11.73 percent respectively over the year before. The amount of funds appropriated per 100 yuan of output value continued to fall year by year. Profits showed a massive increase 3 years in a row. In 1978, profits showed an increase of 85.8 percent over 1977. In 1979, profits showed an increase of 22.4 percent over 1978. In 1980, profits showed a further increase of 23.6 percent over 1979. In a situation where assets consist mainly of mines and iron and less of the capacity for producing products capable of increasing profits like steel and timber, the profit margin in relation to assets reached 17.25 percent, an advanced level in a domestic iron and steel integrated complex.

On the basis of promoting increased enterprise output and income, the "three mores" have been implemented, taking into consideration the interests of all three parties. As far as the distribution of the enterprise's profits is concerned, the state got 180.65 million yuan in 1978, 213.11 million yuan in 1979 and 246.87 million yuan in 1980. In the 2 years since the implementation of trial points, state revenue rose by 66.22 million yuan. Income accruing to the enterprise was 15.72 million yuan (including the welfare fund and bonuses), in 1978, 19.04 million yuan in 1979 and 37.08 million yuan in 1980. In 2 years, it made an extra 21.36 million yuan. The ratio of the state's increased income to that of the enterprise was 3:1. Rewards and welfare due to the staff and workers showed a corresponding increase.

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Under the new situation of readjustment, the problem of how to correctly handle the relationship between readjustment and reform remains one of primary importance as far as expanding the powers of trial-point enterprises is concerned. For the past 2 years, we have persisted in the full implementation of the eight-character policy. We have, with readjustment as the center and rectification as the base, made full use of advantageous elements of the reform to carry out internal readjustment and have reached the target of an overall increase in the various work spheres. Our basic method has been:

/1. To integrate the expansion of power with rectification, thus enabling the reform work of the enterprise to have a firm base./

We must first rectify the leading groups at every level according to the demands made by the four modernizations. We must promote to leadership posts at every level cadres who have emancipated their minds, are filled with revolutionary zeal, understand technology, are able to manage and are generally competent. The 30 factories and mines of the whole company, together with the engineering companies, have among them a total of 207 leading cadres. Of these, the 103 skilled cadres above the rank of assistant engineer account for 49.76 percent of the factories' management cadres. Of the 62 first and second class skilled hands in the factories and mines, apart from one secretary, and an old cadre who has just changed professions, all are quite familiar with technical work. A first-level leading group of the factories and mines generally does not exceed five or seven people at the most.

At the same time as rectifying the leading groups, we have treated the establishment and amplification of rules and regulations with the responsibility system as their core as the central link in the rectification of the enterprise, and have set up among the workers post assessment standards, including indices for output, quality and consumption, technical operation, equipment maintenance, accident control, civilized production, limitations on the amount of materials to be taken and rules governing labor discipline. Among the cadres, we have, according to the demands made by the responsibilities attached to each post, laid down detailed rules and regulations governing the actions of individuals, including basic responsibilities, assessment standards and work processes, thus ensuring that, within the enterprise, there will be fixed demands made on every work post. We have also sought to combine strict examination with rewards, and have adopted a method comprising standards, assessments and rewards or punishments. We have taken the first step in setting up a data management system. In using quotas, measurements, original records and statistics, we let the data speak for themselves so as to arrive at a more accurate estimate of the production efficiency of the factories, mines, workships, teams and groups, down to each post. We have devoted much effort to completing measuring facilities. The whole company has already installed 9,685 measuring instruments of various kinds and 24 large-scale weighing apparatus. Among the factories, they have set up measuring nets for molten iron, steel ingots, billets, and steel products. We have completed the preliminary establishment of driving force measuring nets for electricity, steam, and gas. The installation rate of meters reached: 72 percent for electricity, 76 percent for steam, 96.2 percent for furnace gas, and 74 percent for blast furnace gas respectively. The weighing-in rate for goods and materials arriving at the factories increased to 82 percent from the mere 4 percent of the past few years. All products leaving the factories are weighed and checked, so as to ensure that the various production management activities of the enterprise will, through an accurate and sensitive information system, be reflected in the data.

Last year, with the basics of the system of responsibility and the various specialized management systems at our disposal, we forged ahead with the full implementation of the rules and regulations. We convened a special staff and workers congress so as to be able to make certain decisions. First, we requested leading administrative cadres at every level to treat the implementation of the rules and regulations as their prime duty. From the company manager, directors of factories and mines, and workshop directors right down to the directors of teams and groups, everyone is, according to the principles of the regional responsibility system, responsible for the formulation, implementation, examination and management work within their sphere of control. Every specialist management department must divide up work according to the expertise required and be responsible for the implementation, examination, analysis and management of the rules and regulations within their sphere of control. Second, we have implemented the "twelve articles" stipulation under which people are closely scrutinized, rewarded and punished in an impartial fashion, and subjected to strict discipline. It is clearly stipulated that cadres and workers who violate the system and break the rules will, regardless of whether an error was committed, an accident occurred or a loss sustained, be registered and reported to their superiors, and the incident will be notched up against them. Further, they will be disqualified from claiming awards that month. By means of this effective series of controls, we have further stabilized production and effected the overall strengthening of the administration and management of production technology within the enterprise.

/2. To use the expanded powers to carry out internal readjustment within the enterprise./

After the expansion of power, the 50 percent of the depreciation fees retained by the enterprise in the past rose to 80 percent, and then to 100 percent. The depreciation rate also rose from 3.3 percent in the past to 3.8 percent and then 4.3 percent. In 1979 and 1980, the depreciation fees left for the enterprise to distribute rose by 31.44 million yuan. In these 2 years, we further obtained a production development fund worth 21.49 million yuan. Taking these two sums with the major overhaul fund, the enterprise has a stable source of funds every year. Thus the enterprise has the preconditions for proceeding from reality, making long-term plans and early preparations, and concentrating its financial resources on the implementation of measures which cost little, yet produce the desired effect within a short space of time, so as to carry out a rational technological restructuring of the old factories.

For example, our company's No 2 sintering workshop used to produce hot ore. It was technologically backward and there was serious pollution. After adopting technological restructuring, we changed over to cool ore, and vast amounts of unmanageable high temperature smog can now be eliminated during the technological process. This is the best means of controlling the pollution caused by sintering. We can, at the same time, after changing over to cool ore technology, use this in conjunction with the new No 2 blast furnace which has a complete system of conveyor belts and burns top quality ore, so that this blast furnace will be provided with high quality raw materials. Otherwise, when the new No 2 furnace starts burning, it will have to consume vast amounts of imported ore, and we will have to spend an extra 30-odd million yuan. In the second half of 1979, we amassed 8.22 million yuan worth of funds and, mustering our construction strength, managed to carry out cool ore restructuring within the space of just over 2 months and before the new No 2 furnace came into operation, thus guaranteeing the production demands of the new No 2 furnace. At the same time we have solved the problem of how to control the smog and have cleared up the pollution.

In the past 2 years, we have also made use of 21.87 percent of our own funds to implement some key energy saving measures. In 1979, we first carried out the technological restructuring of three industrial boilers installed in the 1950's in the four boiler rooms. They were all converted from coal to blast furnace gas, and they came into operation the very year we went to work on them. Last year we started using again the 1.4 cubic meters of blast furnace gas that had been abandoned in the past, which was equivalent to saving 40,000 tons of standard gas, bringing in an income of 1.65 million yuan. In 1980, we carried out the restructuring of soaking pits in the first stage steel rolling mill. They were converted from burning heavy oil to burning both heavy oil and blast furnace gas, thus greatly reducing the consumption of heavy oil. In 1 year, 12,900 tons of heavy oil was saved, a saving of 0.75 million-odd yuan. Because certain energy saving measures have produced the desired results within short space of time since coming into operation at certain key links in the production chain, the level of energy consumption in the past 2 years has continuously fallen.

Since the setting up of trial points, we have still been using part of the enterprises own funds and actively readjusting the proportionate relations between the "bones" and the "flesh." We have been actively solving the inherited problem of pollution caused by the production process, and have invested a total of 19.9 million yuan out of our funds, 3.71 million of which we raised by ourselves. Now, the Shoudu Iron and Steel Company basically solved the problem of harnessing water. The quality of drinking water has reached national standards and the rate of circulation and utilization of water has already topped 87 percent. There has also been a marked improvement as far as smog pollution is concerned. We have already eliminated those "black dragons" from the sky. The pass rate of the 35 main smog-emitting chimneys in the factory area has reached 68 percent. In the past 2 years, we have also devoted major efforts to reorganizing the face of the factory and to beautifying the environment. In 1979 and 1980, using 16.43 million yuan of funds we had raised ourselves and some capital construction funds, we constructed 174,000 square meters of housing for our staff and workers, thus alleviating to a certain extent the housing shortage they are faced with.

With the expansion of enterprise autonomy, the enterprise now has some economic preconditions for self-development and self-stimulated growth, thus altering the past situation where it had to rely on annual investment and projects for its livelihood and enabling the enterprise to have, after completing the task of turning over income to the state treasury, the preconditions for carrying out modernization and restructuring according to its own situation, its own capacity, and in an economically rational manner. Viewed in the light, it seems that there is more money left in the hands of the enterprise, but this money is different from money invested by the state. In spending "money earned by blood, sweat and tears," there will be careful calculation and strict budgeting. Some important matters concerning technological measures and collective welfare still need to be entrusted to specialized personnel and sumbitted to a staff and workers' congress for discussion. Practice has shown, that under the guidance of macroeconomic planning, when some financial powers are reserved for the enterprise and the enterprise is truly livened up, massive savings can be achieved, which is favorable to readjustment.

/3. To carry out political and ideological education for the staff and workers and to correctly handle the relationship among the three parties./

The reform carried out by the enterprise has basically unified the interests of the state, the enterprise and the individual. So that the staff and workers can see the relationship among the three parties in its correct perspective, we have, in our propaganda and education, adhered to the following principles: that life can only be improved by developing production; that we must continue to foster the spirit of struggling arduously and of hard work and thrift if we are to build the four modernizations; that in handing out rewards, we must bear the cardinal principles in mind, take the overall situation into account and adhere to state policies. Because we have strengthened ideological and political work, we have in the process brought into play everyone's initiative for developing production and increasing profits, thus increasing year by year the results trial-point expansion of power.

The correct handling of the relationship among the three parties mainly involves doing a good job of distribution according to work. After the expansion of power, bonuses were linked to profits. The enterprise could determine for itself the form of the reward. Following the increase in economic effectiveness within the enterprise, although the reward fund has increased in size, we have, in line with state policies, strictly controlled the level of rewards and have not handed out rewards at random. As far as the distribution of bonuses goes, we have adhered to the principle of distribution according to work and have not been guilty of egalitarianism. We have set up an overall championship prize for the few important production factories and mines which have, in their efforts to reach greater heights and standards, achieved results in iron and steelmaking. The level of rewards has thus been raised somewhat. That of some auxiliary departments is somewhat lower. Even units whose standard of rewards is higher find it hard to obtain the overall prize, since they are subjected to harsh tests. After the factories and mines have received their bonuses, they must still be calculated in accordance with the assessment standards laid down by the responsibility system, and implement the rewards according to the workpoints recorded in the workshops, teams, groups and posts, and have thus smashed the egalitarianism of eating out of a "big pot." Due to our strict control over the level of rewards, the enterprise's reward fund has not been exhausted in these 2 years. There has been a surplus every year which the enterprise can use to make up for future deficiencies. Since the implementation of trial points 2 years ago, production at the Shoudu Iron and Steel Company has developed more rapidly and profits have increased somewhat, but the level of rewards among the staff and workers has not been high.

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The Shoudu Iron and Steel Company has fully implemented the policy of readjustment, carried out positive readjustment and steady reform, and has obtained definite results. However, looking at developments in recent years, the Shoudu Iron and Steel Company is faced with a tendency for the enterprise's development funds to continuously fall. In the past 3 years, the enterprise's profits have grown year by year, and state revenue has increased year by year, but the enterprise's income has neverhteless been gradually whittled down. As far as total accumulation of the enterprise is concerned, the ratio of actual state revenue (including industrial and commercial tax, after subtracting basic construction investment and the special fund allocated to the enterprise) to actual income of the enterprise (including basic construction investment and the special fund) was roughly 3:7 for 1978, 5:5 for 1979, and 7:3 for 1980. If we proceed according to the current "change from profit to tax," the ratio will be 9:1 for 1981. Thus, with the enterprise gradually increasing profits, the annual drop in the amount and proportion of actual income and is not conducive to the enterprise increasing income by tapping potential, and to it restructuring and developing itself by relying on its own strength.

As a trial-point enterprise which "substitutes tax for profit, keeps independent accounts and is responsible for its own profits and losses," the Shoudu Iron and Steel Company today no longer receives state investment or special funds. What power can the enterprise rely on to maintain simple reproduction, in particular, for making up for investment in the factories and mines, speeding up pollution control and gradually solving the various problems of the staff and workers, like their housing problem? Moreover, from now on, the scale of the Shoudu Iron and Steel Company will not be expanded further, and during the period of readjustment, the iron and steel industry must cut down slightly on production, keep production targets down and reduce the energy supply, all of which will affect the profits of the enterprise. What solution is there for the enterprise? We are of the opinion that the only solution lies in readjustment and reform. If we are to further implement the policy of readjustment, we must, with the proviso that there will be no further expansion in the scale of the enterprise, persist in the inner readjustment of the enterprise and pursue a new path which will save energy, control pollution, improve quality, expand the variety of products, carry out the intensive processing of products, develop the production of consumer goods, improve administration and management and raise economic gains. If we are to successfully pursue this path, we must give impetus to reform work and, under the guidance of macroeconomic planning, further liven up microeconomics.

However, as for present reforms, for various reasons, trial-point work is in a state of stagnation, and recently there have already been signs of retrogression. A problem which has suddenly appeared in the wake of "changing from profit to tax," is of how to determine regulation of the tax rate. Last year, the regulation of the tax rate for the Shoudu Iron and Steel Company was 13.2 percent. On top of that, the enterprise has to pay income tax, local construction tax, fixed assets appropriation fees and liquid assets appropriation fees. After that, the enterprise is not left with much. Under the present "change from profit to tax," the enterprise keeps a mere 13 yuan for every 100 yuan of profit. Thus the enterprise is receiving too little. Within iron and steel integrated enterprises, metallurgical mines have the characteristic of being able to take over. The Qianan mine of the Shoudu Iron and Steel Company has been in operation for 20 years, during which period the problem of ageing has grown increasingly prominent. If the mine is to maintain normal production and to adapt itself to the iron and steel production capacity, investments need to be replenished every year. Last year, document 226 of the State Council clearly stipulated that we must, "in line with the principle of maintaining mines with mines," "leave most or even all of" the profits from the mines "in the hands of the enterprises, thus ensuring that the mines have a steady source of funds." But for the moment, the stipulation of document 226 concerning mines has not been put into effect at all. The enterprises can neither get their hands on the money invested by the state in the mines nor can they arise these funds from their profits. In the long run, the mines will find it hard even to maintain simple reproduction and the situation will definitely create new, even more serious disproportion. Should such disproportion occur in the mines, any redirection back to the state would cause too great a loss. Let us take as another example the rather large amount of debts owed by the Shoudu Iron and Steel Company in respect of environmental pollution, as certain inherited problems have not been solved. Therefore, we should consider these factors when it comes to distribution profits.

In accordance with the policy laid down by the Central Committee, we must proceed with reform that is favorable to readjustment and to livening up the economy. We should, as far as the present reform is concerned, integrate the blocked up with the cleared, and increases in income with decreases in expenditure. We should also ensure that enterprises can first guarantee a source of income for the state and then that greater material wealth is created for the enterprises so that they can furnish definite economic preconditions. We welcome the type of reform introduced in the old enterprise of the Shoudu Iron and Steel Company, which "substitutes tax for profit, practices independent accounting responsibility for its own profits and losses," as the fixed tax rate should not cut too deeply into the enterprises. We are still considering the adoption of another method. With the proviso that the income of the state and localities increases year by year, we can delineate which method of distribution to adopt between the state and the enterprise. Once this line has been established, it will not be changed for several years. Thus the economic responsibility of the enterprise to the state will be rigidly defined, while the enterprise will be livened up. Proceeding from the actual conditions prevailing in the Shoudu Iron and Steel Company, our specific opinion is: We should fix the tax rate in the ratio of 70 percent of total accumulation to the state and 30 percent to the enterprise, thus conforming to the 1980 level for the distribution of profits. In this way, we will first be guaranteeing the steady growth of state finance and also ensuring that the enterprise has a definite source of funds on which to plan further. Thus we will arouse more fully the initiative of the broad masses of staff and workers to devote themselves to the four modernizations and will, abiding by the policies and decrees of the party and the state, effect the modernization and restructuring of the enterprises step by step in a planned way.

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INDUSTRY

INCREASED PRODUCTION OF CONSUMER GOODS CITED

Jinan DAZHONG RIBAO in Chinese 21 Jul 81 p 1

[Article by Jian Zelin [5592 0463 2651]: "Province's Light Industry Strives to Increase Output of Consumer Goods for Daily Use; During First Half of Year 55.5 Percent of Plan Fulfilled; Great Increases in 15 Major Products; Successful Development of 51 New Products"]

[Text] The province's light industry has continued to develop in the midst of further readjustment of the national economy, and tremendous growth has taken place in consumer goods urgently needed by the people in their daily lives. Industrial output value completed during the first half of this year showed an 11 percent increase over the same period last year, and 55.5 percent of this year's plan has already been fulfilled. For the first half of the year, output of 11 of 20 major products achieved "double more than half," and output of 15 products increased over the same period last year. This included a new increase of 150,000 bicycles, 100,000 sewing machines, 350,000 wristwatches, 100,000 clocks, 59,000 cases of cigarettes, 880,000 tons of crude salt, and 5,700 tons of alcoholic beverages. Consumer goods such as beet sugar, dry cell batteries, and synthetic detergents also showed rather tremendous increases.

Major efforts to increase output of consumer goods for daily life is a major task of the province's light industry during readjustment. In drawing up this year's production, acting in accordance with market requirements and requirements for further readjustment of the national economy, the entire system made its focus the increased output of goods urgently needed by the masses, or goods in short supply, such as bicycles, sewing machines, wristwatches, clocks, cigarettes, alcoholic beverages, high quality paper, beet sugar, canned goods, porcelain and pottery, common plate glass, and alcohol to rouse development of light industry overall. In order to increase output of these 12 goods with all possible speed, they tapped unused potential for production within enterprises, while at the same time using mechanized industrial techniques in conjunction with equipment advantages, making a major effort in cooperative and unified production. As a result of several years of battle, the industries in the province that make the "three major items [bicycles, sewing machines, and wristwatches] have increased their production capacity tremendously; however, development of some components has not been rapid to the impairment of the development of production. In the course of readjustment and reorganization this year, they selected some plants in which production conditions are good and technology similar to arrange for components in short supply. At the same time, they have entered into cooperation with military industries to use unified methods to expand production. In this way, the free wheels, sprockets, and saddle seats that have always been in short supply, as well as some sewing machine components have increased tremendously over former years to assure the needs of major machinery plants. In expanding production of the "three major items," the light industry system gave attention to seeking development through internal readjustment, making equitable divisions of labor among enterprises producing bicycles and wristwatches, assigning different kinds of items and specification on the basis of conditions and technical levels of individual enterprises, gradually developing in the direction of specialization, strictly checking on demands from each jurisdiction for new items, and not going ahead with anything that was not absolutely necessary, so as to avoid producing blindly and duplicating construction.

In the process of developing production of consumer goods for daily use, Shandong Province's light industry actively improved upon the make-up of goods, increasing production of goods that enjoyed good markets. Along with the steady increase in people's standard of living, people in both the cities and the countryside have had rising expectations of light industry products. In order to meet these expectations, the entire system initiated improvements in the make-up of products, steadily increasing saleable goods that meet people's needs. The cigarette industry used tobacco leaf grown within the province to develop production of cigarettes containing high and medium grade tobacco, at the same time giving close attention to aluminum foil and cigarette filters, greatly increasing the proportion of quality cigarettes. During the first half of this year alone, output of cigarettes of second grade and above, and of filter cigarettes amounted to 132,000 cases, almost twofold the number for the same period last year. The ceramics industry resorted to a series of measures including decrease in the number of small items, raising the number of large items, holding down the number of individual items in favor of producing sets of items to bring about a tremendous increase in production of ceramic sets, both satisfying export and domestic market needs, and increasing the earnings of enterprises.

The widening of production avenues and major efforts in diversification have been a major measure in the light industry sector of Shandong Province's vigorous efforts to develop consumer goods needed for daily use. The alcoholic beverage industry made full use of the province's resources to increase production of fruit wines, alcoholic drinks mixed with fruit juices, and light sparkling wines. The light industry bureau of Yantai Prefecture alone researched and developed more than 20 varieties of fruit wines and light sparkling wines, producing 10,400 tons of them during the first half of the year both making full use of local resources and allaying the shortage of beer, while at the same time adding to supplies for the summer market. Numerous enterprises also combined their individual production characteristics in major diversification endeavors. The Yidou Match Plant used inferior materials not suitable for making matches to manufacture fiber board. The Rongcheng County Sugar Plant took advantage of the slack season in sugarcane crushing to produce various kinds of sweets and breads, gaining very good economic results therefrom. With the needs of city and countryside markets in mind, a number of light industry enterprises researched and developed new products. During the first half of the year alone, they successfully test manufactured 51 new products including China cypress paper, high quality glossy ganoderma cold cream

[7227 5347 7208], wheat strawboard with one adhesive side, high quality quartz clocks, and dry red grape wine, some of which has already been marketed.

In the development of consumer goods, the light industry system of the province has diligently implemented economic policies and vigorously pushed a system of economic responsibility. The textile bureaus in Qingdao and Jinan instituted throughout all enterprises a system of work quotas whereby the greater the excess profits, the more retained. Each enterprise also contracted output targets with workshops, factory teams and groups, and individuals so that their responsibilities would be clear and their goals well defined. This greatly aroused the enthusiasm of enterprises and of their staffs and employees to strive to increase output and increase earnings, this year's economic results consequently showing clear increases. During the first half of this year, light industry throughout the province realized profits and revenues 8.3 percent greater than for the same period last year.

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BRIEFS

HEILONGJIANG MUNICIPAL INDUSTRY--Industrial production of Jiamusi Municipality, Heilongjiang Province, has increased steadily in the course of readjustment. Following the 7.8 and 12.4 percent increases in the annual output value in the past 2 years, 1981's semiannual output value showed an increase of 10.5 percent over that of 1980. To satisfy market needs, Jiamusi Municipality has reorganized its machinery enterprises since the beginning of this year. Production at those which produce quality products, enjoy brisk sales and serve agriculture and forestry is being maintained and halted or transferred at those which produce unsalable poor-quality products. Enterprises which produce the same products are being merged and those which have surplus production capacity are assigned to produce badly needed products. Machinery enterprises have been reduced from 29 to 23. Thanks to readjustment, the light industry share of output value in the entire industrial sector has increased from 56.6 percent in 1978 to 60 percent. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 17 Aug 81]

HENAN INDUSTRY CONFERENCE--The Henan Provincial CCP Committee and government held an urgent meeting of prefectural and municipal leaders and responsible comrades of provincial departments from 17 to 20 August, which demanded that the cadres and workers throughout the province make every effort to fulfill and overfulfill this year's industrial plans and ensure a 5 percent increase in output value compared with last year. In accordance with the instructions of the Central Committee and State Council, the meeting held warm discussions in connection with the actual situation in the province, and called for all-out efforts in the last 4 months of the year in order to fulfill the plans. The province should do a good job in straightening out the enterprises and implementing economic responsibility systems. [Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 22 Aug 81]

GUANGDONG ECONOMIC WORK--Guangdong Province achieved noticeable success in increasing industrial output and revenue during the first half of this year. Compared with the same period last year, the total value of the province's industrial output and revenue during the first 6 months increased by 11 and 11.89 percent respectively while energy consumption was lowered by 3 percent. During the first 7 months, the gross value of light industrial and textile production in the province increased by 16 percent and the gross value of the province's heavy industrial production rose by 2 percent over the same period last year. According to Li Jianan, vice governor of Guangdong, such achievements are the result of measures carried out in most of Guangdong's state-owned enterprises to arouse the workers' production enthusiasm. [OW270557 Beijing Domestic Service in Mandarin 1200 GMT 24 Aug 81]

ANHUI TEXTILE CONFERENCE--The Anhui provincial conference on textile industry was recently held in Hefei. It calls on all textile mills in the province to work hard to fulfill their goals of increasing their production by 15 percent and their profit by 12 percent in 1981 over the figures in 1980. [OW240453 Hefei Anhui Provincial Service in Mandarin 1100 GMT 24 Aug 81]

GUANGDONG METALLURGICAL INDUSTRY'S ACHIEVEMENTS--In studying the documents of the 6th Plenary Session of the 11th CCP Central Committee and Comrade Hu Yaobang's important speech, Guangdong Province's metallurgical industry party group has summed up their achievements scored in implementing the readjustment principles. Reviewing the situations before and after the Third Plenary Session, the party group of the province's metallurgical industry held that the current situation is very promising. The industrial structure has been readjusted and consumption of fuel lowered every year. Up to now, 49 small-scale iron and steel plants have been suspended, saving the fuel and labor for the backbone plants and the light and textile industries. Large and comprehensive plants have also been readjusted and amalgamated to save fuel and maintain a more rational structure. In addition, the orientation of production has been changed and more marketable products have been produced. Management of business has also been improved which in turn has promoted business and increased production. Another achievement is that the production responsibility systems have been pushed forward and subsequently improved the economic effect. In 1980, the total amount of profits submitted by the province's metallurgical industry to the state amounted to 106.28 million yuan, showing an increase of 119.8 percent over 1978. [HK210829 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Aug 81]

JILIN CONSUMER GOODS--People's demands for expensive consumer goods are increasing, according to a recent investigation by the Provincial Planning Commission and Jilin University on 32 consumer goods in Changchun, Siping and Yanji Municipalities, Yushu Town and Huaide, Nongan, Hailong, Shulan and Tongyu Counties. In 1980 the monthly per-capita income of the 2,671 families in the three municipalities and the town was 28.7 yuan, 8.7 percent higher than in 1979. The annual per-capita income of the 4,334 families in the five counties was 208.5 yuan, 13.2 percent higher than in 1979. Of the over 7,000 families, every 1,000 persons are waiting to purchase 29 bicycles and 17 wristwatches; every 100 households are waiting to purchase 9 sewing machines, 4 radios and 3 television sets. [SK160735 Changchun Jilin Provincial Service in Mandarin 1100 GMT 15 Aug 81]

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'JINGJI GUANLI' ON CONSTRUCTION INDUSTRY

KH010824 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81
p 23-24

[Article by Xue Baoding [6585 5508 7844] and Lin Senmu [2651 2773 2606] of the Economics Research Institute of the State Construction Commission: "Pay Attention To and Develop the Construction Industry"--slantlines denote boldface]

[Text] The construction industry is one of the three important mainstays of the national economy and is regarded as a basic material production sector in an economically developed country. However, the construction industry remains quite backward in our country and, actually was not considered as a basic material production sector for a long period of time. In national economic plans, we can find production targets ranging from how many million tons of iron and steel being produced a year to how many watches and bicycles a year; but nothing is mentioned about how many houses are built a year. In contrast to Western capitalist countries and the Soviet Union and some East European countries which always included the number of workers' residences built each year as a useful index in appraising improvements in their people's livelihood. The governments of these countries have adopted many policies and measures to boost their construction industries. By developing the construction industry, they have pushed ahead the development of the iron and steel industry, the plastic's industry, the machine-building industry, the household electric appliance industry and so on, thus causing their national economies to prosper.

For a long period of time, our construction industry has not received due attention. Many policies and measures which we have adopted did not foster the construction industry but weakened and restrained its development. (1) Concerning the profit policy, every trade in our country enjoys a fair profit margin. For example, it is 70 percent or higher for the petroleum industry; 60 percent for the electrical-generating industry; 20 percent or higher for the machine-building industry; and 5 percent even for the armament industry. However, the construction industry has never enjoyed a reasonable profit. The legal profit for the construction industry was 2.5 percent before 1958, which was actually much lower than that for other industrial sectors. Even this meager profit was taken away in 1959, and it was not resumed until last year as a result of the urging from different quarters. This practice has long been keeping the construction industry in a situation of relying on the supply system and eating in the same canteen with everyone else, and hence adversely affecting the enthusiasm of enterprises in developing production and improving business administration.

//2) The material supply system is irrational too.// As everybody knows, the task of the construction industry is to build houses. However, in our country, construction materials are not distributed to construction units but to different project units according to the allocation of capital construction funds. Then the construction units in turn request materials from the project units concerned. This procedure which deliberately separates laborers from objects of labor creates the segmentation of the productive forces of enterprises. At the same time, such a provision system brings about formidable wastes. For one thing, it has greatly lowered the completion rate. According to the statistics by the general bureau of construction projects, in the period of "the first 5-year plan" when the system of contracting for jobs and materials was in effect, the completion rate for ordinary civil construction reached 61 percent, in contrast to the 46.5 percent of last year. In other words, if we reached the same level as in the period of "the first 5-year plan," we would have completed a residential area of 15 million square meters more in 1980. Another thing has been the poor utilization of manpower. There are 60,000-odd construction projects of various kinds under construction at present. Every construction project needs a number of persons to arrange materials and equipment. The number ranges a minimum of 3 to 500 at a typical project. This amounts to 350,000 for all the projects throughout the country. The salaries and traveling expenses for these persons amount to 300 million yuan or more a year. As estimated, the expenses for this purpose have amounted to 36 billion yuan at least since this system of providing materials to project units has been enforced. Moreover, waste in material resources needs to be considered too. To distribute materials to each unit is bound to increase circulation links and bring about duplication in organization and warehousing. From manufacturing to construction sites, large amounts of construction materials have to go through 3 separate components--the material department, the project unit and the unit in charge of construction--as well as, more than 10 links. The cost alone for building provisional warehouses amounts to 200 to 300 million yuan a year. Finally, the overstocking and waste due to nonconformity in type and quality of purchased materials are also tremendous. In our estimation, the expenses our country pays each year for the last two mentioned causes amount to 500 million yuan, equivalent to the expenses for constructing a housing area of 4 to 5 million square meters. Nevertheless, people have scarcely paid attention to this problem and little has been done to change this system which hinders any improvements in the economic effect.

The causes for such a situation are varied. The most direct one lies in the desire to expand the scale of capital construction. Over many years, the "speeding up theory" has been the guiding thought for economic work in our country. And the scale of construction has been blindly expanded under the influence of this theory. The overexpansion of the scale of capital construction which has gone beyond the limits of financial and material resources that the country could afford have resulted in shortages in capital and in materials. In order to remedy this situation, the construction industry has been restrained from developing; measures were taken to cut down or even eliminate the construction industry's profit while the people's desire for more housing was ignored. Construction materials have been distributed to project units while raw materials, fuel, other energy resources and so on which had originally been allocated for production, maintenance and renewal uses have been diverted to promote capital construction in the name of giving full play to their "initiative." This actually a short-sighted policy, a method of killing the goose that lays the golden eggs. It has not only hampered the development of the construction industry but also that of industry, communications and transportation, and so forth; to the last analysis, it has been an obstacle to the development of our country's socialist construction.

The four modernizations can hardly be realized without a developed construction industry. Therefore, we must pay attention to developing the construction industry and make it suit the needs of the four modernization construction.

What is the aim of promoting the construction industry? What steps and measures should be taken to fulfill this aim? We still cannot put forth a comparatively complete proposal at present because we have yet to make a comprehensive and systematic survey. Generally, our tentative idea is to transform the construction industry into an independent and substantial material producing sector, readjust its internal structure, strengthen the activities of enterprises, promote the production of construction commodities, improve the comprehensive economic effect and eventually turn it into a firm mainstay of the national economy. Based on this tentative idea, we reckon, the following problems should emphatically be solved in the period of the Sixth Five-Year Plan.

(1) //To place the production activities of the construction industry into the plan of the national economy,// in which the total output value of construction and installation, the total production value of construction products and the housing construction volume (in square meters or apartment units) is included. On the other hand, in consideration of the characteristics of large volume of construction products and a long construction cycle, we must move up the development of proposals for each year and approve and release the capital construction plan for the following year by the end of September. The construction units must be included in the annual plans, and no gap must be left in the chain of capital allocation and materials distribution so that the "trilateral state" can be eliminated. Moreover, we have to ponder how to improve planning, the administration of funds, and so on. The old way of practice--to allocate funds at the beginning of a year and terminate all accounts at the end of the year--should be changed, and a developmental planning system should be experimentally enforced step by step.

(2) //Reform the way of material distribution.// We must establish a relation of material balance of the construction industry to the national economy. Instead of distributing construction materials by every 10,000 yuan of capital construction investment and construction project, we can directly distribute the materials and equipment needed to construction units according to the principle of unification of manpower, material and financial resources, and allow the construction units the right to contract for both job and materials and assume the full responsibility for the completion time and quality of the contracted projects.

(3) //Improve the forms of investment and promote the "unified management" of housing construction. The following form is worth considering; in cities and areas where tasks of housing construction are concentrated, take over land in a unified way in the name of the state according to scientific, economic planning and construction planning; assign housing construction tasks directly to construction enterprises and correspondingly distribute the necessary materials and circulating funds to them; let the construction departments take over the unified design and construction, carry out "unified management," and sell the completed housing by apartment

units at fixed prices. As for the basic facilities such as water supply, electricity, gas, telephone and so on, we can organize management companies which can oversee them in a unified way. The contract system of taking complete responsibility must be widely adopted for all those sites where houses, public buildings, industrial buildings and so forth cannot be built in large numbers.

(4) //Expand the decisionmaking power of enterprises and enable them to play a dynamic role in promoting production and management.// All construction enterprises must carry out strict accounting and separately calculate profits and losses. For those construction enterprises newly founded by the authorization of the department in charge, the government should set up the fixed assets, circulating funds, revolving materials and welfare facilities which are necessary, in the same way as for industrial enterprises.

(5) //Readjust the price policy and reform the price structure.// Apart from production costs, the price of construction products should also include reasonable profits and taxes. The profit rate should in principle be no lower than the average level of industrial enterprises, so that construction enterprises can operate under normal production conditions and rational management, and enjoy a little profit after taking care of expenses with revenues. For housing projects, the currently used tedious budget system should be replaced by another system of setting price by square meter, and enterprises should be allowed to enjoy the power to set price within flexible limits. The method of encouraging construction enterprises to compete with each other by submitting bids should also be further studied.

(6) //Reform the multifacet administration of the construction industry.// At present, there are 7 million construction teams throughout the country subordinate to 20-odd departments, all of which are independent of each other. This is really a construction administration system of multidepartments and multilevels and should be reformed. The principles for reform must be worked out so as to break up the situation whereby departments are separated and areas are divided up to end independent departmental operations, promote the contract system and organize integration between enterprises. As a first step all planning, design and construction enterprises, in particular those teams which report directly to departments, should try out a system combined accounting with project units in the next 2 years. They should adopt a contract system which encompasses all aspects, do their own accounting and operate independently to minimize their dependency on departmental supervision. Those which do not get enough jobs must readjust their production orientation and strengthen their adaptability. On such a basis, develop ways to further liberate construction enterprises from departmental and regional confinement with the support of administrative authorities, to promote integration and establish trade organizations of the construction industry.

CSO: 4006/476

BRIEFS

GUANGXI RURAL HOUSEBUILDING--This year, the State Capital Construction Commission and Guangxi Autonomous Region have supplied 5,000 tons of rolled steel, 22,000 tons of cement, some 52,000 cases of glass and a large quantity of timber to rural areas to build houses. Meanwhile, the Regional People's Government has also appropriated a large amount of funds for rural house building. To do well in rural house building, the Regional Capital Construction Committee and the Regional Construction Material Bureau held a conference at the end of July on the production and supply of construction materials for rural house building. The conference decided to manufacture a large quantity of attractive, practical, good quality and cheap cement parts and to supply them to peasants. [HK210829 Nanning Guangxi Regional Service in Mandarin 1100 GMT 8 Aug 81]

CANCELED, SUSPENDED PROJECTS--Jinan, 23 Aug (XINHUA)--The national conference on problems arising from canceled or suspended projects was held in Jinan Municipality of Shandong Province from 16 to 23 August. The conference called by the State Capital Construction Commission and the State Council's office in charge of clearing up projects under construction was attended by responsible comrades from capital construction commissions of various provinces, municipalities, autonomous regions and from the departments concerned. The conference studied the relevant instructions issued by the State Council and stressed that all localities, departments and units must do their best to provide good care, maintenance, and use of the equipment of those projects that have been canceled or suspended. The conference also stressed that the operational responsibility system in operation must be set up at various units. [OW271047 Beijing XINHUA Domestic Service in Chinese 1640 GMT 23 Aug 81]

CSO: 4006/475

BRIEFS

GUANGDONG SMUGGLING ACTIVITIES--The Guangdong Provincial People's Government conference on striking blows at smuggling activities, which concluded on 10 August, formulated a regulation strictly prohibiting all enterprises, organs, organizations, PLA units, party members, cadres, armymen, staff and workers from buying smuggled goods, from smuggling and from selling smuggled goods. All smuggled goods shall be confiscated and offenders shall be punished at the place where they commit crimes or at their native places. The conference demanded that leaders at all levels exercise leadership over this antismuggling struggle and take the lead in opposing smuggling activities. [HK240932 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 11 Aug 81]

CSO: 4006/475

INCREASED EFFICIENCY FROM INDUSTRIAL SYSTEM OF RESPONSIBILITY REPORTED

Nanjing XINHUA RIBAO in Chinese 18 Jul 81 p 1

[Article by Chen De [7115 1795] and Wang Liangfu [3769 5328 1381]: "Application to Industry of Agricultural System of Responsibility in Which Calculation of Remuneration Is Linked to Output; Twenty-two Collective Enterprises in Guwang District Try Out Piece Rate Wage Methods to Take on a New Look"]

[Text] Guwang District in Xuzhou City has applied to industry the agricultural system of responsibility whereby calculation of remuneration is linked to output, instituting trial piece rate wage methods in 22 collective enterprises to win fine economic benefits.

In accordance with their individual characteristics, each of these 22 enterprises began last year to use seven methods to calculate remuneration, including level by level management, specialized contracting, small collective piece rates, piece rates for production in excess of set quotas, unrestricted piece rates for individuals, minimal salary plus piece rate, and fluctuating wages. These are characterized by: Linking of a system of responsibility for production to the economic well-being of staff and employees in accordance with the principle of "from each according to his ability, to each according to his work." Basic wages are solely for reference in setting unit prices; they do not function to assure a specific amount of distribution; however, basic wages apply for vacations, sick leave or maternity leave. Each enterprise clearly stipulated that increases in wages paid staff and employees could not exceed increases in production or increases in the labor productivity rate, nor could they exceed increases in enterprise profits, and they must take into full account the welfare of the state, the collective, and individuals. Verification of quotas, labor quotas, and pertinent regulations would be stipulated or revised by meetings of staff and worker delegates or through democratic discussion by staff and workers.

Following trial implementation of this new method of calculating remuneration, a new atmosphere such as had not been seen in many a year began to emerge in these enterprises.

Out went the "eating out of a common pot," and the enthusiasm for production of the broad masses of staff and employees was aroused. Formerly in these enterprises, it was a case of "guaranteed harvest no matter drought or flood" in regard to the wages of staff and employees in an egalitarian tendency to get the same wages every month. After institution of the new method of calculating remuneration, whether one worked well or worked poorly, worked much or worked little, worked or did not work, all made a difference, and the zeal of the workers was aroused. At the Guwang Transportation Company, some workers responsible for loading and unloading used to report for their shift only to take off as soon as attendance was checked. When a truck showed up no one was available to load it, and there was no choice but to send temporary workers or peasant workers to do the job. Now they all get to work early and leave late, and actively look for work to do. One person now does the work three used to do, and only one truck is needed to do what it formerly took three trucks to do. The labor productivity rate has vastly increased. After piece rate wages were instituted, some old workers praised the system saying the responsibility was now placed on individuals; they are encouraged to take the lead; their integrity is better, they work with energy; and the enterprise has some prospects. This is the only way to come up to the socialist mark.

Cadre work styles have changed. Now that cadres in these enterprises have fluctuating wages whereby "when the water rises all boats rise," and "when the water falls, all boats fall," how well enterprises are managed is intimately related to the size of the incomes of cadres individually. This has caused cadres and management personnel to go down to the grassroots, to investigate and study, and to verify quotas. It has made cadres study administration and management, to become familiar with operations, and to do a good job of all types of work. All the comrades in charge at the Guwang Transportation Company have changed their old practice of "dawdling" in meetings, and have gone to the front lines to organize production and direct production.

All systems have been perfected. Formerly in many enterprises there were no quotas to verify, no quotas for labor, and no responsibility attached to positions. Management was chaotic. After the new method of calculating remuneration was instituted, every unit acted in accordance with realities to establish and perfect systems of various kinds, which were put into effect from top to bottom and from left to right, giving a new order to production. Because of the former lack of necessary rules and regulations, the Guwang Shoe Plant frequently lacked finished goods or semi-finished goods, and even needles, and spools of thread. Now, for every working procedure and every position a fixed consumption quota has been established; cost accounting has been instituted; and every expenditure relates to individual wages. As a result, the system is formulated by everyone, and the loopholes are closed by everyone; problems that could not be solved for more than 20 years have rapidly found a solution.

Output has risen very rapidly. Because of a lack of quality controls, the glazed tiles produced by the Guwang Ceramic Plant caused losses. After institution of piece rate wages this March, the plant contracted materials consumption, worktime quotas, and quality standards with workshops, and with plant teams and groups. The workers themselves instituted strict quality control over every process, and the finished product rate per million glazed tiles rose from the former 30 percent to 62.7 percent, the income from this item alone increasing by more than 30,000 yuan.

The state gains more; the collective keeps more; and individuals get more. After the Guwang District No 2 Brick and Tile Plant instituted piece rate wages this April, it made profits in the same month of more than 9,000 yuan, of which more than 5,300 yuan was paid the state in revenues, more than 2,700 yuan was retained by the collective, and 880 yuan was shared among workers, each person getting an average of 7.86 yuan. The workers said happily: "Trial piece rate wages benefit the state, the collective, and the individual."

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WAGE INCREASES RESULTING FROM DECREASED COSTS, ACCUMULATIONS DISCUSSED

Beijing GONGSHE CAIWU [COMMUNE FINANCIAL AFFAIRS] in Chinese No 7, 6 Jul 81
pp 15-17

[Article by Gong Cai [0361 2088]: "Tremendous Increase in Income Distributions to Rural Commune Members in Shandong Province"]

[Text] As a result of the enduring erroneous influence of the left in the past, development of agriculture in rural Shandong was slow, and the level of collective distributions was very low. Average distribution of earnings per commune member were only 57.60 yuan in 1976, a 5.70 yuan increase in 20 years for an annual per capita average of only 0.28 yuan.

Since the Third Plenary Session of the 11th Party Central Committee, great changes have taken place in the rural villages. In 1980, gross income for agriculture, forestry, animal husbandry, sideline occupations, and fisheries in production brigades the production teams increased by 17.9 percent folloiwng a 14.5 percent increase in 1978 and another increase of 15.6 percent in 1979. Accompanying development of the collective economy has been a tremendous increase in the level of distribution of earnings to commune members. Per capita distributions averaged 58.60 yuan in 1977, 68.40 yuan in 1978, and 81.50 yuan in 1979. Last year, they increased to 105.20 yuan, a 47.60 yuan or 82.6 percent increase over 1976. Even more heartening is the great changes that have taken place in the poverty stricken four prefectures of northwestern Shandong. In these four prefectures, average per capita distributions of income rose from 50.90 yuan in 1979 to 87.40 yuan, a 36.50 yuan increase. In Liaocheng Prefecture, average income rose from 54.80 to 126 yuan, a 71.20 yuan increase. Within a single year, numerous communes and brigades that had long been poverty stricken reversed their situation of "dependence on uniform sales for grain to eat, dependence on loans for production, and dependence on relief for a living." Throughout the province, a whole group of fairly prosperous units has appeared. Counties with average per capita incomes of more than 200 yuan have increased from last year's 4 to 12, and production brigades with average per capita incomes of more than 300 yuan have increased from 47 to 698. These heartening changes are the result of diligent implementation of a series of the party's rural programs and policies, of which, concretely speaking, the following have been the principal ones.

1. A System of Responsibility Has Aroused the Enthusiasm for Production of the Peasants.

Along with the implementation by all levels of the party and government during the past several years of pricing policies and award sales policies in the state procurement of agricultural byproducts, has been a breaking of the fetters of the leftist mentality, respect for the self-determination of production teams, and the promotion of various forms of a system of responbility for production through the adaptation of general methods to local situations. This has effectively triumphed over the egalitarian phenomenon of "a great commotion in doing work," and "leveling out of distributions," has put into practice the socialist principle of distributions in accordance with work, and has aroused the enthusiasm for production of the masses. Already 74.4 percent of the more than 400,000 grassroots accounting units have instituted various forms of a system of responsibility for production, and 23.3 percent of them have instituted a system of responsiblity of fixed work quotas. Only 2.3 percent have not unequivocally set up a system of responsibility. Experience has shown that no matter the form of a system of responsiblity, so long as it takes into account the realities of local units in local areas, it will play a major role in arousing enthusiasm for increased output and savings by the masses. Liaocheng Prefecture, which has always been fairly poor, did an early and a good job of setting up a system of responsiblity for cotton, instituting chiefly uniform administration and linking output to individual workers, thereby winning a bumper harvest. Average per capita distributions to commune members increased over last year by more than 100 percent. Xiajin County in Dezhou Prefecture has always been a very poor county. In 1979, average per capita distributions in the county amounted to only 45.70 yuan. In 1980, more than 90 percent of production teams instituted fixed work quotas on a household basis, and fixed output on a household basis. Earnings distributions tripled to 154 yuan. Fairly prosperous Yantai Prefecture instituted fixed work quotas for teams and for individuals for its open field crops, and in forestry, animal husbandry, sideline occupations, and the fishing industry specialized contracts were instituted with remuneration being calculated on the basis of production. For each piece of farm machinery a system of individual accounting was instituted, and results in increased output and savings are remarkable. Average per capita distributions to commune members rose from 156.00 yuan in 1979 to 191 yuan, income levels becoming the highest in the province.

2. Made the Most of Advantages for Producing Economic Crops Such as Cotton and Peanuts

While maintaining increased grain production as directed by the Provincial CCP Committee, every jurisdiction actively developed a program for economic crops, increasing the cotton and peanut growing are by adapting general methods to local situations. As a result of state increase in the requisition procurement price it would pay for cotton, the widespread publicity given to the grain equivalency of cotton instituted by the Provincial CCP Committee, and policies for award sales of grain for sales of cotton in excess of quotas, calculations by basic accounting units show average per capita sales of ginned cotton amounting to 20 jin, an assured 380 jin of consumption grain, and award sales of 4 jin of grain or 2 jin of chemical fertilizer for every jin of cotton sold the state in excess of quotas. Thus, cotton farmers are assured consumption grain, further arousing the enthusiasm of communes and brigades for growing cotton. The area sown to cotton in the province has increased from 8.14 million mu to 8.36 million mu. In addition, advanced techniques have been spread and "Lumian No 1" superior variety of cotton popularized. This plus favorable weather conditions has suddenly increased total cotton output from the previous year's 3.33 million dan to 10.74 million dan, and total peanust production has increased from 21.202,000 dan to 28.08 million dan

Both per unit yields and total output have reached all-time record high levels. This plus the increased price and the ad valorem price for cotton has meant a net increase of 1.5 billion yuan in earnings from economic crops, even allowing for offsetting reduced income from grain as a result of calamities. This amounts to an average 23.10 yuan per capita throughout the province. In the four northwestern prefectures of Shandong, income from the sales of cotton alone averaged 62 yuan per capita.

3. Full Use of Local Resources; Vigorous Development of Diversification

In 1980, earnings from forestry, animal husbandry, sideline occupations and fisheries throughout the province increased by 330 million yuan over the previous year, and individual earnings averaged 72.20 yuan, 5 yuan more than the previous year. Numerous communes and brigades took the road of one principal industry with all around diversification of agriculture, forestry, animal husbandry, sideline occupations, and fisheries to increase both collective earnings and distribution to commune members. Yantai Prefectures, with its consistently high grain output, vigorously developed diversifications and per capita earnings from forestry, animal husbandry, sideline occupations, and fisheries averaged 170 yuan, a 40 yuan increase over 1979. In more than 90 percent of the counties where per capita distributions averaged more than 200 yuan, and in communes and production brigades where per capita distributions averaged more than 300 yuan, earnings from diversification amounted to more than half of total income. In a relatively large number of such production brigades, 70 to 80 percent of total income derived from diversification in industry and sideline occupations.

4. Improvements in Administration and Management Has Lowered Production Costs

Formerly, as a result of the influence of "leftist" ideology, administration and management was chaotic with production taking no account of costs. There was extravagance and waste as a result of which total expenses occupied an ever increasing proportion of total earnings. In 1971, expenses of various kinds in basic accounting units in the province amounted to 32.5 percent of total earnings. In 1977, they climbed to 43 percent. Since 1978, with improvement in administration and management and emphasis on economic accounting, the ratio of expenses has steadily dropped. In 1979, they amounted to 39.9 percent, and in 1980 they dropped to 36.3 percent. In 1980, 498 million yuan in expenses was saved, equivalent to a 7.6 yuan per capita increase in earnings.

5. Proper Readjustment in the Ratio Between Accumulation and Consumption

Because of the current situation of low levels of agricultural output and the unprosperous life of the majority of commune members, collective withholdings and national revenues are held at around 20 percent of net earnings, 80 percent being required for distribution to commune members. This corrects the former erroneous methods whereby accumulation was emphasized and consumption slighted no matter conditions, which limited distributions to commune members. In 1980, the proportion of net income collectively withheld throughout the province dropped from 21.9 percent of the previous year to 19.7 percent, and the portion distributed to commune members increased from 75.5 percent to 77.5 percent. As a result of readjustment of the proportion between accumulation and consumption, distributions have increased by an average 2.90 yuan per capita.

9432
CSO: 4006/438

BRIEFS

LIAONING LABOR REFORM--The Liaoning Provincial Public Security Department convened an experience-exchange meeting on the work of reform-through-labor 31 July - 6 August. The meeting's participants held that our province's reform-through-labor work has scored great achievements with the warm concern and vigorous support of various CCP committees and governments. According to statistics compiled in Dalian and Anshan Municipalities, about 80 percent of ex-convicts do not commit offenses after being released. The meeting pointed out: While conducting reform-through-labor work, it is necessary to uphold the principle of "educating and persuading first and reforming through labor afterwards." [SK100521 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 9 Aug 81]

CSO: 4006/475

BRIEFS

JILIN RAIL TRANSPORT SEMINAR--The Transportation Economic Committee of the Chinese Railway Association and the Jilin, Liaoning and Heilongjiang branches of the Chinese Railway Association held a seminar in Jilin on 5 August on quality control of railway transport. Attending the meeting were representatives of bureaus concerned under the Ministry of Railways, the Chinese Railway Association, China's 20 railway bureaus and various provincial, municipal and autonomous regional railway associations. About 30 theses were submitted to the meeting. [SK091218 Changchun Jilin Provincial Service in Mandarin 2200 GMT 7 Aug 81]

GUANGDONG'S GUANGZHOU-ZHUHAI ROAD--In order to improve the road conditions for traffic and transport between Guangzhou and Macao, the Guangdong Provincial People's Government has decided to completely rebuild the Guangzhou-Zhuhai Road. The first phase of reconstruction work will be done entirely with foreign capital. The project reconstruction command has now been established and has begun to make preparations before reconstruction. To meet the requirements of the development of our province's industrial and agricultural production and foreign trade, the Provincial People's Government has decided to completely rebuild this road in 3 years. According to statistics, after reconstruction, the Guangzhou-Zhuhai Road will be shortened from 137.6 km to 119 km and it will take some 2 hours to go from Baihedong in Guangzhou to Gongbei in Zhuhai by car instead of 6 hours. [HK180705 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 9 Aug 81]

CSO: 4006/475

SELECTED STATISTICS SHOWING INCREASE IN STANDARD OF LIVING GIVEN

Xian SHANXI RIBAO in Chinese 6 Jul 81 p 1

[Article: "Remarkable Increase in People's Standard of Living in Shanxi Province Since Founding of the People's Republic"]

[Text] Remarkable Increase in People's Standard of Living in Shanxi Province Since Founding of Chinese People's Republic

Commemorating the 60th Anniversary of the Founding
of the Chinese Communist Party

Item	1949	1980
Total Amount of Purchases by Business Units	110 Million Yuan	3.83 Billion Yuan
Total Amount of Retail Sales of Commercial Goods	170 Million Yuan	5.17 Billion Yuan
Total Value of Foreign Trade Transfers and Direct Exports	20 Million Yuan	603 Million Yuan
Staff and Employees Average Wages	161 Yuan	757 Yuan
Area of Housing Completed for Urban Staff and Employees		1.89 Million Square Meters
Average Income of People's Commune Members (600 Housholds Surveyed)		155.80 Yuan
Number of Bicycles Owned Per Hundred Commune Households		62.5
Number of Sewing Machines Owned Per Hundred Commune Households		36.3
Number of Clocks Owned Per Hundred Commune Households		38
Number of Wristwatches Owned Per Hundred Commune Families		39

9432
CSO: 4005/449

GENERAL

MECHANICAL, ELECTRICAL INDUSTRIES TRY REORGANIZATION, INTEGRATION

HK200949 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 6, 15 Jun 81 pp 51-54

[Article by Shashi Municipal Industry Bureau, Hubei Province: "Mechanical and Electrical Industry Struggles for Survival and Development Through Reorganization and Integration"--note passages within slantlines denote boldface type]

[Text] The Shashi municipal mechanical and electrical system is an industrial group dealing mainly with machinery. The whole system is composed of 29 factories, 24 of which are machine building factories. Among their chief products are radial drilling machines, grinding machines, cylinder boring machines, series 135 diesel engines, low pressure valves, multiple speed dynamos, single-phase electric meters, super strainers, electrical accessories for machine tools, standard parts, bearings, and so on.

In the past 2 years, the machine building business of our system has encountered great difficulties in the process of implementing the readjustment guideline of our national economy. For a number of our enterprises, their production plans have decreased in size, their tasks were significantly reduced, and products of many factories were unmarketable. Under such circumstances, instead of getting disheartened and airing grievances and resentment, we made great efforts in adjusting our service orientation and took vigorous steps in directing the enterprises to reorganize themselves and integrate in accordance with the requirements of the readjustment guideline. As a result, the whole system not only overcame the temporary difficulties, but also gained new development on the basis of the old foundation. Total output value of the first municipal machine building bureau increased by 34 percent in 1979 as against 1978, and again increased by 25 percent in comparison with 1979. Profits of the bureau went up by 46 percent in 1979 as compared with 1978, and those for 1980 again outgrew 1979 by 40 percent. In the following, we would like to present three aspects of the problem:

1. The Machine Building Industry Must Change its Service Orientation and Expand its Service Scope During Readjustment.

The readjustment of the machine building industry is a key link of the readjustment of the industrial sector of our country. In 1979, with the principle of combining regulation by planning mechanism and regulation by market mechanism put into effect by the state, the machine building trade nationwide was short of work assignments, and the whole industry was hard pressed. Take our municipality for example, for the beginning of 1980, of the 45 major products of the 29 enterprises, 11 products were encumbered with oversized inventories, and 4 productions were impeded by sluggish markets. Eight enterprises had to reduce their production plan by 12.14 million yuan because of supplies in excess of sales as well as other reasons. Under such circumstances, how the machine building industry should organize its production indeed became a crucial problem.

As we recall, we laid our hands first on the urgent problem of strengthening the competitiveness of our mechanical products, expanding the sales and utility of our products, and getting the factories to work at their "full capacity." We emphasized that we could not just stand by for 3 years during the readjustment. Instead, we should make our plants operate for 3 years, and keep our people in action for 3 years. Our viewpoint was supported against such a background: since the founding of the PRC, our machine building industry has built up a comparatively solid foundation; however, in terms of product range, service orientation, matters of allocation, as well as other aspects, there existed irrational problems. For example, with reference to product range, for a long time in the past, the products of the machine building industry were not regarded as commodities. These products not only required a large amount of state investment and loans, but also lacked economic efficiency and speedy turnover of funds. Besides, they were in no way related to the daily needs of the people in such aspects as clothing, food, dwelling, transportation, and so on. Since economic readjustment is being implemented by our country, requiring the production of consumer goods on a large scale and the transformation of the industrial structure with emphasis on light industry, it is quite evident that the change of the product range of the machine building industry is a matter of strategic alteration rather than a mere change of a certain aspect. Take the service orientation of the machine building industry as another example. In the past, strong emphasis was given to heavy industry, capital construction, and expanded reproduction. Agriculture, light industry, technological, transformation, and giving service to the overseas market were neglected. This gave rise to the inherent evil of wide range fluctuations following the ups and downs of state capital construction investments. As soon as investment in capital construction was reduced, the machine building industry would "operate below capacity," "with nothing to do," and products would be left without a market and financial losses would be inevitable. Since the state is reducing capital construction on a large scale in the process of economic readjustment, it is quite evident that the machine building industry is required to change its service orientation rather radically. The above fully indicates that the readjustment of the machine building industry cannot be completed in 3 years. Even when the period of economic readjustment is completed, the machine building industry will have to continue readjustment according to the requirements of the development of the national economy. This is the only way in which the machine industry will develop and grow without interruption amid readjustment, rendering service to the four modernizations and the livelihood of the people.

On the basis of such a conception, for more than 2 years in the past, we have worked vigorously to change our service orientation, expand incessantly the coverage of our service, and implement resolutely the readjustment of the machine building industry in our municipality. We are mainly carrying out "six transformations."

//1) Change from serving the capital construction sector to serving the light industry market and the daily life of the people.// Due to the reduction of capital construction, some factories that fall short of work assignments have vigorously taken up production of light industrial products and consumer goods for the people's everyday life in accordance with the production facilities of the factory. These products include single phase electric meters, electric fans, transformers, electric current stabilizers, rectifiers, washing machines, safes and other products. Last year, the value of these products accounted for about 20 percent of the total output value of machinery products of our bureau.

//2) Divert services from production of principal products of the machine building trade to the production of spare parts for light industry and textile machinery and to machinery servicing.//

Shashi Municipality is mainly a light and textile industrial center with ample ground for development in the case of the machine-building industry servicing the light and textile industries. In the past year, we have coordinated five factories for the production of dobby machines, down-cutting machines, warping machines, and towel printing machines as well as for the production of equipment, production-line outfits, and molds for casting bicycles and washing machines for the local market. In the meantime, spare parts are produced for light industry products in cooperation with other manufacturers.

//3) Change from manufacturing principal machinery to the production of spare parts and fittings.// In the past, the enterprises paid attention to the manufacturing of principal machinery only, with little arrangements for the production of spare parts and fittings. At present, they are all making vigorous efforts to expand production of parts and fittings. Some enterprises even make special arrangements in accordance with the variety and specifications as required by the customers. Sometimes, at the instruction of customers by mail, the needed parts and fittings are mailed to them.

//4) Shifting from pursuing single-variety and large batch production to multi-variety production.// Starting from 1979, we began coordinating our factories to strenuously develop new products of good marketability in the light of market demand. By 1980, we had an additional 162 products of new varieties and specifications.

//5) Shifting from purely domestic marketing to making strong sale efforts abroad.// A number of factories of our bureau have made great efforts to improve product quality in order to continuously boost the volume of their machinery exports. At present they have made inroads into the international market for the following products: radial drilling machines, valves, cylinder boring machines, standard parts, and so on. In 1980, 248 radial drilling machines were exported covering far-off markets in more than 10 countries, including the United States, West Germany, France, Italy, and so on. Total value of exports for our whole group increased by 74.5 percent in 1980 as against 1979.

//6) Shifting from dependence on state monopolized purchase and marketing to relentlessly grasping market operations.// Comparatively speaking, our bureau has made more early coordination among our factories in seriously analyzing the situation we are faced with in the spirit of the "two regulations" [regulation by planning mechanism and regulation by market mechanism] implemented by the state, and we have shifted from depending on state monopolized purchase and marketing to relentlessly grasping the operation of our own marketing. This has made us realize that vigorous promotion of sales is an important part of the while business of an enterprise as well as an indispensable measure to enliven production. So we have set up strong sales teams in each of our factories. In the case of the first machinery industry bureau under the municipality, contract work from the market comprised 49 percent of their total task in 1979, and the percentage went up to 73 percent in 1980.

As a consequence of the "six transformations," the machine building industry of the municipality is beginning to be revitalized. These facts fully indicate that resolute readjustment of the orientation of our services is the only way for the machine buildingindustry to seek survival and contend for development in the process of readjustment.

2. Reorganization and Integration are the Efficacious Approach for Implementing Readjustment.

What is the most efficacious approach to the realization of readjustment for the machine-building industry? The most efficacious approach is industrial reorganization and development of economic integration. This has been proved by the experiences in many places as well as by the experience of our own group. Since 1979, with the guidance and support of our higher authorities and in accordance with the principle of economic rationality and specialized cooperation, we have set up at different intervals two corporations, the machine tool corporation, and the meters and instruments corporation, and two general factories, the diesel engine general factory and the valve factory. Included in these corporations and general factories are 14 enterprises, which make up 74 percent of the machine-building enterprises belonging to our bureau. The following methods have been used in reorganizing and integrating the enterprises belonging to us:

//1) Carry out reorganization and integration centered around the development of easily marketable, famous brand, export, and other "first" products.// The advantages of doing this are: basically no additional investments are needed and relatively good economic results can be achieved speedily just be readjusting and rearranging the original plants, equipment, and personnel, and by promoting those products that should be promoted and discarding those that should be discarded, in order to reconstitute new productive force in conformity with the needs of society. For example, electric meters for civil use have been in good demand in our municipality, but the old producing unit was only a small neighborhood workshop, with weak technological forces, poor equipment, meager financial resources, and consequently unable to boost its production batches. The state assigned a plan target of 5,000 meters for 1978, but actually only 300 were produced. The workshop was worried that the good demand for high grade meters would not last long. In contrast to this, an instrument factory of our group had a strong team, but its production task was far short of its production capability. In 1978, surplus stock of 48,000 meters was accumulated. Consequently, the plan target for 1979 was reduced by 60 percent in comparison with the previous year, and the annual task was completed in the first 4 months of the year. The 3d optical factory was another example. It had good equipment and good factory premises, but not many of its products were marketable leaving quite a part of its equipment idle. In the process of readjustment, the electric meter factories were put under our jurisdiction in 1979, and we consolidated the factories. In consequence, production jumped from 500 meters to 30,000 that year. In May 1980, in a further step we merged the factories with the 3d optical factory and the 2d electrical machinery factory to form the instrument and meter corporation, and steps were taken to rearrange the plant buildings, equipments and technological force in a more rational way with the result that the advantages of each factory were given full play. Consequently, 200,000 meters were produced by the year's end, a 550 percent increase compared with the previous year. In the second half of 1980, they took further steps in integration. The "three run" factories (commune-run, street-run and school-run) were also combined into our group. A die-casting, a bakelite and an electric coil factory were set up, to be run collectively by making use of the labor force, plant buildings, and part of the equipment and financial resources of the new partners. It is predicted that a production of about 400,000 electric meters can be achieved this year. In the first quarter of this year, 80,000 meters were already produced, an increase of 220 percent as against the same period last year.

//2) Develop the "superior," and regroup the "inferior."// Through analysis, we came to the understanding that while the machine building industry in the country as a whole was in a distressed situation, locally speaking however, there should be predominant enterprises and predominant products in each locality, and only by developing the "superior" and regrouping the "inferior," could the machine building industry find the largest number of outlets for itself. For this reason, while we undertook readjustment, regrouping, and integration, we paid great attention to assuring help from the "superior" to the "inferior," from the large factories to the small ones, and the state enterprises to the collective. For example, the original first machine tool factory was a comparatively large factory in our municipality, with more than 800 staff and workers and with relatively better techniques and equipments, and it once won a national gold medal prize for its main product, the radial drilling machine, enjoying good marketability both domestically and abroad as well as certain predominance among its fellow producers in the country as a whole. On the other hand, the third machine tool factory, a small factory producing vacuum presses and loading machines was unable to find markets for its products. By the end of 1978, overstocking of products amounted to more than 540,000 yuan and 270 employees were left idle. Sometimes, even shortages of funds occurred for the payment of wages. With the establishment of the machine tool corporation and the subsequent regrouping, the third machine tool factory made the resolute decision of discontinuing production of vacuum presses altogether. Instead, it utilized its equipment, labor force, and plant buildings to produce gear wheels for the radial drilling machine that the first machine tool factory produced. Thus the third machine toold factory which had been on the verge of bankruptcy was saved. In 1979, a profit of 30,000 yuan was made, and in 1980, a profit of 120,000 yuan was made. In the meantime, the production of radial drilling machines of the first machine tool factory was increased by 86 percent in 1980 in comparison with 1979. Again, of the five enterprises that made up the vale general factory, with the exception of the valve factory which was relatively large, the remaining four were all small enterprises run by the local people and of a collective nature. Some were just neighborhood workshops. Most of their products were of poor marketability and they were in a very precarious position. Owing to good flexible work in canvassing sales, the orders taken by the valve factory increased year by year. Finally, it proved difficult to fulfill all the orders by itself. Last year, with the establishment of the valve general factory, cooperation deals were arranged for the four collective valve-making enterprises. As a consequence, work was found for the collective outfits, and development was achieved for the state enterprise. In 1980, production of low pressure valves was increased by 42 percent as against the previous year, while profits went up by 74 percent.

//3) Make great efforts in technological integration with academies, schools and scientific research units to change the backward state of our product technology.// In view of the fact that most of our machine building factories are small in size and weak in technology and research, we are paying great attention to joining our forces with academies, schools and scientific research institutes in other parts of the country in order to enhance the technology of our enterprises and to increase the competitiveness of our products. For example, the first machine tool factory is actively joining its forces with the Huazhong Institute of Engineering and the Wuhan Institute of Engineering to study how to further reduce the production costs of its radial drilling machines so that competitiveness in the market may be improved. Now, preliminary success has already been achieved in improving the design of the old products as well as in the study of value engineering. In addition to this, the pump factory is joining forces with the provincial machine building research institute in developing the partitioned-cell pump; the third optical factory is joining forces with the labor protection institute of the Ministry of Railways to develop a dust cleaner for electric welding; and the insulating material factory is joining forces with the Xian Design Institute to develop a new model of super strainer. We do think that by undertaking cooperation in developing technology and by inserting scientific productive forces into the readjustment of the machine building industry, good results will be achieved in altering the technological backwardness of the machine building industry, speeding up renovation and renewal of products, and the creation of new and powerful productive forces.

As the experiences of the past 2 years indicate, the road of reorganization and integration is in the right direction and gives us outstanding performance. In terms of total annual output value, the four corporations (general factories) which our bureau has set up achieved increases in 1979 amounting to 28.1 percent over 1978, which represents a 15.6 percent above the average growth rate of enterprises of our bureau, and the profits made in 1979 were 104 percent more than in 1978. In 1980, with the exception of the diesel machine general factory which saw a decline in production because of the reduction of the agricultural machinery production task, the other 3 of the 4 corporations increased their annual output value by 37.5 percent compared with 1979 with a growth rate 36.9 percent higher than the average figure for the enterprises of our bureau, and their profits increased by 50.8 percent in comparison with 1979 with a growth rate 34.1 percent higher than the average figure for the enterprises of the bureau.

3. The Key Is for Administrative Organs To Emancipate the Mind and Strengthen Leadership

In the current economic readjustment, the key for activating our economy lies in how the administrative organs of all levels are going to emancipate their minds, strengthen their leadership, and act as promoters of economic integration. In the past 2 years, as a leading administrative organ, we have taken a firm grip on the following aspects of readjustment, reorganization and integration:

//1) Unify understanding, promote reorganization and integration.// Since 1979, most of our bureau have been facing the difficult position of reduced plan targets, insufficient contracts, overstocking of products, and poor marketability of their products. In order to guarantee the growth of the light and textile industry, the machine building industry had to make way for them in regard to financial resources, electricity, raw materials, and so on. Under these circumstances, how can the machine building industry be activated? Through repeated discussions, all members of our bureau from top to bottom have come to the consensus that the only way to overcome the difficulties is to persist in implementing the guideline of readjustment, to develop our advantages and circumvent the disadvantages, to give full play to the predominant factors, and to take the road of integration. It is in the process of readjustment that we are to seek our survival and development. At first, many enterprises had certain confused ideas about reorganization and integration. Some were afraid that production would be thrown into disorder, or their authority would be reduced. Some were accustomed to their "small but complete" outfit without having to rely on others for anything. There were still others who were pessimistic and disheartened confronting difficulties and they did not know what to do. In view of such situations, we called together all the cadres, staff and workers of our bureau and made a serious analysis of the situation, and unified their viewpoints into a consensus through four channels. First, we unified their viewpoints through the channel of the needs of readjustment. With the readjustment of the national economy underway, it was evident that there would be a group of enterprises to be vigorously developed, consequently, there would be also another group which would be operating below capacity. There was even a small number of enterprises which were bound to be eliminated. It was exactly through the process of reorganization and integration that the needs of the readjustment were coped with so that the contradiction of "too much to eat" [production cannot keep pace with supply of materials and planned task] and "too little to eat" [operating below production capacity] was resolved that the [illegible] result of less closing and suspending as well as more merging and shifting [to other modes of production] the enterprises were able to develop together by trimming off the excess to make up for the shortfalls. Secondly, we unified their viewpoints through the channel of the developing competition. As things stood, the market was becoming more and more competitive. In order to survive and be successful in the competition, it is necessary for a corporation to produce products not only of good quality, but also of diverse varieties and with a low price. Besides, production has to be put into operation fast and in big quantities. Again, reorganization and integration are good methods for giving full play to the predominant forces as well as producing things in larger quantities, faster, better and cheaper. Third, we unified their viewpoints through the channel of constant presentation of the good economic pefrormance of the trial points undertaking reorganization and integration. For example, we presented and promoted the experience of integration to be followed by reforms to get ahead steadily of the machine tool corporations. We also presented and promoted the experience of "sales strategy within the factory" adopted by the valve general factory. Through models, we demonstrated the truth of the saying, "Early reform begets early initiative and early integration begets early development." Fourth, we unified their viewpoints through the channel of presenting the common problems faced by certain integrations considering the picture as a whole. Our investigation indicated that the four enterprises belonging to the machine tool corporation wee all equipped with casting and forging facilities, and each was equipped with a maintenance force. In terms of rate of utilizationof capacity, it was only less than 25 percent for the two high frequency electric furnaces, and only about 50 percent for the 560 pieces of equipment installed. This situation was found in every one of the 24 enterprises under the jurisdiction of our bureau. The "small but complete" set-up gave rise to looseness in organization, poor efficiency, redundant technology, and great waste. All this is a negative example of the necessity and importance of integration.

//2) Delegate authority and support reorganization and integration.// We believe that the reorganization and integration of the machine building industry is a revolution. The supervisory organs should emancipate their minds and give their support, and should play the role of promoters instead of playing the role of a stumbling block. As long as it is beneficial to the development of production and the enlivenment of the economy, all rights, without a single exception, that should be delegated, have been delegated. This has enabled the enterprises to exercise their rights and take up their responsibilities in the process of integration, and given them a free hand to carry on their operations. With the commencement of our trial operation of expansion of autonomy at the enterprise level in 1979, we applied to our higher authority to approve our four corporations and general factories as trial points for expanding enterprise autonomy. This gave them freedom and might just like a fish being put back in the water and a tiger being given a pair of wings. For the past 2 years or so, at different intervals, we have delegated the following power to the corporations and general factories: the right to transfer personnel within the corporations and general factories, to appoint and dismiss middle level cadres, to make production plans, to award bonuses, to sell products in excess of production quotas, to make use of the combined production development fund and the supplementary funds for capital assets of the corporations and general factories as well as other rights. This provided them with economic motivation as well as economic means. This closely combined the economic interests of the corporations, general factories, their subsidiary factories, staff and workers. By joining rights, responsibilities, and benefits, it fully motivated initiative.

//3) Strengthen leadership and promote reorganization and integration.// It is an even more demanding requirement of the leading organs to strengthen leadership and promote reorganization and integration. In addition to vigorous support and daring delegation of authority, we must strengthen our leadership. We think that vigorous support does not imply giving up leadership, nor does delegation of authority mean letting things drift. In order to promote reorganization and integration, our bureau has done four things to strengthen leadership. First, we conducted investigation and study, and played well the role of the "red maid" [a go-between in a classical Chinese play] at the initial stage of the reorganization and integration, the party secretary and the director of our bureau on many occasions headed a team of specialists and made investigations as well as analyses on the products, technology, techniques, equipment, and economic plight of the various enterprises so as to ascertain the actual condition of the enterprises according to which programs were made. In the meantime, they personally visited those leading comrades who were confused in thinking or disgruntled so as to help them correct their thinking and make them comprehend the importance, necessity, and urgency of reorganization and integration in the light of the four modernizations. Second, we took a practical and realistic attitude, and guarded against "cutting with one knife." In the process of reorganization and integration, we took different approaches to different features of the enterprises. For example, in the case of machine tool corporations which were characterized by complex technology and strict requirements in making sets, we had integration first and then the reforms, and with the establishment of the corporation we never changed the existing internal relations without careful consideration. What we did was to have a basic "unification" first, undertook internal cooperation within the group, and then by stages and by steps made our way towards division of tasks by specialization. In the case of enterprises that produced simpler products and utilized similar technology, we unified while we made readjustments, and went ahead faster. Third, we abided strictly by the policy, and guarded against "eating out of a big pot." In the process of reorganization and integration, we made a strict distinction between the system of ownership by the whole people and the system of ownership by the collective. We did not change the economic nature of all enterprises that joined the corporations and general factories. Within the corporations, separate accounts were kept and independent accounting was made for the entities under the system of ownership by the whole people and those under the system of collective ownership, and no transfers were allowed among them. When a transfer was made, compensation had to be made, or rental paid. As for transfer of labor, the parties concerned had to settle for the services made. Wages and welfare were kept to the original set-up. Fourth, offering services to achieve coordination and rendering help to the basic level organizations. The leading cadres of our bureau went down to the grass-root units of the corporations and general factories, and conducted study with the people there in respect to production, technology, finance, management and other concrete problems, and offered them ideas and proposals. Besides, they selected and appointed members to the leading group of the corporations and general factories as well as their subsidiary factories in order to actively create the conditions for the promotion and constant development of reorganization and integration.

CSO: 4006/472

GENERAL

BRIEFS

GUANGDONG ECONOMIC TRIBUNALS--Various places in Guangdong Province have extensively set up economic tribunals to uphold socialist economic order and defend the four modernizations. At present, the intermediate people's courts of all prefectures and municipalities have set up economic tribunals and 60 percent of county people's courts have set up economic tribunals. These tribunals have seriously handled economic cases and disputes. According to statistics, by the end of May this year, the province had handled 717 economic cases, equal to the total number of last year. The economic disputes included disputes on agreements, transactions, description of goods, payment of goods and breach of contracts. [HK180705 Guangzhou Guangdong Provincial Service in Mandarin 1100 GMT 20 Jul 81]

HEILONGJIANG ECONOMIC CONFERENCE--The Heilongjiang provincial work conference on utilization of stocked goods concluded 14 August. It urged all provincial enterprises and establishments to make wise use of stocked goods such as metal products, machinery, chemical, light and industrial products and building materials, stating that no enterprises are allowed to buy these goods without the approval of responsible departments. In mid-July, the provincial economic and planning commissions and other departments concerned jointly issued a circular urging wise use of these goods. The conference disclosed that in 1980 some 900 million yuan worth of goods were in stock; rolled steel in stock totaled 100,000 tons. [SK150958 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 14 Aug 81]

CSO: 4006/475

'WEN WEI PO' ON DAM CONSTRUCTION ON CHANGJIANG

HK220517 Hong Kong WEN WEI PO in Chinese 22 Aug 81 p 3

[Feature article by correspondent Ou Ping-Chiang: "The Construction of a High Dam in the Three Changjiang Gorges--Interview with Wei Tingzheng, [7614 1694 6927], Deputy Director of the Changjiang Basin Planning Office"]

[Text] The thousand-li Changjiang, with its distant source and long stream, nurtured Chinese civilization. Its swinding waters form a natural channel for navigation from the hinterland to the sea. Nevertheless, the Qutang, Wu and Xiling gorces are in the middle reaches of the Changjiang, which link Sichuan and Hubei. Although people marvel at the exotic rocks and precipitious cliffs, the currents are rapid in the three gorges, and there are many sharp bends and dangerous shoals. Over the past many years, they have gobbled up numerous ships and people and have become forbidding trips for boatmen.

In particular, the Xiling gorge in Hubei is infested with shoals. Since liberation, numerous demolitions were carried out and the channel has been greatly improved. However, during the dry season, ships still have to be very careful when they sail pass.

Rebuild the Three Gorges Into a Reservoir [subhead in boldface]

"To thoroughly improve the channel in the three gorges, where there are numerous shoals and rapids, we must build dams across the river to form a 'reservoir in the three gorges.' This is in fact a good method to utilize in a comprehensive way the waterpower resources in the Changjiang." Wei Tingzheng, deputy director of the Changjiang Basin Planning Office, zestfully talked about the grand plan to tame the Changjiang when he was recently interviewed by this correspondent in Yichang.

He noted: Since liberation, the state authorities have attached great importance to harnessing the Changjiang. During the 1960's, water conservancy experts gathered in Chengdu and studied plans to build dams on the Changjiang. They also submitted a report to Premier Zhou.

China's water conservancy experts held that to completely improve the three gorges and turn danger into safety and bane into boon, we should build a high dam across the river in the Xiling gorge to raise the water level and conserve water. We should then build another low dam somewhere near the lower reaches as a supplementary project for the entire construction project in the three gorges--to be used for power generation and improvement in shipping transport.

However, because of the huge costs of the construction project in the three gorges, and since we are restricted by our economic conditions, there was a change in the construction plan. The order "first build a high dam and then build a low dam" was reversed; hence the construction of the Gezhouba dam was launched. Construction began in 1970 but was once suspended for technical reasons from 1972 to 1974. The construction project was completely resumed during the second half of 1974 and the first stage of the project was completed this year. It has now started generating electricity and is open to navigation. We have continued with the second stage of the project and it is estimated that it will be completed by 1986. By that time, this major dam with a total length of 2,561 meters will be able to display its greatest usefulness.

Two Points of Controversy Concerning the Construction of the Major Dam [subhead in boldface]

When exactly will the construction of the major dam in the three gorges begin? This is what people are most concerned about.

According to what was disclosed by Wei Tingzheng, they are still debating the issue and have not reached any decision.

There are mainly two points of emphasis in the controversy:

1) It involves a huge investment amounting to more than 10 billion to 20 billion yuan renminbi. Since our national economy is currently in a period of readjustment, it is probably inappropriate to launch a construction project involving such a huge investment.

2) It involves extensive migration of the population. Since the water level in the three gorges will be raised, about 700,000 people now living in the urban and rural areas, including Chongqing, near the river banks in a section of the channel will have to move somewhere else, and about 600,000 mu of farmland will be inundated. It is thus open to question whether the construction project is worth launching.

These two points are indeed big problems that have hindered the construction of the major dam in the three gorges. Nevertheless, after detailed prospecting and planning, water conservancy experts have made specific suggestions concerning the construction of the major dam in the three gorges. There is a choice of two sites for the construction of the dam: 1) Sandouping in the Xiling gorge; and 2) Taipingxi, which is 7 kilometers up the river from Sandouping.

The Estimated Capacity of the Power Generators Is Quite Huge [Subhead in boldface]

The major dam in the three gorges will be 200 meters high. It will raise the water level by 130 meters, to reach the same level as at Chaotianmen in Chongqing, where the Changjiang and Jialing Rivers converge. The dam will hold 70 billion cubic meters of water and form a big reservoir.

The total installed capacity of the electric power generators of the major dam of the three gorges, as currently designed, will be 25 to 30 million kilowatts. They will be able to generate 111 to 126 billion kwh annually, equivalent to more than one-third of the total electricity generated in the whole country last year.

The dam in the three gorges is well situated. It is 1,200 kilometers from Beijing, 1,100 kilometers from Shanghai and 1,000 kilometers from Guangzhou. Powerful electric current can be transmitted through high-voltage electric cables to most of the areas in east and south China.

China is rich in waterpower resources. According to an estimate by the ministry of electric power generators in theory is over 700 million kilowatts, and there are 380 million kilowatts of potential capacity to be tapped. However, the total installed capacity of the hydroelectric power stations throughout the country in 1980 was 20.2 million kilowatts, only 3 percent of the total potential installed capacity, and the annual electric power generated was 58.2 billion kwh.

In spite of that, China's electric power generation ranks sixth in the world after the United States, the Soviet Union, Japan, West Germany and Canada, while its hydroelectric power generation ranks fifth in the world. It can thus be seen that there are broad prospects for China's hydroelectric power generation.

The advantages of hydroelectric power generation are that it uses the natural sources of water, which can be used continuosuly and will never be exhausted. The disadvantages are that building a hydroelectric power station needs more investment than a thermal power station, it takes longer to recover the capital invested, hydroelectric power stations are usually further away from the industrial areas, and so on.

China is a country with vast territory and abundant resources in various aspects. The major dam in the three gorges can generate high economic effect, and its construction is quite necessary.

CSO: 4006/475

GUANGDONG, FUJIAN SPECIAL ZONES DISCUSSED

HK200735 Hong Kong WEN WEI PO in Chinese 19 Aug 81 p 2

["Guangdong and Fujian Adopt 10 Measures to Develop Construction of the Special Economic Zones"]

[Text] Beijing, 18 Aug (ZHONGGUO XINWEN SHE)--Recently, Guangdong and Fujian Provinces have further put into effect the special policies and flexible measures in accordance with the spirit of the instructions of the Party Central Committee and the State Council and have boldly undertaken anything that is in conformity with the general and specific policies of the state and facilitates the readjustment and development of the economy of the two provinces and of the whole country. At the same time, they abide by a strict scientific attitude and make efforts to advance smoothly.

The main content of the special policies and flexible measures that are being carried out in Guangdong and Fujian Provinces are as follows: 1. Measures to be more open to the world including active utilization of foreign capital, introduction of suitable advanced technology and scientific management and expansion of foreign trade; 2. Freer domestic and foreign policies including better use of the law of value and other economic levers to make the economy more lively; 3. Expansion of the power of the two provinces in the fields of economy, personnel, and local legislation as well as more independence for enterprises.

The two provinces may fully develop their economic independence under the conditions of adhering to the following five conditions: (1) Adhering to the fundamental principles of the socialist road, the people's democratic dictatorship, that is, proletarian dictatorship, the leadership of the Communist Party and Marxism-Leninism-Mao Zedong Thought; (2) observing the unified general policies of the state; (3) obeying the guidance of the unified planning of the state and the comprehensive balance of the whole country; (4) fulfilling the tasks alloted by the state; (5) persisting in unity of action in external transactions.

Concerning the problems of the systems of planning, finance, banking and foreign trade in the two provinces, there are the following measures:

--Regarding the planning system, the planning of the province and the localities should be combined with that of the province as the dominant factor under the guidance of the general and specific policies and planning of the central authorities;

--Financially, the financial responsibility system should continue to be carried out. Under the prerequisite of fulfilling the alloted financial targets of the provinces, they have the power to arrange their finance independently;

--The provincial bank branches should play the role of local banks. The management independence of the provincial banks should be expanded on the basis of the existing system and structure of management. Under the prerequisite of ensuring the fulfillment of the alloted amount of foreign exchange that should be handed over to the state, they have the independence to use what is left of the foreign exchange in accordance with the foreign exchange management regulations of the state;

--The independence of the two provinces in foreign trade will be enlarged. The export plan of the foreign trade of the two provinces should mainly be made by the provinces on their own and then be incorporated into that of the Ministry of Foreign Trade and included in the state plan. The local foreign import should be planned by the provinces and reported to the relevant departments so as to be put on record there. The two provinces should make full use of their respective strong points to develop economic and technological cooperation with foreign countries. The main material and parts imported by the two provinces for processing export goods will be exempted from import duty, but they will be taxed if the goods processed are transferred to the domestic market.

The Concrete Content of the 10 Measures

There are the following 10 measures for developing the construction of the special economic zones:

(1) The planning and construction of the special zones should be carried out in line with their local conditions and attention should be paid to the practical effects and to laying particular emphasis on developing certain sections of the economy. The Shenzhen and Zhuhai special zones should be developed into comprehensive special zones with the diversified economy of industry, trade, agriculture, animal husbandry, housing and travel. The Xiamen and Shantou special zones at present, should be developed as zones mainly for processing of foreign goods and with the development of trade and other economy at the same time.

(2) The customs should grant special preferential tariffs to goods imported into the special zones. After the demarcation lines between special zones and nonspecial zones are under strict administration, all the means of production and consumer goods imported to be used in the special zones for which permission has been granted will be exempted from customs with the exception of cigarettes and alcohol which should be taxed at half of the lowest rate and a few kinds of other goods, which should be taxed according to the relevant regulations. Goods transported from those zones to other areas in the country should be taxed according to the general regulations on importation. Before the demarcation lines are established the temporary customs regulations remain in force.

(3) Entry and exit procedures will be simplified to facilitate the entry and exit of people. All the special zones have the power to inform the visa office to issue visas to foreigners and overseas Chinese who want to enter the special zones. For those who have to come and leave frequently, multiple entry visas good for not more than 1 year will be issued.

(4) All the staff and workers of the enterprises in the special zones will be employed under contract. The enterprises will have the right to decide on matters of employment, probation and dismissal and the remuneration system of low wages and high allowances will be changed step by step. Wages should consist of two component parts: basic and floating. Under the unified arrangement of the zones, pensions and social welfare should be eventually introduced.

(5) The special economic zones should conduct their foreign trade independently in the general direction set by the state's unified policy for foreign trade. Commerce should be mainly in the hands of state enterprises. But the special economic zones should also be allowed to set up certain joint commercial ventures with foreign firms. Import of necessary commodities should be permitted.

(6) At present, Reminbi is the main currency used in the special economic zones. The use of foreign currency is limited only to specified areas. The People's Bank should vigorously make a study of the feasbility of the issue of a special currency for Shenzhen. Chinese banks registered in Hong Kong will be permitted to set up branches in the zones. Step by step a selected number of foreign banks will be allowed also to have their offices there. The State Foreign Exchange Control Administration will set up branches in these zones.

(7) Active measures should be adopted to raise funds for the construction of the special economic zones. On the one hand foreign funds should be used as one of the sources of funds. On the other hand, for the funds in Reminbi needed for the construction of the zones, an appropriate amount of additional loans should be allocated to them as far as conditions permit.

(8) Airports, harbors, ralways and telecommunications facilities should be allowed to develop with foreign investments. These can be run by the zones or in cooperation with foreign enterprises. But they will have to assume sole responsibility for their profits or losses.

(9) To speed up the development of the various undertakings in the construction of special zones, certain special bylaws and regulations should be drawn up for the zones. A suggestion has been made to the Standing Committee of the National People's Congress to pass an act empowering the standing committees of the people's congresses of Guangdong and Fujian Provinces to draw up these bylaws and regulations and report them to the Standing Committee of the NPC and the State Council to be put on record.

(10) The zone administrations should be streamlined. They should be given sufficient power to handle problems and coordinate the relations between various departments independently. To ensure law and order in the zones and strengthen the administration of the borders, the security work of the zones should be vigorously strengthened. The demarcation lines between special zones and nonspecial zones should be established as soon as possible and they will be patrolled by the frontier guards and police forces.

CSO: 4006/475

PREDICTION OF WORLD COMMODITY MARKET PRICES

HK190316 Hong Kong WEN WEI PO in Chinese 18 Aug 81 pp 1-2

[Dispatch from Beijing: "Foreign Trade Ministry Research Office Predicts International Market Trends: World Grain Prices To Show Big Rise, Oil Crisis To Ease"]

[Text] The Foreign Trade Ministry Research Office has recently made an analysis of the development trends of several major commodities in the international commodity market in the 1980's and predicts that their prices will rise.

1. The basic situation of world grain at present is that production lags behind the increase in consumption and the grain reserve level is very low. The world grain supply in the 1980's will be unstable. It is estimated that the Soviet Union will maintain a relatively large quantity of grain imports. Grain imports of most Third World countries also show signs of increase. It is estimated that grain prices in the 1980's will fluctuate at a relatively high level. If serious failure in grain production occurs in the main grain exporting and importing countries, grain prices will show a big rise.

2. Oil will remain the chief source of energy in the 1980's. Because the amount of oil recovered has been greater than the amount of newly proven reserves in the last few years, oil exporting countries may continue to adopt the policy of limiting or reducing production. Moreover, the Middle East situation is unstable. The supply of oil will also be very unstable and the general trend of oil prices will be a continuous rise. However, the Western countries have recently made some headway in saving energy, exploiting energy resources and developing new energy resources. It is predicted that the situation of oil supply and demand will ease and the rise of oil prices will not be as great as that in the 1970's.

3. It is estimated that, because of the slowdown of economic growth rates in the capitalist countries, the development in production of substitutes and the increase of production costs in mining and smelting, the increase in production and trade of nonferrous metals in the 1980's will be rather slow. On the whole it will remain at the level of the 1970's with an average increase of 3 to 5 percent. The production of lead, magnesium and titanium may increase slightly faster and the production of tungsten, antimony and tin may increase more slowly than this. What is worth noting is that the present international situation is turbulent. The military expenditures of the United States, the NATO countries and other European countries have all increased and the amount of strategic materials and

goods cornered will also increase in varying degrees. Therefore, there may be a relatively big price rise of nonferrous metals in the 1980's depending on the development of the situation.

4. In the 1980's, competition in the world textile market will even be more acute. The number of exporting countries and the amount of textile goods available for export will also increase. But trade protectionism will be further strengthened and the rate of increase of textile goods will be slower than that in the 1970's. The basic market trend is to upgrade the products and to produce products of greater variety and superior quality. In order to adjust to the trend of market development, all main textile exporting countries and regions are striving to reform the structure of products as a means of raising their competitive capacity.

5. The trend of the market development of light industrial consumer goods is similar to that of textile goods. Expensive goods, goods of greater variety and superior quality will be required. Daily-use electrical products will develop in the direction of saving energy and a higher degree of automation. The demand for consumer goods such as articles for traveling, cosmetics, articles for recreation and physical culture, daily-use electrical appliances, furniture, kitchen utensils, pottery and porcelain, toys and so on will have a relatively great increase. The trend of development in handicraft articles will be the integration of daily-use articles with those of an artistic nature. The trend of trade in light industrial consumer goods and handicraft articles in the 1980's will be one of a steady increase.

6. Machinery products account for slightly less than one-third of the total international trade volume and three-fifths of the world's total export volume of finished products.

The development of high-grade precision machinery products in the 1980's will be faster than that of elementary and ordinary machinery products. Trends which are worth noting are: 1. Investment in equipment for producing products which save energy and raw materials is still increasing. Orders for equipment such as machine tools for developing small-size and light automobiles which consume less oil and pollute less have increased in large numbers. 2. The demand for equipment for developing new energy sources continues to increase.

3. Signs of revival of the shipbuilding industry have appeared. 4. There is an increasing need for specialized industrial machinery and complete sets of equipment, such as machines for hydraulic power station, cereal processing, foodstuff processing, light industry, civil engineering, and so on.

It is estimated that in the 1980's the market for machinery products will extensively develop and the prospect is bright. In particular, the demand for ordinary machinery by importing countries will increase remarkably.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON CHINA'S SOCIALIST SYSTEM

HK290800 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 81
pp 3-10

[Article by Xu Dixin [6079 3321 2450]: "On China's Socialist System"]

[Text] In studying the "resolution on certain questions in the history of our party since the founding of the People's Republic of China," I deeply felt that due and clear deliberation should be made on this yatter, that is deciding, "whether or not the socialist system has been established in China." I would like to expound on this subject from the economic angle.

Lenin once briefly pointed out: A socialist system has two fundamental characteristics: one is public ownership of the means of production and the other is that the principle of "to each according to his work" is practiced in regard to consumer goods. Are these two fundamental characteristics part of China's social economic system?

I. On Socialist Public Ownership of the Means of Production

Socialist public ownership of the means of production is the economic basis of a socialist society. In the early days following liberation, with the confiscation of bureaucrat capital of the big four families of the Kuomintang, nationwide socialist state-owned economy was established which was represented by the state power of the people's democratic dictatorship under the leadership of the proletariat. The socialist state-owned economy encompassed the major proportion of the modern industrial, mining and transport enterprises and became the mechanism of the whole national economy. In the winter of 1952, through various ways and means the state integrated those enterprises built with foreign investments which had been in operation for a long time into the socialist state-owned economy. By the first half of 1956, with the realization of the joint state-private ownership throughout the trades and professions, the capitalist industry and commerce run by the former national capital were transformed into state-run enterprises under the system of ownership by the whole people. It can be said that in the 1950's, or more precisely in 1956, the state-owned economy under the system of ownership by the whole people was established in the main. Of course, judging from the present state of affairs, the state-run enterprises formed by confiscating bureaucrat capital, taking over foreign capital investments in China and transforming the national capital comprised only a small part of state-run enterprises. Most of the state-run enterprises were set up by the Chinese people over the past 2 decades or so. These enterprises are owned by the whole people and the economy is socialist in nature.

At present, China's enterprises under the system of ownership by the whole people have taken the form of state-run enterprises. That is to say, representing the entire people. The state under the people's democratic dictatorship runs and manages the enterprises under the system of ownership by the whole people. There is a difference between the emergence of socialist ownership of the means of production and private ownership of the means of production. History tells us that private ownership of the means of production occurred and grew spontaneously but socialist ownership of the means of production (including ownership by the whole people and the collective) was established through the socialist revolution launched by the proletariat and through the expropriation of enterprises. Since socialist ownership of the means of production (in particular, ownership by the whole people) was established by the state power under the people's democratic dictatorship, then, it is inevitable both in theory and practice for the state which represents the people to manage and run the newly established enterprises under the system of ownership by the whole people. It is only natural that ownership by the whole people is not necessarily in keeping with ownership by the state entirely. In the future, after the state perishes, the problem of the state representing, managing and running enterprises owned by the whole people will not exist. In China today, the state-run enterprises in some localities or even those under the jurisdiction of some ministries are sticking to the departmental interests and ignoring the interests of the whole. This not only infringes upon the nature of the state-run enterprises but also seriously infringes upon the nature of ownership by the whole people. To put it another way, they have lost to a certain degree the nature of socialist ownership by the whole people. This is a problem urgently demanding our prompt study and solution.

Practice over the past 30 years has proved that it is undoubtedly logical for the state power under the people's democratic dictatorship to manage and run the enterprises under the system of ownership by the whole people. Of course, there are contradictions between the state and enterprises. In managing enterprises, if the state policies stem from over-centralization, the decisionmaking power of enterprises will be weakened or even abolished, thus causing the enterprises to take a completely passive position, hampering their flexibility and dampening their enthusiasm. In maintaining its leadership over enterprises, if the state takes in consideration the roles of objective natural and economic laws and acts upon administrative measures alone in doing things, we will not achieve the deserved economic results in the socialist production and socialist construction, resulting in great waste to the enterprises and even to whole departments. These defects have dawned on everybody. The party and the state are adopting measures to improve the system of the state-run enterprises and rectify the management of state-run enterprises.

Regarding China's public ownership of the means of production, apart from ownership by the whole people, there is the ownership of the means of production by the collective which are formed by the working people. The major component of collective ownership was the rural collective agriculture. Over the past 2 decades or so, in our socialist collective agriculture, we adopted a system of three-level ownership by the commune, the production brigade and the production team, with the production team as the basic accounting unit. The overexpanded power of the commune and the production brigade hampered the decisionmaking power of the production team and dampened the enthusiasm of the commune members for production. In the past 2 years, in many places the production teams implemented the system of "fixing output quotas for households." For this reason, some people hold that there is a retrogression in China's socialist collective agriculture. The facts have negated this claim. "Taking full responsibility for fixed farm output quotas" is a type of production responsibility system and is not private ownership of the means of production. Under the leadership of the production teams, "the households responsible for the fixed farm output quotas" sign contracts on their output quotas on rewards for exceeding the contracts and punishments for not fulfilling them. "The households responsible for fixed farm output quotas" only have the right to use the land; they do not own the land. This proves that the production responsibility system characterized by "taking full responsibility for fixed farm output quotas" is not a political negation of the agricultural collective ownership but on the contrary, it takes the collectively-owned land as a prerequisite. This also shows that there exists a fundamental difference between the production responsibility system characterized by "taking full responsibility for fixed farm output quotas" and "land being parcelled out to peasant households." "Land being parcelled out to peasant households" means quite clearly individual farming and sabotages agricultural collective ownership. This must be resolutely opposed: The production responsibility system characterized by "taking full responsibility for fixed farm output quotas" is a kind of labor organizational form conducive to developing production. This labor organizational form is a political negation of the past practices of "doing things in a massive and unplanned way" and "being on duty but doing on work," and a political negation of the "approximate workpoints" which was in violation of the principle of "to each according to his work." The practice in the past 2 years has shown that the present production responsibility system is characterized by "taking full responsibility for fixed farm output quotas" suits the current level of development of agricultural productive forces and the level of consciousness of the masses of commune members. Obviously, this form of "taking full responsibility for fixed farm output quotas" is not a permanent system. At present, in some places "the households responsible for fixed farm output quotas" are being integrated to develop agriculture and sideline production due to lack of manpower. In order to continue to arouse the peasants' enthusiasm for production and enable the peasant to become rich, we should not push this integration too quickly. With the development of agricultural production and rural diversified economy, the spontaneous integration of "the households responsible for fixed farm output quotas" seems to be a trend of development. However, this trend is unlikely to be supervised from the top to bottom and a mass movement "rolling on at full force."

In the past 2 decades or so, we treated collective ownership differently. We regarded ownership by the whole people of the means of production as being far superior to collective ownership of the means of production in respect to the degree of public ownership. This was because the degree of collective ownership was limited to a smaller scope, to a specific collective, while that of the ownership by the whole people was owned by the working people of the whole country. Proceeding from this understanding, they emerged the problem of the so-called "transition." Under the prerequisite of maintaining the three-level ownership by the commune, the production brigade and the production team, with the production team as the basic accounting unit, the production team should undergo a transition to the production brigade and the production brigade to the commune, and the commune should undergo a transition to ownership by the whole people from collective ownership. By that time, there will be sole ownership by the whole people throughout the country. From a long-term point of view, before entering communism, it is an inevitability to realize sole ownership by the whole people. But, today if we promote rapid changes in the matter of ownership and make preparations for realizing sole ownership by the whole people irrespective of the level of development of the rural productive forces, the "paupers' transition" which amounts to sabotaging the rural productive forces will inevitably occur. This "paupers' transition" was in essence an important form of the "stirring up of winds of communism." When the conditions of the level of development of the rural productive forces and the level of consciousness of the masses of commune members are not ripe enough to undergo a "transition," we indulge in "transition" by resorting to coercion and commandism. How can this practice not arouse the resentment of the masses of commune members, resulting in their killing hens, selling cows and felling trees?

Practice proves that taking full responsibility for their own profits and losses by the enterprises under the system of collective ownership is definitely not the so-called revisionism. Regarding the development of the socialist national economy, it is far better than the system in which the state-run enterprises eat from the same big rice pot with iron bowls. "Taking full responsibility for one's own profits and losses" is a kind of responsibility system in production (management) whereas eating from the same big rice pot is the opposite a contradiction with responsibility system in production. Therefore, if all enterprises under the system of collective ownership are advanced into the ranks of state-run enterprises which is "eating from the same big rice pot," this will create an incalculable burden to the socialist national economy. Of course, those who stick to indulging in "paupers' transition" and the early realization of sole ownership by the whole people are small in number. But, the bitter experiences have caused people to maintain vigilance on this issue. I hold that ownership by the whole people and collective ownership will coexist for a considerable period. This suits the level of development of productive forces and that of socialist consciousness of the masses of people at the present stage of our country. Letting the two systems of ownership by the whole people and collective ownership exist side by side for a long period of time will benefit the development of our social productive forces and improve the material and cultural life of the residents of both urban and rural areas, and also end the "paupers' transition" which harms the rural productive forces.

As for ownership of the means of production, for a number of years ahead, we should not only vigorously develop collective ownership characterized in taking full responsibility for one's own profits and losses, but also appropriately develop individual economy, that is, we should develop service trades, repair and renovation service, individual commerce and the production of labor-intensive and traditional handicrafts. The more modernization develops, the comparatively less and less it needs manpower (unskilled labor in particular). Providing young people awaiting jobs has become a heavy burden to the state, let alone the rapid growth of our population. It is important to relax the policies concerning individual economy and open up avenues of employment to the young people awaiting jobs, to provide workers for those trades which need a sizable number of workers and to facilitate residents in urban and rural areas. Appropriate development of the individual economy will become a necessary complement to the socialist economy instead of doing harm to the collective economy which holds the dominant position in the national economy.

In order to realize the socialist modernization drive, we must uphold the principle of self-reliance and carry out reform and rectification among the existing 350,000 enterprises so as to improve their technical level, ensure product quality, raise the management level, do a good job in business accounting and obtain the maximum results at minimum costs. Along with this, it is very necessary to use foreign capital and form joint ventures with Chinese and foreign investment. This is a way for us to import new techniques from abroad which deserves our special attention. Besides, we have set up economic zones in some coastal areas such as Shenzhen, Zhuhai and Shatou in Guangdong Province and Xiamen in Fujian Province. Some people worry: This is the restoration of foreign capital in China and the revival of old China's "concessions." In my opinion, these worries are unnecessary. Facts will prove that the sovereignty of the present economic special zones is in the hands of our country and not in the hands of the foreigners like it was in old China. Facts will show that these "joint enterprises with Chinese and foreign investment" are state capitalism of a special form; the "privately-operated enterprises" set up in the special zones with the approval of our government are capitalist enterprises under the management and restriction of our government. They are state capitalist in nature. It is only natural that those putting up the foreign investment in joint ventures want to exploit surplus value. They are not philanthropists. If there are no good prospects for profits, they will make investments. However, in order to absorb foreign capital and introduce advanced technology from abroad, a definite amount of exploitation is tolerable. It is in nature a policy of redemption. The joint ventures with Chinese and foreign investment and privately-operated enterprises with foreign investment occupy only a small proportion in the whole national economy and the redemption they earn also comprise a small proportion in the national income. Therefore, the establishment of economic special zones and the importation of foreign capital will never shake our socialist economic system.

Since the operation of some individual economy is allowed in cities and towns and foreign investment is permitted in our country to form joint ventures with Chinese side and operate private enterprises, it is China's socialist public ownership (ownership by the whole people and collective ownership) that holds a leading position and has the absolute advantage in our national economy instead of them. The socialist ownership of the means of production has negated the exploitation of man by man (as part of the redemption, we should deal with it separately) and has become the prerequisite for the interrelations of mutual aid and cooperation established in the process of production, and has become material conditions for developing the national economy in a proportionate and planned way. Of all these, which points are proving that China today is not a socialist country? If we take the individual economy and the joint ventures with Chinese and foreign investment or the privately-operated enterprises a basis for negating the fact that China's socialist public ownership of the means of production holds an absolute predominance in the whole national economy, if we take the enlargement of decisionmaking power of state-run enterprises and the adoption of the production responsibility system characterized by "taking full responsibility for fixed farm output quotas" in the rural areas as a basis for deciding that China is moving back from socialism to capitalism, or even doubt that whether China is a socialist country, this will be a denial of objective facts and a distortion of our socialist system.

II. On the Principle of To Each According To His Work

Another fundamental characteristic of socialist society is the principle of to each according to his work. Under the socialist system, the implementation of the principle of to each according to his work in the distribution of the means of consumption is based on socialist public ownership of the means of production. In the capitalist society, the laborers have nothing; they have to sell their labor power as a commodity to the capitalist. The wages earned are set by the capitalists for their labor power.

The surplus value squeezed by the capitlaists from the process of production by the laborers is distributed among the industrial capitalists, commercial capitalists and banking capitalists in the form of profits and interests according to the amount of capital. Needless to say, the working people receive no portion of these whatsoever. Only on the condition of the abolition of the capitalist system and the realization of public ownership of the means of production, can people depend on their labor but not on property to obtain the means of consumption. Under the principle of to each according to his work, all people can equally use a standardized yardstick--labor--to measure the quantity and quality of labor one provides to society. That is to say, the principle of to each according to his work is an inevitability in the field of distribution of socialist ownership of the means of production.

Many of our comrades have affirmed the socialist principle of to each according to his work. At a stage before 1950, China's trade union and its affiliated organizations and the industrial departments concerned once adopted reforms of the wage system (special attention was paid to piece rate wages), thus realizing the principle of to each according to his work. It was a pity that not long after the implementation of this socialist principle of distribution, it was pounded by the "leftist" ideology. The "leftist" ideology held that the principle of to each according to his work took unequal bourgeois rights as principles and therefore it held that the principle of to each according to his work would inevitably create differences among the people--some would be rich while others were poor. The Lin Biao and Jiang Qing counterrevolutionary cliques more wantonly vilified the principle of to each according to his work and glorified egalitarianism. They looked upon the principle of to each according to his work as capitalism while egalitarianism as socialism. Due to the longstanding propagation, even after the smashing of the "gang of four," egalitarianism was still playing a disruptive role comprehensively and profoundly in various fields.

Egalitarianism is not the socialist principle of distribution and not the inevitability of socialist ownership of the means of production. In order to develop China's socialist national economy and arouse the enthusiasm of the masses of working people for socialist production, we must repudiate the harmfulness of egalitarianism in a comprehensive and long-term way. At the same time, we must repeatedly explain that only when the principle of to each according to his work is practiced, can the superiority of socialism be displayed.

III. Views on Some Viewpoints

As mentioned above, after the founding of state power under the people's democratic dictatorship, the confiscation of the land of the feudal landlords and organizing the peasants to whom land was distributed, and the realization of socialist transformation of agriculture, handicrafts industry and capitalist industry and commerce, our country entered the socialist society. But, today as we have been a socialist society for more than 2 decades, there are still some comrades who have raised an objection to the nature of China's society and its entering of the socialist society.

1) An argument holds that only when the highly socialized production and the direct distribution of products among the people are realized, that is to say, only on the condition that commodities and money are abolished, can such a society be called a socialist society. However, in our country, the state-owned economy under the system of ownership by the whole people or the collectively owned economy of the working people are still producing commodities and need commodities and money. According to this argument, our country cannot be regarded as a socialist society. Can this argument hold water?

Concerning social production and social circulation after the abolition of the capitalist system, Marx once predicted that commodities and money would exist no longer. In Volume 2 of "Das Kapital," Marx wrote: "In the production under the system of public ownership by society, money-capital will no longer exist. The society distributes manpower and the means of production among the different production departments. The laborers may get paper certificates by which they can draw a portion equal to their labor time from the social reserves of consumer goods. These certificates are not money. They are not circulated." Commodities and money all belong to historical economic category. They naturally cannot escape from the historical law of coming into being, developing and passing away. For this reason, the elimination of commodities and money predicted by Marx will come true some day. But, we must never deny the concrete conditions of social production and treat this prediction of Marx' in a dogmatist manner.

After the October revolution (in 1919) Lenin made a statement on the fate of money. He said: "Can money be eliminated at once? It cannot. Long before the October revolution, the socialists had said that money could not be eliminated at once, and our personal experiences have proved this." He later said: "For the time being money will remain, and remain for a fairly long time in transition period from the old capitalist system to the new socialist system." ("Collected Works of Lenin," Vol 29, p 321) Stalin made a firmer assessment on this matter. He said: "So that's how it is. On the condition of our (meaning the Soviet Union,--the following quotation refers to the same) socialism, the economic development was not carried out in a transformative way but in a gradually changing way. Old things were not simply eliminated in a neat and tidy way but they changed their nature to suit new conditions and they kept their basic forms. Instead of eliminating old things, new things infiltrated into old things, changed their nature and functions but did not destroy their forms, instead, used their forms to develop themselves. So is the case of not only commodities but also money in economic circulation and even so is the case of banks." (Stalin: "Problems of the Soviet Economy," p 42) According to these quotations from Stalin, in the socialist system, commodities and money are things which have changed their former nature and functions and serve the socialist economy. We must implement the principle of to each according to his work, because the double-track system of socialist ownership of the means of production will exist for a long time and the production of social material wealth cannot in a period of considerable length reach the state of to each according to his needs. With the immense variety of consumer goods needed by the members of society, to exercise direct distribution of products will bring innumerable difficulties. Therefore, in the socialist society, commodities and money will exist for a fairly long period of time instead of a short one. If attempts are made to abolish commodities and money in an over-simplified way, this will bring incalculable disorder and disaster to the socialist national economy. Are these disorder and disaster merely predictions? Haven't they been verified by actual practice in certain places? In short, the elimination of commodities and money are not the fundamental characteristics of the socialist society. The utilization of the forms of commodities and money is not a political negation of socialist public ownership of the means of production. In our country, now that the socialist public ownership of the means of production has been established and commodities and money have been used to serve the socialist economy, then, can the argument that takes the existence of commodities and money as the basis for doubting our socialist system hold water?

2) Another argument holds that only in the countries where capitalism is highly developed can the socialist revolution be carried out and the socialist system be established. But before liberation, China was in a state of dilapidated semi-colonial and semifeudal society with extremely low level of development of productive forces, therefore, it was necessary to fully develop capitalism before the introduction of socialism. This viewpoint is nothing new. The advocates of the second international (even China's liquidationists such as the Troskiyist Chen Duxiu) said this. To oppose the socialist revolution of the Russian working people, the advocates of the second international raised the so-called "the Russian productive forces have not developed to such a degree as to realize socialism." In appearance, they seemed to uphold the law that the relations of production must suit the level of development of the productive forces, but in essence, they were serving the rule of the bourgeoisie and sabotaging the socialist revolution of the Russian proletariat and working people. In his "Problems of the French and German Peasants," Engels clearly said: "Before realizing this change, we need not wait for the time when the outcome of development of capitalist has been manifested in extreme form everywhere and when the last one of small handicraftmen and small farmers has become the victims of capitalist mass production." ("Selected Works of Marx and Engels," Vol 4, p 312) Lenin developed the ideas of Marx and Engels, pointing out that the proletariat could use the established worker-peasant alliance to seize political power and then rely on the proletarian political power to develop the economy and culture, and thus realize socialism. He said: "If a definite level of culture is required for the building of socialism (although nobody can say just what that definite "level of culture" is, for it differs in every West European country), why not begin achieving the prerequisites for that definite level of culture in a revolutionary way, and then, with workers' and peasants' government and the Soviet system, proceed to overtake the other nations?" ("Selected Works of Lenin," Vol 4, p 691)

Under the leadership of the CCP, through hard struggle for several decades, the Chinese people overthrew at last the three big mountains on their backs and founded the state power of the people's democratic dictatorship led by the working class. Under these circumstances, why should we let the capitalist system which squeezes the masses of working people develop in China? Is it not turning back the wheel of history? Can the masses of the Chinese working people agree with this practice of turning back the wheel of history? Second, with the victory of the new democratic revolution, the comprador class was toppled but the national bourgeoisie was preserved. Can the national capital with its every weakness shoulder the historical task to develop China's national economy? More than 100 years have elapsed since the opium war. During this long period of time, what did the national bourgeoisie develop in the national economy? They ran only cotton yarn mills, flour mills and other sectors of light industry; regarding heavy industry, they could only do repair trade, and the manufacture of complete sets of equipment was out of the question. Their economic strength was pitifully weak. For instance, when joint state-private ownership was realized among all trades and professions in 1956, the result of checking up of assets showed that the national capital throughout the country was only 2.1 billion yuan. This sum of capital was equal to that invested in "the Anshan Iron and Steel Company." The whole national capital could only afford an "Anshan Steel and Iron Company." With what strength could they develop other trades and professions? Since we have established the state power under the people's democratic dictatorship and the state-owned economy under the system of ownership by the whole people on the basis of confiscating the bureaucrat capital of the Kuomintang, then will letting capitalism develop on a large scale be justified in theory or will it work in practice?

3) Some people argue that the new democratic economy existed in China for too short a time. Beginning in 1949, it was only for 7 years. In fact, the new democratic economy consisting of the publicly-owned economy, the cooperative economy, the individual economy and the privately-owned economy was long practiced in the Soviet areas during the agrarian revolution and in the anti-Japanese base areas during the anti-Japanese war, though the scope of the publicly-owned economy was not big at that time. Therefore, the argument that the new democratic economy existed for only 7 years in China does not tally with the facts. According to the "General Line for Transition Period" issued in 1953, the set timetable was 15 years for transforming agriculture, handicraft industry and commerce. Calculated on the basis of 15 years, the time needed to complete the three big transformations and of socialism would have been postponed until 1968. That is to say, beginning with the founding of the PRC to the completion of the three big transformations, it was to have taken 20 years according to the plan. But, in reality, the accomplishment of the three big transformations only took about 4 years. If the pace was not too hasty, if the enterprises with national capital had been allowed to continue to provide the state-run commerce with an ever-increasing variety of commodities with distinctive features for a considerable period of time in the form of state capitalist and if the state placed orders with private enterprises for processing materials or supplying manufactured goods, all this would not have harmed the leadership of the state-owned economy and the socialist construction. Judging from a certain angle, this argument is not wrong. But making use of this formulation to advocate the slogans of "long live new democracy!" and even "long live capitalism!" will be a serious matter. This is because if things are allowed to develop in accordance with this formulation, then the secondary will supersede

the primary and capitalism or state capitalism will become the main body of the national economy, thus the socialist road the Chinese people are taking will be changed. How could this be acceptable to the masses of working people? We admit that the socialist transformation of capitalist industry and commerce was a bit too hasty and was carried out rather roughly. We did not make good use of the personnel of the privately-operated enterprises who were technically skilled and had managerial experience, and we did engage in excessively cutting down, merging, reorganizing and integrating of enterprises. As a result, only a few brand-name products which had their distinctive features and were welcome by the consumers were preserved and a few service and repair networks and centers were retained, thus bringing inconvenience to consumers. However, the party's policies concerning the uniting, educating and remolding of the national bourgeoisie and the socialist transformation of capitalist industry and commerce through the multiforms of state capitalism must be affirmed.

IV. Strive Hard for the Improvement and Consolidation of China's Socialist System

Ours is a socialist country. Viewed from the fundamental characteristics of the socialist economic system, it qualifies as a socialist country. From the angle of the level of development of the socialist economy, ours is in a developing state or rather in an elementary stage. Why is it so? First, before the founding of the PRC, China was a semifeudal and semicolonial country. China's present socialist society emerged from the womb of semifeudal and semicolonial society in which capitalism was undeveloped. After the founding of the PRC, although great achievements were made in China's national economy, a relatively independent and integrated industrial system and national economic system were formed, no fundamental changes have taken place in the level of development of social economy, science and culture, and the influences of the small producers' ways of business, force of habit and feudal traditions are still playing an obstructive role in the development of the socialist economy. Second, after 1949, China achieved initial results both in reviving the national economy and in the first 5-year plan. (Achievements that could not be belittled were also made during 1962-1966 readjustment.) But since 1957, the "leftist" guiding ideology has repeatedly played an obstructive and destructive role in various fields, particularly in the socialist production and socialist construction. The 3 years of the great leap forward and the 10 catastrophic years greatly sabotaged the material resources and finances of the state and people. Besides, the waste caused by the mismanagement of enterprises was fairly amazing. This sabotage and waste caused our national economy to develop rather sporadically, and the superiority of our socialist system could hardly be brought into full play. The "leftist" guiding ideology and backward business management were not the inevitability of the socialist economic system itself but the opposite of the socialist economic system. To subjectively attribute the sabotage and waste caused by the "leftist" guiding ideology and backward ways of business management to the socialist economic system itself or even use this sabotage and waste to negate the existence of our socialist economy is obviously wrong and runs counter to objective facts.

To help our socialist economic system enter the developed stage from the elementary one, the following work must be done:

1) China's socialist system is in an elementary stage and is undergoing the process from imperfect to perfect, and this process cannot be accomplished within 3 or 5 years. This requires us to the socialist system, to try our best to overcome both the "leftist" and rightist guiding ideologies which sabotage the socialist economy, and reform the institutions and ways and means that hamper the development of the productive forces (such as the practices of eating from the same big rice pot and holding iron rice bowls) which are detrimental to improving the standard of living of the people (as the neglect of the second category production). Only when we unremittingly persist in doing things this way can the great superiority of socialism be manifested with each passing day.

2) It is necessary to develop in every possible way China's social productive forces and build a strong socialist material base. This is the only out to solve China's domestic principal contradiction after the basic completion of the socialist transformation (the contradiction between the people's evergrowing demands and the backward social production). Developing China's social productive forces must be carried out in the light of reality and in conformity with economic and natural laws, within the limits of our resources, step by step, after due deliberation and with emphasis on practical results, so that every capital construction unit can form new productive forces on schedule with the required quality and quantity. To develop productive forces, we must not merely "extensively" enlarge the scale of production but also "intensively" enlarge reproduction. Marx said: "The enlargement of places for production means extensive enlargement while the improvement of the efficiency of the means of production means intensive enlargement." ("Das Kapital," Vol 2, p 192) According to our practice, the so-called "intension" means improving the production efficiency of existing enterprises and the tapping, renovating and transforming the existing enterprises. Only when we integrate "extension" with "intension," can we develop our social productive forces while economizing in this effort.

3) The aim of socialist production is to satisfy the ever-growing material and cultural demands of society and the people. So long as satisfying of the ever-growing material and cultural demands of society and the people is carried out, socialist ownership of the means of production can manifest its nature and the socialist system can demonstrate its superiority. For a number of years in the past, under the dominance of "leftist" ideology, efforts to improve the people's livelihood and satisfy the people's demands were neglected. Also during this time, capital construction prevailed over production, while the first category of capital construction and production overwhelmed the second cateogry of capital construction and production. In this way, any improvements in the people's livelihood was of course hard to realize and the satisfying the people's demands was out of the question. In these circumstances, the phenomenon of "production for production's sake" inevitably occurred. The first category was divorced from the second category and from the demands of the people's livelihood, carried out production for simply the development of its own category, and even carried out self-circulation within each category. In this way, the aim of socialist production could not be realized in the best way. Does the aim of socialist production not satisfy the ever-growing material and cultural demand of the society and people but satisfy the self-circulation within the various sectors of the first category? Of course, the importance of the first category brooks no doubts. Without steel and coal of fine quality and abundant quantity, the petrochemical industry and machine-building and other departments, the various second cateogry departments will hardly develop,

hence the demands of society and the people cannot be satisfied. Therefore, we must not negate the importance of the first category because of opposing the wrong of "production for production's sake." With the proportionate and planned integration of production of the first category and that of the second category, the aim of socialist production can readily be seen by the people, thus enabling the people to understand more clearly the superiority of the socialist system and winning greater support from the broad masses of people.

4) It is necessary to raise the enthusiasm of the working people for production by material encouragement while ideologically raising the socialist consciousness of the masses of working people. That is to say, the people are expected to understand that if they deviate from the interests of the whole, personal interests cannot be guaranteed; if they deviate from the long-term interests, we will cease to be able to meet the immediate interests. In the matter of distribution of consumer goods, it is necessary to gradually implement the socialist principle of to each according to his work which takes labor as the only yardstick. If egalitarianism is allowed to continue, it is inconceivable to hope that socialist production will develop by a large stride.

5) The production responsibility systems should be introduced both in socialist industry and agriculture. Of course, there are fundamental differences between the industrial production responsibility systems and the agricultural production responsibility system. The implementation of production responsibility is conducive to carrying out of labor discipline and the realization of scientific operating rules and guarantees product quality. In the process of implementing the eight-character policy of readjustment, restructuring, consolidation and improvement, the introduction of production responsibility system and the carrying out of strict labor discipline and technical operating rules will become the important curricula of restructuring and consolidating.

6) To do a proper job in the socialist economy, it is necessary not only to raise the socialist consciousness of the laboring masses ideologically but also raise the technical level of the technical personnel and those working in science and technology. This is a necessary condition for improving the productive forces of enterprises. The more modern the country is, the more it needs personnel with high technical levels. Improving the scientific and technical levels and training the scientific and personnel in new techniques are not things that can be accomplished in a single day. We must acknowledge that China's current levels of science and technology are backward when compared with those of the developed countries in the West. This does not mean that we should become discouraged. It requires that we continue to exert ourselves and fight to improve China's scientific and technical levels, raise our social productive forces and increase our labor productivity.

The Chinese people are a people with high aspirations. The CCP is a long-tested and great party. Without the CCP, there would be no new China. This is hard fact.

It was no other than the CCP that led the Chinese people in overthrowing the three big mountains and smashing the feudal and comprador relations of production; it was none other than the CCP that smashed the "gang of four" and corrected the "leftist" guiding ideology existing within the party. It is unimaginable for China's new democratic revolution, its socialist revolution and socialist construction will break away from the CCP. "Only socialism can save China." Taking the socialist road under the leadership of the CCP is the basis for the people's democratic dictatorship and our guide is Marxism-Leninism-Mao Zedong Thought. We can advance steadily and should continue to sum up experiences. Under the leadership of the CCP, the Chinese people will implement the eight-character policy of readjustment, restructuring, consolidation and improvement which will lead to perfecting the socialist system while simultaneously correcting any shortcomings in it. This will lead to the development of material production and the enhamcement of spiritual civilization. The Chinese people will surely be able to continue to bring the superiority of the socialist system in to play in accordance to the demands of objective economic and natural laws.

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SOCIALIST TRANSFORMATION DISCUSSED BY 'JINGJI YANJIU'

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[Article by Wu Chengming [0702 2110 2494] of the Economics Research Institute of the Chinese Academy of Sciences: "The Socialist Transformation of Capitalist Industry and Commerce Is a Victory of Marxism in China"]

[Text] "The resolution on certain questions in the history of our party since the founding of the People's Republic of China adopted at the 6th Plenary Session of the 11th CCP Central Committee has profoundly summed up both positive and negative historical experiences of socialist revolution and construction in the 32 years since the founding of the People's Republic. This is of utmost significance in guiding our work in the socialist modernization and construction and various fields in the days to come. Now I would like to discuss my understanding of the problems concerning the socialist transformation of capitalist industry and commerce in our country which has come from my study of the "resolution."

The socialist transformation of capitalist industry and commerce in our country is the materialization of the strategic thinking of Marx, Engels and Lenin concerning the proletariat overthrowing the bourgeoisie. It is the embodiment of Lenin's policy of enforcing state capitalism under the dictatorship of the proletariat, and substantiates Marxist theories concerning the transition period by adopting the guideline of uniting, educating and transforming bourgeois elements while transforming the production relations. The accomplishing of this transformation is the victory of Marxism in China.

The Level of Capitalist Development in Old China

Socialism is the developed negation of capitalism. It is quite obvious that socialist revolution and the socialist transformation of the national economy will never happen in a country without a fairly developed capitalist economy and a relatively powerful proletariat.

Old China was a semicolonial semifeudal country, where capitalist production was just like a small isolated island emerging from an ocean of individual agriculture and individual handicrafts industry. Yet, it was still developing. Below is a table based on my preliminary calculations.

Table 1. The Level of Capitalist Development in Old China

Year	The percentage proportion of modern industry to the total output value of industry and agriculture	The percentage proportion of modern industry and workshop handicrafts industry to the total output value of industry and agriculture	The percentage proportion of modern communications and transportation to the total revenue of communications and transportation industry
1920	4.9	10.8	45.6
1936	10.8	20.5	51.0
1949	17.0	23.1	

Note: Modern industry denotes those enterprises employing machines and mechanical power in production, which includes mining. The modern communications and transportation industry includes railway, highway, shipping, aviation, telecommunications, and so forth.

Until the eve of the liberation, capitalist production still only amounted to around 20 percent of the total output value of industry and agriculture. But, it controlled the banking system, the trunk lines of water and land transportation, the import-export trade and the markets in large cities throughout the country. Capitalism had dominated the lifeline of the national economy. And in the 1920's, the Chinese proletariat arrived on the political arena and took up the lofty mission of leading the Chinese revolution.

In old China, although the capitalist production relations were fairly developed, the basis of the productive forces still remained quite weak. With liberation in 1949, modern production equipment in the whole country only amounted to 12.8 billion yuan. In other words, the fixed assets amounted to only 12.8 billion yuan in 100 years after the rise of modern industry in old China. Today, in our country, the industrial fixed assets exceed 400 billion yuan, and grow by tens of billions every year. By these facts, we can see how meager a heritage old China had left to us. However, our socialist construction and the modernization of the national economy had to start from this weak basis, which was determined by the history.

According to the principles of Marxist political economy, socialism must be based on socialized great production; in other words, it highly requires developed productive forces. Yet it is in a country with underdeveloped productive forces that the Chinese revolution was victorious. That brought about a very serious contradiction.

The solution to this contradiction is neither to return to capitalism nor to hesitate and wait, but to rely on Marxism, in particular the transition period theory which Lenin formulated in the light of the conditions in Russia, "a state of the extremely backward petite bourgeoisie (in particular, the peasants)." Integrated with the historical reality in China, it brought about the party's general line for the transition period which was put forth by Comrade Mao Zedong in March 1949 and adopted at the meeting of the Political Bureau of the CCP Central

Committee in June 1953. The general line advocates the "basic realization in a rather long period, the nationwide industrialization and the socialist transformation of agriculture, the handicrafts industry, capitalist industry and commerce." This is a line which develops modern productive forces while simultaneously transforming the relations of production. Industrialization is the material basis for socialist transformation, and the socialist transformation must contribute to the development of the productive forces.

The State Monopoly Capitalism in Our Country

Is it possible for the weak capitalist economy in our country to undergo a socialist transformation?

Although the material basis of the capitalist economy in our country was quite weak, it was very concentrated. Before the war of resistance against Japan, it was mainly centralized under the control of the foreign capital enterprises established in China. The following table shows my preliminary estimations.

Table 2. The Estimation of Industrial Capital in the Whole Country in 1936

		Percentage Proportions of Each Category		
	Investment Value (billion yuan)	Foreign Capital Enterprises	Bureaucrat Capital	National Capital
Industry and mining	4.296	68.0	4.8	27.2
Communications and transportation industries	3.914	89.8	6.0	4.2
Total	8.210	78.4	5.4	16.2

Note: The investment value denotes in principle the next value of assets of enterprises in each category by calculating in today's currency.

Such a situation did not change substantially until the end of the war of resistance against Japan. The Japanese investment which made up 87 percent of total foreign investment, and the properties of the German and Italian fascists in China were then transferred into the hands of the bureaucrat-capitalist class. All the above, together with those assets gobbled up during wartime by the enterprises run by the Kuomintang bureaucrats, formed the bureaucrat capital which amounted to around 80 percent of the total fixed assets of the industrial, mining, communications and transportation enterprises, thus became a genuine state monopoly capitalism.

Such a state monopoly capitalism, in its nature, had already become socialized great production. Its major part (including the former foreign investment portion) had reached a fairly high level of production technology. Lenin said, "The state monopoly capitalism is the most complete material preparation for socialism. It is the beginning toward socialism, a step on the historical staircase from which one can climb up to another step called socialism. There is no middle step in between." ("Selected Works of Lenin," "What Is the Way Out to Imminent Disaster?," Vol 3, p 164) Obviously it would be a monstrous absurdity if the proletariat would be the least hesitant in transforming this capitalist part of economy into a socialist one after they had seized the political power.

Having confiscated all bureaucrat capital, the party and government built up a powerful state-owned economy through democratic reform and production restructuring. So 80 percent of the socialist transformation of the capitalist economy was accomplished. The production in the state-run industries rose from 3.73 billion yuan in 1949 to 15.12 billion yuan in 1952, a three-fold increase in 3 years. This fact proved that we have been correct in liberating the productive forces.

State Capitalism in Our Country

To transform the national capitalist economy step by step through the stage of state capitalism was the policy put forth by Lenin after the October revolution. though it was not carried out then. Lenin pointed out that the development of capitalism is inevitable when hundreds of thousands of small-scale production enterprises still exist. "Since we still cannot realize the direct transition from small-scale production to socialism," we have no alternative but "to bring such a development onto the track of state capitalism," and make use of state capitalism "as the intermediary link between small production and socialism, as means, a path and a method of increasing the productive forces." (ibid, "On the Grain Tax," Vol 4, pp 519, 525)

Lenin's initial idea was actually materialized in our country. Moreover, the nature of state capitalism under the dictatorship of the proletariat was further ascertained in the practice. While the form of state capitalism at different levels were created and regularity of their development was revealed.

The first step is to turn the laissez-faire capitalism which was blindly developed and operated in an anarchical way into the capitalism which would be under the control of the state's administration, the leadership of the state-owned economy and the supervision of the worker masses; or in Lenin's words, the state capitalism which "we can restrict and regulate in terms of its limits of activities." ("Collected Works of Lenin," "The 11th Congress of the Russian Communist Party (Bolshevik). Political Report of the Central Committee of the Russian Communist Party (Bolshevik)," Vol 33, p 244) This task was completed in 1952. During that period, privately operated industry grew at a rate of 10,000 a year, and their total output value increased by 54.2 percent in 3 years. The following table shows detailed figures.

Table 3. The Development of Privately Operated Industry and Commerce in 1949-1952

	1949	1950	1951	1952
Privately operated industry:				
Number of households (10,000)	12.30	13.30	14.76	14.96
Workers and staff (10,000)	164.38	181.59	202.28	205.66
Total output value (100 million)	68.28	72.78	101.18	105.26
Privately operated commerce:				
Number of households (10,000)		402	450	430
staff (10,000)		662	740	676
Retail sales value (100 million)		101.0	132.8	121.9

Since 1953, capitalist industry and commerce began to be merged in a planned way into various forms of state capitalism.

State capitalism in our country was an integration of and a cooperation between the socialist economy and the capitalist economy in varying degrees under the leadership of the socialist economy. The differences in degrees lead to it being divided into primary, advanced and superior classes.

The primary form of state capitalism may be represented by the privately operated industry which received processing orders from the state-owned economy. It was the integration of and cooperation between the socialist and capitalist economy outside enterprises or in the course of circulation. It enabled the production of privately-run enterprises to merge into the track of state plan, brought the productive forces into play, and expanded the socialization of production. The development of orders of processing is shown in table 4.

Table 4. The Development of Processing Orders in 1949-1955 (monetary unit: 100 million yuan)

	1949	1950	1951	1952	1953	1954	1955
1)	68.28	72.78	101.18	105.26	131.09	103.41	72.66
2)	8.11	20.98	43.21	58.98	81.07	81.21	59.35
3)	11.88	28.83	42.71	56.04	61.84	78.53	81.69

1) stands for the total output value of privately-run enterprises in the whole country; 2) stands for the portion of processing orders in the total output value; 3) stands for the percentage of 2) to 1).

Note: The output value of processing includes the portions of purchasing, state monopoly for purchase and marketing.

After 1954, as many privately-run enterprises were transformed into joint state-private enterprises, the output value of processing orders did not rise a lot or even decrease. With the portion due to the transformation from privately operated enterprises to joint state-private enterprises reduced, the output value of processing orders increased in 1954 by 19.3 percent over 1953, whereas in 1955 it increased by only 1 percent over 1954.

The advanced form of the state capitalism is joint state-private ownership, which is cooperation between the socialist economy and the capitalist economy components inside enterprises in the course of production. The prodiction relations underwent a fundamental change, since the means of production which had been privately owned before were now under joint state and private ownership, the socialist component took the dominant position and the production and operation of enterprises were included in the state plan. Therefore, the joint state-private ownership was the decisive step in the whole socialist transformation.

The state-private ownership enabled production in enterprises to be further socialized, and greatly liberated the productive forces. This can be seen in the yearly growing of the fixed output value and the gradual rising of workers' productivity shown in table 5. Until 1955, the productivity of workers in joint state-privately owned industry was about double of that in privately operated industry. The new ownership also proved to be very effective in saving raw materials and lowering costs. In the years of 1950-1955, the state-privately owned industry throughout the country gained a total profit of 1.273 billion yuan, thus making improvement of equipment and the expansion of reproduction possible.

Table 5. The Development of State-Privately Owned Industry in 1949-1955

	1949	1950	1951	1952	1953	1954	1955
1)	193	294	706	997	1,036	1,746	3,193
2)	10.54	13.09	16.63	24.78	27.01	53.33	78.49
3)	1.30	2.40	3.28	5.37	6.93	14.00	18.75
4)	2.20	4.14	8.06	13.67	20.13	50.86	71.88
5)		2.58	5.44	10.66	17.54	25.26	52.34
6)		17.3	31.4	32.2	28.3	25.5	2.9
7)		4,257	6,553	9,297	10,880	13,401	13,358

1) The number of households
2) The number of workers and staff (10,000 persons)
3) Capital value (100 million yuan)
4) Total output value (100 million yuan)
5) Fixed output value (100 million yuan)
6) The increase in fixed output value over the previous year's total output value (percent)
7) Output value per worker (yuan)

Note: Joint state-privately owned enterprises were usually formed with several privately-run enterprises, therefore this table cannot be compared with table 3. Fixed output value is equal to this year's total output value minus the output value made by enterprises which had been transformed into joint ownership that year.

In the high tide of the socialist transformation in 1956, the conversion of all capitalist industry and commerce into joint state-private ownership in the whole trade was completed in its entirety, and the fixed interest system was carried out.

The enforcement of the whole-trade joint state-private ownership combined with the system of fixed interest was the superior form of state capitalism in our country. Under such a system, all the means of production for enterprises were distributed in a unified way, private investments would no longer play a role as functional capital, and capitalists would no longer engage in the operation and administration of enterprises in the power of capital proprietor but as a staff member named by the state. The enterprises would become wholly socialist as soon as fixed interests were terminated.

The Problem About the Speed of Transformation

According to the party's general line for the transition period, socialist transformation would be basically realized in quite a long period which would last for 15 years (from 1953 onward) or even longer as depicted in the tentative plan. However, a problem rose--since socialist transformation was basically completed in 3 years or more owing to the transformation high tide in 1956--whether the transformation had been enforced too fast and whether such a "hightide," as a form of the transformation, was rational.

As gifted at the very beginning with the regularity that developing things evolve from elementary to advanced stage and from quantitative to qualitative change, the state capitalist structure in our country possessed a self-accelerating mechanism. But, such a mechanism could not be initiated spontaneously; it would work only when people were knowledgeable about objective economic laws, and dealt with and steadily overcame contradictions. The transition from processing orders to the joint state-private ownership had undergone such a process.

Such a transition was carried out in household after household according to annual plans. In 1954, 793 enterprises were transformed; in 1955, 1,091 enterprises; both were not on a large scale. But all of those enterprises were formerly the larger ones in privately operated industry. Therefore, in 1955 the output value of joint state-privately owned industry had already amounted to 49.7 percent of the total output value of both state-privately owned and private enterprises, and the capital value of the joint state-private enterprises had even made up 69.8 percent of the total capital value of both kinds of enterprises. In other words, just before the hightide, half of the enterprises in terms of the productive forces, and 70 percent of them in terms of ownership, had already been basically transformed. What had been left to be solved in the hightide was the problem concerning the remaining half and 30 percent.

The utmost difficulty we faced then was the contradiction between the joint state-private enterprises and the private ones. At that time, if a plant was transformed from private ownership into joint state-private ownership, its output value in the first year after the transformation would on average rise by 30 percent over that made before the transformation, thus creating problems for the untransformed small plants in the same trade in distribution of production order, supply of raw materials and marketing. In some cases, capitlaists even fell into such dire straits that they were unable to pay workers' wages. This kind of contradiction was even more acute in commercial sectors. So, in order to eliminate this contradiction, the central authorities put forth in the latter half of 1954 the policy of overall consideration and all-round arrangement, and in the first half of 1955 the policy of "eating grapes" (that is to say, state-run departments undertake the whole production operation of those privately run trades which suited market demands one trade after another.) Then in the latter half of 1955 the whole trade joint state-private ownership in industry and commerce was trial-enforced in Beijing and Shanghai. Therefore, the whole trade joint state-private ownership was not a creation of the mass movement in the hightide but the comprehensive popularization of the above-mentioned experiences.

For the above reason, the transformation of whole-trade joint state-private ownership speedily completed in the hightide actually resulted in fairly good results in terms of direct economic results. The output value of the joint state-privately operated industry increased by 30 percent over 1955; the sales value of joint state-privately owned shops, cooperative shops and cooperative groups increased by 15 percent over 1955. Of course, this was partly due to the consolidation of the transformation results and vigorous help from the state.

The socialist transformation of capitalist industry and commerce was not carried out in isolation, it was closely related to the socialist transformation of individual economy, in particular that of agriculture. Lenin looked upon state capitalism as the link joining small production and socialism in consideration of the greater difficulty of transforming the agricultural individual economy which is basically carried out by manual labor. The collectivization of agriculture was completed in the Soviet Union 10 years or more after than the nationalization of industry. The case in our country was quite the contrary. In 1953, there were 15,000 agricultural production cooperatives throughout the country, less than 1 percent of the total agricultural households joined these cooperatives. In the summer of 1955, the number of cooperatives increased to more than 430,000. In the latter half of that year, the socialist hightide in rural areas was unfold, and the collectivization was realized in quite a few provinces and cities in the same year. In the summer of 1956, the agricultural households which joined cooperatives amounted to 91.9 percent of the total agrarian households in the whole country, and the collectivization of agriculture was basically completed.

As the vast majority of our country's population spread over rural areas, cities had to strive to keep pace with rural areas where socialist transformation had been completed. A socialist country, with the transformation of industry and commerce in cities accomplished, can still retain some portion of private agriculture in rural areas. That is acceptable and also usual in the history. However, if capitalist industry and commerce are still retained in cities while the transformation of agriculture has already been completed, that can hardly be imaginable. The hightide of whole-trade joint state-private ownership in 1956 was in fact pushed ahead by the socialist high tide in rural areas. In those days, whenever news came from rural areas, not only the departments and comrades who were in charge of the transformation of industry and commerce felt the heavy burden, but also hundreds of thousands of private industrialists and businessmen felt they were on tenterhooks. In the spring of 1956, starting from Beijing, capitalist industrialists and businessmen, one after another, began to make application for transforming their enterprises into joint state-private ownership. Such a development is quite understandable.

The high tide of whole-trade joint state-private ownership was pushed ahead in the form of the mass movement. Nevertheless, at that time, whether party committees or united front departments at different levels from central down to the local paid close attention to the enforcement of the transformation. While at the same, all state-run industry and commerce departments, industrial and commercial administrative departments and labor unions, industry and commerce federations, China Democratic National Construction Association at all levels, and so forth, all of them worked conscientiously and spared no effort in carrying out the transformation. This is entirely different from the haphazardness and mess which we witnessed during the later "great leap forward" and the 10-year upheaval.

In spite of this, we will have to admit that the speed of the transformation in 1956 was a little bit too fast, and thus brought about some prematurity in the whole-trade joint state-private ownership and some shortcomings in our work.

First of all, the extent of joint state-private ownership was too wide. In 1954, 96.4 percent of the privately run industrial enterprises belonged to workshop handicrafts industry. As their productive level remained relatively low, in effect, they were not suited for extensive transformation into joint ownership. While at the same time, 96.4 percent of the privately run commerce were small shopkeepers and peddlers, 1.6 percent employed fewer than 2 persosn, all of them were only suitable for transforming into cooperatives or maintaining private ownership. All these circumstances were certainly considered then, and many forms were utilized in the transformation. The results can be seen in table 6 and table 7. But in general, the extent of joint state-private ownership was still too wide, the areas designated for collective economy and private ownership seemed a little bit too small. On the other hand, there were more than 48,200 handicrafts households which joined the joint state-private ownership on their own during this period. They were requested to resume private ownership in the readjustment later, but the policy was not thoroughly carried out.

Table 6. The Transformation of Privately Owned Industry in 1956

	Number of households (1,000)	Number of staff and workers (1,000)	Total output value (million yuan)
The results in 1955 after the first transformation	88.80	1,310	7.266
1. Those transformed into joint state-private ownership	67.23	1,075	6,545
2. Those shifted into local state-run enterprises	1.00	23	98
3. Those designated for the transformation of handicrafts industry	15.60	117	299
4. Those transformed into joint state-private ownership or others	7.10	81	295
5. Those retaining private ownership	0.87	14	29

Table 7. The Transformation of Privately Owned Commerce in 1956

	Number of Households (1,000)	Number of staff and workers (1,000)	Capital Value (million yuan)
The results in 1955 after the first transformation	2,423	3,138	841
1. Those transformed into state-run enterprises and supply and marketing cooperatives	147	224	--
2. Those transformed into joint state-private ownership	401	877	601
3. Those transformed into cooperatives	1,443	1,723	184
4. Those retaining private ownership	432	494	56

Footnote: There were 757,000 or more households in the privately operated catering trade, 327,000 or more households in the privately operated service trades. They were transformed in a form generally like that of the privately owned commerce.

Second, the economic restructuring after joint ownership transformation was somewhat overdone. As economic organizations must conform to the level of productive forces and the market demand, the central authorities put forth the restructuring principles of popularizing coordination between specialized departments and "carry out readjustment in a number of enterprises while preserving the status quo in most of them" as soon as the whole-trade joint ownership transformation was completed. However, because of the impact of the high tide, these principles were not completely carried out. Although specialized companies as leading mechanism were set up, too much emphasis was placed on "changing" in the readjustment. Statistics compiled in June 1957 shows that among those plants which were transformed into joint ownership during the high tide, about half were merged, and only one-third adopted integrated administration. And again, unified accounting was enforced in more than half of the latter. The practice of eating in the same canteen was unfavorable to giving play to the enthusiasm of small plants.

However, it is the later "great leap forward" that worsened all those weaknesses. During the "great leap forward," the barrier between joint state-private ownership and state ownership and that between joint state-private ownership and collective economy were broken down. As policies were carried out without substantially understanding, enterprises were either cut down, or merged or transformed or integrated which all culminated into a mess. Thus, what followed was a lot of problems.

Because too many enterprises were merged and integrated, aiming at the expansion of scale and the seeking of comprehensiveness, production was made unitary, and the variety of products reduced. As points in the commercial network were insufficient, the circulation of commodities was blocked. Many small industrial and commercial households which formerly were independently run and helped to the society's economy, were losing their positive functions. This problem was not solved until 1980 when the collective economy in towns had been resumed and fostered, and due attention had again been paid to the ownership of enterprises under the collective ownership system.

Because of this transformation, a great number of small proprietors, small handicraftsmen, small peddlers were involved in changes concerning the joint state-private ownership or regarded as "representatives of private party" and the equivalent to the bourgeoisie. This doing confused the class barrier and harmed their enthusiasm in production. Again, this problem was not solved until 1980 when the instruction was issued by the central authorities to correct the mistake.

The joint state-private ownership was originally designed to fit to the fairly backward productive forces of the capitalist economy in our country. The reason was that we could not directly transit to socialism from such a basis. However, when the whole-trade joint state-private ownership had been enforced less than 2 years, the system of coordination between specialized departments had just been set up, and the joint ownership had not yet been able to fully work, the "great leap forward" started and threw everything into disarray. We could have envisaged a better situation if the system had been preserved until 1966 when the fixed interest was terminated.

On the Redemption Policy

More than 100 years ago, Marx and Engels pointed out in "The Communist Manifesto" that after having seized that political power of a state, the proletariat "will make use of their own political rule to seize all the capital of the bourgeoisie step by step; to centralize all the tools of production under the control of the state, that is, the proletariat will organize to form the ruling class and to raise the total volume of the productive forces as soon as possible." ("Selected Works of Marx and Engels," Vol 1, p 272) That is exactly what we did during socialist transformation.

"Deprive those who deprive," is the basic principle of socialist revolution in the economic field. But in what way this principle is to be carried out will depend on the historical conditions. In "The Fundamental Principles of Communism," Engels proposed a number of possible ways including confiscation and redemption. Marx also pointed out that to accomplish this task by redemption will be "the cheapest way" for the proletariat. (Ibid, "The Agrarian Problems in France and Germany," Vol 4, p 315) They did not discuss under what conditions the redemption should be carried out, because they had no such experience in this regard. "To attempt to answer in advance" would only have "resulted in a fantasy." (Ibid, "On the Housing Problem," Vol 2, p 545)

After the October revolution in Russia, Lenin put forth the policy of combining redemption with the state capitalism. He advocated carrying out the policy of redemption for those civilized capitalists who would accept state capitalism, and resolutely punish those uncivilized capitalists who were doing evil. Nevertheless, this plan of Lenin was never properly enforced.

Lenin's idea was implemented in our country, and various forms of redemption were also derived in actual practice. The development of the forms of redemption reflected the change of the production relations of the state capitalism in different stages, and also the fact that the production of surplus value was more and more restricted. On the other hand, as a system, redemption will in turn have impact on the development of the state capitalism and on the transformation of the production relations and that of bourgeois elements.

Redemption is not a transaction, not simply purchasing of the means of production from capitalists, but a firm class policy of the proletariat, or in other words, a strategic guideline for the socialist revolution. It is different from the compensation offered when nationalization is enforced in a country at present. The crux of redemption in our country is that the proletariat, while working and producing for the people's needs, offer as well as a share in the profits with capitalists.

The redemption in our country can be generally divided into two stages: Before and after the enforcement of the whole-trade joint state-private ownership in 1956. In the first stage, we took the measure of profit distribution, a typical example was the method of "four horses sharing food" adopted in 1953, in which the share to capitalists could have amounted to 25 percent of total profit. In the second stage, redemption was carried out in the way of fixed interest, that is, issuing fixed dividend in accordance with the amount of private shares in joint state-private enterprises. Generally, the annual interest was 5 percent, and the fixed interest continued to be issued for 10 years.

The content of the redemption in the stage of interest distribution is shown in table 8. There is one point I should make clear about the table, those among the privately run enterprises whose accounts could be examined (the so-called account checking households) were only a few, therefore, the items given in the table are only rough appraisals based on sampling survey. Enterprises suffering from losses are not included in the table because they were not subject to redemption under the system of profit distribution. The item of proprietor's income includes both capitalists' income from profit distribution and the total income of the representatives of capitalists and some small proprietors. That is because of the unsoundness of the accounting system in many enterprises which made it difficult to distinguish one part from another. Anyway, that does not cause a great discrepancy in terms of percentage. Based on this percentage distribution, the income of proprietors in the 6 years was roughly 1.4 billion yuan.

Table 8. The Appraisal of Profit Distribution for Privately Run Enterprises in 1950-1955

Total value of profit (100 million yuan)		Profit Distribution in Percentage			
		Income Tax	Income of Proprietors	Other Distributed Items	Undistributed Parts
1950	8.31	26.53	31.54	14.42	27.51
1951	16.41	36.50	24.11	14.32	25.07
1952	7.30	35.28	28.99	16.17	19.56
1953	16.98	39.87	16.48	20.78	22.87
1954	7.42	38.01	19.66	19.06	23.27
1955	4.71	35.27	21.21	19.82	23.70
Total	61.63	36.02	22.87	17.34	23.77

Footnote: Privately run industry, commerce, catering industry and service trades are included.

During these 6 years, dividend and bonuses distributed to private shareholders of joint state-private enterprises amounted to about 100 million yuan.

The enforcement of fixed-interest system after the whole-trade joint state-private ownership is shown in table 9. The fixed interest rate was not a uniform 5 percent for all trades. But, it is still proper if we calculate based on the total value of private shares given in table 9, and in a rate of 5 percent and in a term of 10 years. Appraised in that way, the total value of fixed interest turns out to be 1.15 billion yuan.

Table 9. The Issuance of Fixed Interests in Joint State-Private Enterprises in the First Half of 1956.

	Number of households adopting fixed-interest system	Value of private shares (100 million)	Percentage of private shares to the total capital	Due dividend for the first half of 1956 (10,000 yuan)
Industry	43,687	17.83	77.27	4,455.5
Commerce	97,235	3.53	15.29	881.0
Catering industry	14,408	0.18	0.80	44.9
Service trades	12,741	0.36	1.57	91.0
Transportation	22,828	0.75	3.24	174.3
Banking	3	0.42	1.83	112.9
Total	190,902	23.07	100.00	5,757.6

The grand total of the three big items [the three items include the income of the proprietors of private enterprises in 1950-1955, the dividend and bonus distributed to the private shareholders of joint state-private enterprises for the same period and the total value of fixed interests issued to the private shareholders in the 10 years after the whole-trade joint state-private ownership was realized] is roughly equal to the original capital of the bourgeoisie.

Apart from these, the redemption from capitalists also included the salaries which enterprises paid to capitalists at and which were higher than the salary level for the same posts in state-run enterprises. The high salaries of all these capitalists were maintained after the transformation of joint state-private ownership.

At large, our policy of redemption was quite reasonable, which satisfied the bourgeoisie and played an important role in pushing ahead with the transformation. During the 10-year turbulence, the fixed interest due to industrialists and businessmen was withheld and their high salaries were reduced. In 1979, the central authorities decided to pay back all fixed interest and salaries that had been withheld, and resume the high salaries which had been lowered, return all deposits which had been confiscated and frozen. Indeed this is "to carry out the redemption through to the end."

The Transformation of Bourgeois Elements

The socialist transformation of capitalist industry and commerce in our country included the transformation of bourgeois elements, which aimed at helping them to change themselves from being exploiters by gradually becoming laborers in the socialist society.

Based on the Marxist dialectic principle concerning social being and consciousness, Comrade Mao Zedong always advocated that everyone needs to be transformed in order to further the revolutionary cause and that men can undergo transformation. Back in 1977, he pointed out in "On Practice" that the struggle of the proletariat and the revolutionary people to transform the world includes "the transformation of the objective world as well as that of their own subjective world" and "the so-called objective world to be transformed includes all those who initially reject transformation." ("Selected Works of Mao Zedong," Vol 1, People's Publishing House, 1966 horizontal setting edition (similarly hereinafter), pp 272-273) After the victory of the democratic revolution, he emphatically put forth again, in his articles such as "On the People's Democratic Dictatorship," "Problems Concerning the Correct Handling of the Contradictions Among the People" and so on, the problems concerning the transformation of bourgeois elements.

Our country's national bourgeoisie is a class with dual character--they possess a revolutionary character on one hand, and a tendency towards compromise on the other. Their contradiction with the working class is a contradiction within the people. The transformation to them should be processed in a democratic way, that is, the way of criticism and education. The party's policy towards them can be summed up in unity, education and transformation.

The transformation of bourgeois elements was carried out along with the transformation of capitalist enterprises. During the whole with the transformation of enterprises through the state capitalism, capitalists were not excluded but involved in the evolution. In fact, a lot of concrete transformation works were done by themselves. Hence their ideology could be transformed step by step through the transformation of production relations, through production struggle and class struggle. This helped to eliminate obstacles and spur the transformation of the ownership system.

Our country's national bourgeoisie was one of the classes in the old China which were comparatively cultured and possessed more intellectuals. Therefore, the transformation of bourgeois elements, combined with personnel arrangement, was enforced as a task to bring every positive factor into play and make use of their scientific and technological knowledge and operational and administrative experiences. It should be noticed that during the 10-year turbulence, as enterprises were transformed from joint state-private ownership into state ownership, the original personnel allocation was shaken, most of the former industrialists and businessmen were transferred to do manual labor or dismissed, and the learning system, contest and appraisal system, health and welfare system for them were destroyed. Indeed this was a great loss for the transformation cause. These wrong doings have been mended step by step only after the defeat of the gang of four.

In our country, the transformation of bourgeois elements was proposed as a great task of the proletariat to transform the world and abolish classes. When the democratic revolution won the victory throughout the country in 1949, Comrade Mao Zedong already made the transformation of members of the reactionary ruling classes which had just been overthrown by the people a task in thoroughly carrying on the democratic revolution. He also pointed out, "If this job is well done, the major exploiting classes in China, that is, the landlord class and the bureaucrat bourgeoisie or in other words, the monopoly bourgeoisie, will eventually be eliminated." (Ibid, "On the People's Democratic Dictatorship," Vol 4, p 1,414) In 1957, after the socialist transformation of the ownership system had been completed, he said, "It is imperative to digest them. To transform landlords and capitalists into laborers, this is also one of the strategic guidelines. To abolish classes will take a very long time." (Ibid, "Speech At the Meeting of Party Committee Secretaries of Provinces, Cities and Autonomous Regions," Vol 5, p 342) To transform through unity and to abolish classes through digesting exploiters, this is exactly our guiding principle.

The transformation of exploiting class members on such a large scale and such a planned way was a pioneering work in the history. It provided new experiences to the proletariat revolution and the international communist movement, and made contribution in replenishing the Marxist theories concerning the withering away of classes.

Today, the feudalist and capitalist exploiting systems have been abolished in our great country (except the province of Taiwan). The landlord class and the rich peasant class as classes have been eliminated. So did the capitalist class. After 30 years' education and struggle, the great majority of them who have working ability have already been transformed into laborers of the socialist society; and most of the rest are patriots who support the socialism. This is a great victory of Marxism-Leninism-Mao Zedong Thought.

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'JINGJI YANJIU' PROBES TIANJIN RETAIL TRADE

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[Article by Zheng Ning [6774 1337] and Wang Shiquan [3769 1102 0356] of the Economics Research Institute of Tianjin Academy of Social Sciences: "Investigation on Responsibility for One's Own Profits and Losses in Trial Points of Tianjin State Run Retail Trade"]

[Text] During the implementation of the eight-character principle which centers on readjustment, beginning from September 1980, the Tianjin Financial and Trading Commission carried out investigation on the trial points of reforming the system and expanding enterprise autonomy in 24 retail shops of nonstaple food, general merchandise, sweets and cakes. The purpose of having such trial points is to solve the problem of the ownership system and the method of management and administration and to carry out the principle of distribution according to work, to change the phenomenon of "eating out of a big pot," to make enterprises relatively independent commodity operational units, to link the economic interests of enterprises and staff and workers with the management results of enterprises, to bring into full play the initiative of enterprises and staff and workers, to improve management, to enliven circulation, to improve economic effect and better serve production and the people's livelihood.

According to the financial system, trial points are divided into three types: The first one is to change from the system of turning over the profits to the state to the system of state taxation and to be responsible for one's own profits and losses. The number of units which have done so is 10. The second one is to retain the profits. The number of units which have done so is six. The third one is to be responsible for turning over the profits to the state on a trial basis. There are four units which have done so. Four collection ownership units have made the accounting units smaller and improved the way of management so as to bring into play the characteristics of collective ownership. Viewed from the angle of trial points, all units have generally achieved rather good results.

I

There are two different forms of trial points for independent accounting, substitution of tax for profits and responsibility for one's own profits and losses, which are carried out by the state-run retail trade.

The first form is "five taxes and one charge." The units which have implemented this method are Shiyi Jinglu Department Store and Shiyi Jinglu Nonstaple Food Store. They studied and adopted this method on the basis of the principle of retaining profits which was experimented with in 1979 and by referring to the categories of taxes and tax rate which were implemented in the past. The specific tax rate and charge rate are as follows: The industrial and commercial tax accounts for 3 percent of the total sales. In the real estate tax, the (annual) landed estate tax is 0.72 yuan per square meter, and the (annual) house property tax is 1.2 percent of the original value of the house property. The income tax is 40 per mill of the profits. The local additional tax is 15 percent of the income tax. The charge for using the circulating funds is 0.21 per mill.

The income readjustment tax due to the difference in grade is for readjusting the disparity of profit levels and the unevenness of hardship and happiness caused by nonsubjective reasons such as different trades, the scale of shops, the structure of commodities and the location where business is done. The rate for the readjustment tax of these two trial-point stores has been calculated under the prerequisite of retaining the profits. For instance, according to the experience over the years, the Shiyi Jinglu Department Store has defined that the proportion of the profits to be retained is 30 percent, while 70 percent is to be turned over to the state. After deducting the four kinds of taxes and the charge for the use of circulating funds, the balance in the amount turned over to the state is approximately 2.3 percent of the total sales. This is the rate for readjustment tax. The rate for readjustment tax of Shiyi Jinglu Nonstaple Food Store is 0.6 percent.

The second form is "proportional income tax." The units which have implemented this principle are the Tanggu District Jiefang Lu Department Store and the eight shops of the Qiandezhuang Basic-Level Vegetable and Nonstaple Food Store in Hexi District. This form has been defined according to the tax profits remitted to the state by the stores over the years, the amount of funds returned to the stores by the higher authorities and by considering other factors. Different stores have different rates. For instance, after deducting the returned amount, the Qiandezhuang Basic-Level Vegetable and Nonstaple Food Store, based on the average amount of the tax or profits turned over to the state in the past 3 and 1/2 years, defined that 58 percent of the total profits is to be turned over to the state as income tax and that 42 percent is to be retained by the enterprises themselves.

After the method of "substituting tax for profits" has been implemented, the profits after tax will be used as the enterprises' development funds, collective welfare funds and staff and workers' reward funds according to a certain proportion. All this is at the enterprises' disposal. Different units have different proportions of allocation. For instance, the proportional allocation of Shiyi Jinglu Department Store is 50:30:20; that of Shiyi Jinglu Nonstaple Food Store is 35:25:40; that of the Tanggu District Jiefang Lu Department Store is 40:20:40.

During the carrying out of the trial points of being responsible for their own profits and losses, the enterprises have done the following work:

(1) They have expanded enterprise autonomy in the trial point units. According to the stipulated range of use, the enterprises can, of their own accord, arrange to expand their autonomy in financial affairs and decide the amount of funds to be

retained by the enterprises. In expanding autonomy for running business, the enterprises have the right to arrange in a flexible way the variety of goods, the kinds of service, business hours and the way of running business, according to the situation of the market and the needs of the masses. In accordance with the rational orientation of goods and economic accounting, the enterprises have the right to select superior quality goods when purchasing the goods outside the plan from places of their choice. The enterprises should be given the right to control prices in a flexible way within a certain range. The prices of commodities of the third category purchased from elsewhere may be decided by the enterprises themselves, so long as these prices are below those of the local commodities of the same category and quality. The enterprises may reduce the prices of commodities which are damaged or have turned bad and which are unsalable or out of season. The enterprises should be given certain autonomy in labor management, including the autonomy to decide on and readjust labor organization. Under the quotas permitted by the state, they have the right to select good staff and workers for employment and to reward or punish staff and workers.

(2) They have set up a sound management system in various aspects. 1) They have set up a post responsibility system. The secretary, manager, accountant, buyer, counter group leader, warehouse keeper and seller have their own definite responsibility with each task being fulfilled by one person and publicized so that supervision can be carried out by the masses. 2) They have clearly stipulated regulations on a checking and reward system. They have worked out specific rules for checking and reward and punishment for the counter groups and staff and workers on how they fulfill their various tasks. For instance, sales quotas are assigned to each shop assistant. There are specific standards for checking the number of persons at work, the counter discipline, mistakes and errors, the quality of service and the variety of commodities. This is taken as a basis for the discussion of rewards to be issued to the staff and workers. Some stores have also carried out a 100-point system in recording the rewards. Thus the material interests of the staff and workers are closely linked with how business is run, and egalitarianism in allocation which was carried out in the past has now been changed. 3) Trial-point units have also intensified democratic management. Most of the units have elected counter group leaders and members of the Democratic Management Committee through democracy. The Tanggu District Jiefang Lu Department Store elected its manager through democracy. How the stores are run is closely related to the personal interests of the staff and workers, so democratic management is no longer a mere form, it has its concrete contents. Many staff and workers have made proposals to improve their work and expand business. Some stores have set up vocational research groups to find out about market supply and demand, to carry out market analysis and to advise the leadership.

(3) They have intensified ideological and political work. Trial-point units generally pay attention to doing a good job in ideological and political education, when carrying out the principle of material rewards. First is to make clear that the purpose of having trial points is not just for obtaining more money, but through the expansion of autonomy to further bring into play everybody's initiative, improve management, enhance the quality of service and serve production and the people's livelihood in a better way. Second is to carry out policy education and intensify the unity and mutual help among the staff and workers. Third is to cultivate advanced models, praise good people and good deeds in a timely manner and bring the initiative of the staff and workers into a correct orientation.

II

The carrying out of the trial point for being responsible for one's own profits and losses has closely linked the interests of the state, the interests of the enterprises and the interests of the individual. The enterprises' "power, responsibility and interests" are bound together. In this case, they have the internal motivation to run the enterprises well. The initiative of the staff and workers of the enterprises has been brought into better play and good results have been achieved.

(1) They have expanded business and enhanced the quality of service.

In the past, how the stores' business was run had nothing to do with the interests of the staff and workers. When business was run well and a lot of profits were realized, there was no increase in the income of the staff and workers; when business was run in a bad way and there was a decline or even loss in profits, the income of the staff and workers was not affected either. Therefore, only a few cadres were concerned with the purchase, marketing and stocking of the goods of the stores. The staff and workers very seldom paid attention to them. The shop assistants sold whatever had been purchased by the stores. Sometimes they did not even put the goods on the shelves until one design and color of goods was sold out. But now the situation has changed. Not only managers and counter group leaders pay attention to vocational work, but many staff and workers try every means to enliven business and do a good job in service. In respect of the origin of goods, they relied only on one channel, that is the wholesale departments. But now they can purchase goods by themselves. They can replenish their stock by buying goods from factories, foreign trade, street cooperatives, warehouses, communes and brigades and places outside Tianjin. The purchase procedures have been simplified and the variety of goods have been increased. Shop assistants not only supervise buyers in purchasing goods, but also go to the wholesale departments on their own initiative to check the variety of goods. They use various relations to open channels for the purchase of goods. The Shiyi Jinglu Department Store has established new relations for the purchase of goods with 28 units in the past 4 months and signed contracts with 14 units to act as an agent selling 89 kinds of commodities on a commission basis. The variety of goods being dealt with has amounted to 6,100 kinds, an increase of 24.3 percent over 1979 and 43.6 percent over 1978. The commodities purchased of their own accord have amounted to 254 kinds and 1.876 million yuan, which is 57.7 percent of the total volume of the goods purchased at the present stage.

In marketing, they have implemented the method of being diligent in purchase and quick in marketing and the method of small profits but quick turnover. They also do things for the convenience of the masses. For the convenience of customers, many stores and shops set up stalls to sell their goods, and according to the need of the customers, some stores and shops provide processing and repair services. The Shuguangli, Hongxiali and Daqing cake shops of Hexi District have extended their business hours. They send out people on their own initiative to factories, hospitals, streets and kindergartens to ascertain their needs. They deliver the goods to the door at an appointed time and place. In order to enliven business, Shiyi Jinglu Nonstaple Food Store has combined with Dagang Aquatic Breeding Farm in the suburbs in running a fresh water fish business. Qiandezhuang Nonstaple Food

Store and other units have set up market analysis groups whose members go to the wholesale departments, trade warehouses and free markets in the rural areas every day. They often visit the neighborhood residents and customers and investigate and study the trends of the changes in requirements, the situation of market supply and the situation of the changes in negotiated prices.

(2) They have strengthened accounting and improved the management of enterprises.

Before the trial points were carried out, the counter group of each store or shop generally had its own simple accounting, but the total accounting of various economic quotas was done by the accountant under the system of united revenue and expenditure and had little to do with the personal interests of the staff and workers, the system was often a mere form. In the present trial points, the stores or shops generally carry out the system of two-level accounting and management by the stores or shops and counter groups. The stores or shops convert the main economic quotas and service requirements into smaller quotas. Each group generally carries out the principle of "five fixes" (fixing sales, fixing profits, fixing cost, fixing mistakes and errors and fixing funds. Some units carry out the principle of four or six fixes). Responsibilities are assigned to each person. Marks and rewards are recorded related to the realization of quotas. For instance, Shiyi Jinglu Department Store carries out the principle of proportionate division of profits by the store and counter groups. The profits retained by the counter groups are used as rewards for the staff and workers. The Tanggu District Jiefang Lu Department Store issues rewards according to a certain rate of the total volume of sales. In addition, each store or shop has relatively expanded the counter groups' autonomy in running business (including the power to purchase goods, use funds, control expenses, handle damaged commodities and arrange personnel). Since the implementation of these methods, the staff and workers have become the masters; able to manage the affairs and property of the store and willing to put a lot of thought into how to enliven business and accelerate the turnover of funds. Once Shiyi Jinglu Department Store got a bank loan of 100,000 yuan to purchase from a foreign trade company a batch of children's acrylic sweaters and bed sheets which had originally been for export but had been shifted to the domestic market due to disqualification. According to the plan, they were to pay off the loan within 45 days. They mobilized all the staff and workers of the store to expand their sales by adopting the methods of small profits but quick turnover, of increasing the number of counters so as to accelerate the sales and delivery of the goods on their own initiative to the units under the system of collective ownership. For instance, according to the rules, the difference between wholesale and retail prices was 14 percent, but they altered it to 10 percent. As a result, the goods sold well and the turnover of these funds was accelerated. They paid off the loan within 12 days and gained profits of 20,000 yuan. Since the carrying out of accounting, a practice of thrift and diligence and of careful calculation and strict budgeting has been emerging. In the past, waste was rather serious in the use of packing materials in the Tanggu District Jiefang Lu Department Store. Now each group is responsible for the cost of packing materials. They carry out internal calculation of prices for packing materials. In the past 4 months they have saved more than 800 yuan in expenses for the cost of packing materials. The system in various aspects is well implemented, because the initiative and conscientiousness of the masses have been brought into play. In the past, no one cared for shortages of and damage to the commodities being stored. Now the receipt and delivery, storage, testing and examination of commodities are assigned to the persons concerned. Rules and regulations on rewards and punishment have been promulgated. Thus damage and shortages are reduced to the minimum. To balance the day's books has become the habit of the staff and workers of the store.

(3) The economic effect has generally been raised.

Various economic quotas of the trial-point units which are responsible for their own profits and losses are on the whole better than in the past. There has been a big increase in the volume of sales and profits. The turnover of the funds has been accelerated, the cost rate has been reduced and work efficiency has been enhanced. This change appears to be more outstanding if compared to that of nontrial-point units.

The following list shows a comparison between the various economic quotas of 10 trial-point units and of nontrial-point units. The percentage of increase and decrease from September to December 1980, is compared with the corresponding period of 1979.

	Undertakings of nonstaple food		Undertakings of general merchandise	
	5 trial-point units	6 medium sized markets	2 trial-point units	17 medium sized markets
Volume of sales	29.82	6.45	33.73	19.09
Work efficiency of all personnel	20.18	-1.93	39.59	11.29
Cost rate	-0.61	0.79	-0.21	0.06
Increase and decrease scale of cost rate	-11.02	13.93	-7.2	2.05
Profit rate of sales	1.63	-0.14	-0.25	-0.56
Increase and decrease scale of profit rate	41.05	-3.76	-4.19	-8.74
Number of days of turnover of funds	5.6	13.29	-4.33	3.24
Realized profits	82.81	2.45	28.07	8.69

	Undertakings of Candies and Cakes	
	3 Trial-point Units	Company System of Hexi District
Volume of sales	14	8.7
Work efficiency of all personnel	4.65	-2.77
Cost rate	-0.59	-1.03
Increase and decrease scale of profit rate	-9.15	-12.95
Profit rate of sales	1.82	0.58
Increase and decrease scale of profit rate	72.51	39.19
Number of days of turnover of funds	-3.1	16.12
Realized Profits	97.27	51.4

(4) There has been an increase in the income of the state, enterprise and individual.

According to statistics, the 10 trial-point units have turned over 769,000 yuan to the state within 4 months, a 35.27 percent increase over the corresponding period of last year.

In the past they carried out the principle of unified income and expenses, so the development funds and the collective welfare funds which could be allocated by the grass-roots stores were very small. They had to apply to the higher company for their expenses. Within 4 months, the 10 trial-point stores retained 92,000 yuan of enterprise development funds and 70,000 yuan of collective welfare funds for the enterprises' own allocation. These funds were used for expanding business, improving the working environment and increasing collective welfare institutions. It has solved some longstanding problems. With the development funds, both the Shiyi Jinglu Nonstaple Food Store and the Tanggu District Jiefang Lu Department Store have bought themselves a truck. The Shiyi Jinglu Nonstaple Food Store's original truck was dilapidated and they had to consign their goods for delivery. Sometimes delivery was not on schedule. The cost of freight for 1 year was so much that they could have bought a new truck with it. They applied to buy a truck a long time ago but were not permitted to do so. Now this problem has been solved. With the development funds, the Shiyi Jinglu Department Store has installed home-made radiators. With the welfare funds, they have structured the staff and workers' canteen and built a bathroom/shower unit. The long cherished hopes of the staff and workers have now been realized.

There has been an increase in the rewards issued to the staff and workers. Within 4 months of the carrying out of 10 trial-point stores, the average rewards for each person per month was 12.5 yuan more than in the corresponding period of the previous year.

There have also been some problems during the implementation of trial points, which must be studied and solved.

(1) Ideological and political work is not grasped firmly enough in some trial-point units. Attention is one-sidedly paid to profit quotas. There is a tendency to overlooking the socialist orientation of running a business. Very few units have resorted to unprincipled measures of running business and resorted to deception in order to make profits.

(2) Trial points are carried out only in a few retail units. The higher responsible departments such as the company of the district level, the company of the municipal level and the bureaus and wholesale departments concerned have not carried out the relevant reform work. Therefore, since the readjustment of the allocation of rights, limits and interests, contradictions between reform measures and the original system have emerged. From now on we should further study how to reform the whole circulation system and adopt appropriate measures to gradually solve this problem.

(3) The trial-point units have overcome egalitarianism in the issuance of rewards, and this has pushed the work forward. But the potential of some enterprises has not been fully estimated due to imperfections of some methods, and unevenness between hardship and happiness and the problem of rewards being a bit too high can still be found within the enterprises themselves and in a few units.

III

The practice of the trial points for a period of time has proved that in the two different forms of responsibility for one's own profits and losses, there is no difference in essence between the proportionate income tax and the original total volume of profits retained, except for changing the form in which the profits are turned over to the state into income tax. The carrying out of the method of "five taxes and one charge" is a step forward from the principle of retaining the total volume of profits, because the calculation of tax in the "five taxes and one charge" is based not only on the volume of the enterprises' profits but also on the volume of sales, the volume of profits, the area of the premises and landed estate and the amount of circulation funds which are used by the enterprises. Thus they have further broken away from the convention of "unified income and expenses" and have linked "power, responsibility and interests" more closely. It is far superior to the principle of retaining profits and of proportionate income tax.

First, it is beneficial for guaranteeing the stability of state revenue. The enterprises should pay taxes to the state, no matter whether they run their business well or not. In addition to industrial and commercial tax, there are readjustment tax, house property and landed estate tax and the charge for using circulation funds.

Second, it is beneficial for encouraging the enterprises and the staff and workers to further improve the management of enterprises. They should strive not only to increase the volume of profits, but also to reduce the cost, accelerate the turnover of funds and raise the profit rate of funds and profit rate of sales. In carrying out this method, the proportion of tax paid to the state per month varies as to how business is run in that month. If business is good, the enterprises may not only raise the amount to be retained but also exceed the originally proposed proportion to be retained. On the contrary, if business is not good, the enterprises may reduce the proportion to be retained. For instance, the Shiyi Jinglu Department Store precalculated that the proportion to be turned over to the state was 70 percent. The proportion of tax actually paid for the months of September, October, November and December was respectively 67.67 percent, 71.68 percent, 68.17 percent and 71.7 percent; Shiyi Jinglu Nonstaple Food Store precalculated that the proportion to be turned over to the state was 60 percent. The proportion of tax actually paid was approximately 55 percent. In this way they have changed more effectively the situation in which they ate out of a big pot and had a "guaranteed income come rain or shine."

Third, some units carry out the method of retaining base profits plus the dividing the part that is overfulfilled. Because the sales plan and the volume of profit quotas have much to do with the amount to be retained by the enterprises, endless arguments often occur when deciding the quotas for the plan. Because the quotas are often inappropriate, the profits retained by the enterprises are too high at one time and too low at another (it is more often that they keep the quotas very low so as to retain more profits for the enterprises). The carrying out of the principle of "five taxes and one charge" can prevent such a tendency, because the quotas for the plan do not have much effect on the profits to be retained by the enterprises.

Fourth, proportionate income tax is not easy to popularize, because each store or shop has its own tax rate. The principle of "five taxes and one charge" is easy to popularize, because the tax rate and cost rate are unified, except for the readjustment tax.

If viewed from the results, two types of stores responsible for their own profits and losses do not differ much on the whole. But one factor must be taken into consideration. The Shiyi Jinglu Department Store and Shiyi Jinglu Nonstaple Food Store which carry out the principle of "five taxes and one charge" have increased their business operations by a large margin due to the trial-implementation of the principle of profits retention in the fourth quarter of 1979. There was a further increase after the implementation of the principle of "five taxes and one charge" in 1980. Therefore the enhancement of the economic results is more outstanding, if we consider them altogether in unification. From September to December, 1980, the volume of sales and the volume of profits of the Shiyi Jinglu Department Store were up by 84.3 percent and 153.8 percent respectively in comparison with the corresponding period of 1978, and those of the Shiyi Jinglu Nonstaple Food Store were up by 23.7 percent and 48.3 percent respectively.

Of course, it is still necessary to further perfect the method of "five taxes and one charge." Some problems have still to be studied and solved in practice. For instance, there are great differences in the profit rates of different undertakings. Take the two trial-point undertakings of the department store and the nonstaple food store as an example. The nonstaple food store belongs to the undertaking of small profits. If it is required to pay income tax according to the unified tax rate, the profits retained by the enterprises will be very small. In addition, the store has to keep the rewards for the staff and workers at a certain level, so the amount of the development and welfare funds the enterprises can retain is very small. That is detrimental to the development of the store itself. Therefore, it is possible to consider the adoption of different tax rates for different undertakings. We should further study how to rationally analyze the subjective and objective reasons that cause the difference in revenue and to maintain the tax rate of the readjustment tax on the differential revenue so as to let the state take the greater part of the differential revenue that is not caused by subjective reasons, while maintaining the initiative of the staff and workers of the stores that have been doing well in their business.

On the basis of the method of "five taxes and one charge" that was implemented last year, the Tianjin Finance and Trade Commission will, beginning this year, change the method of collecting "house property and landed estate tax" into that of collecting the "cost for the use of fixed assets," which will be collected at a monthly rate of 3 per mill based on the original value of the enterprises' fixed assets provided by the state (including buildings, machinery and equipment). In addition, the proportionate income tax that was originally implemented in eight units will all be changed to the method of "four taxes and two charges."

IV

The trial points have just been carried out in a few units and the achievements are only preliminary. There are certain limitations to them. From the practice within these few months, we have learned the following points:

(1) The question of solving the form of the system of ownership of the retail trade includes the two tasks of developing the component part of the diversified economy and of perfecting the form of the system of ownership by the whole people.

The retail trade is an important link in the process of social reproduction. After social products are produced, they must go through circulation and enter the sphere of consumption so as to become objects of consumption. The retail trade is just a link that ultimately has decisive singificance in the circulation process of commodities. It not only takes on the circulation of the means of livelihood, but undertakes part of the means of production (this is especially so in the countryside). On the one hand, it links up with industrial and agricultural production through the wholesale trade. On the other hand, it directly serves the daily needs of the people. Doing a good job in the retail trade has important significance to meeting the demands of the people's livelihood, promoting the development of industrial and agricultural production, establishing close ties between the party and government and the people and to reflecting the superiority of the socialist system. Under the protracted influence of "leftist" ideology, the retail trade network was removed and merged in such a big way that the stores became bigger and bigger and the network became smaller and smaller. In this case, they were far from being able to meet the needs of the consumers. As they were overanxious about the reform of the ownership system, many cooperative shops were changed into state-run shops, while the rest were changed into large collectively-owned shops, which carried out the principle of unified responsibility for profits and losses. Individual small merchants and peddlers practically disappeared. In fact business was exclusively run by state-owned trade. In the management system, power was excessively centralized. The enterprises had no autonomy and carried out the principle of eating out of a big pot and of egalitarianism in allocation, which seriously hampered the initiative of the staff and workers of the enterprises. This gave rise to a situation in which the quality and attitude of service in the retail trade were bad, "bureaucratic style of work in business" was serious, management was in such a mess that there were loopholes, losses and waste and that the results of running business were bad. All this affected the character of the ownership system in socialist trade in such a way that it was hard for the retail trade to meet the needs of industrial and agricultural production and the people's livelihood. The masses had a lot of complaints about it. In readjusting the national economy, we should not only readjust the proportionate relations, appropriately increase the investment in and labor force of the retail trade and increase the network so as to adapt the scale of trade to production and consumption, but also solve the form of the ownership system in the retail trade so as to adapt the production relations to the level of the productive forces. We have to do it from two aspects. On the one hand, we should readjust the structure of the ownership system, energetically develop collective trade, and appropriately develop individual trade so as to make the component parts of a diversified economy coexist with each bringing into play its characteristics. On the other hand, we should investigate and study some appropriate specific forms in the state-run retail trade so as to bring into better play the initiative of the enterprises and the staff and workers, improve management and meet the needs of the masses in a better way. Therefore, we must fundamentally restructure the management system of stores or shops and carry out the principle of independent accounting, of the substitution of taxes for profits and of being responsible for one's own profits and losses. We must further get rid of the convention of unified income and expenses. This will give more impetus to encouraging the staff and workers in the commercial field to improve their management system and service.

(2) The principle of being responsible for one's own profits and losses carried out by the state-run stores is a principle of being responsible for one's own profits and losses in a relative sense. It is the consummation of the form of the system of ownership by the whole people. According to the objective requirements of the socialist commodity economy, each basic economic unit should have certain autonomy for its economic activities and become a relatively independent commodity producer which shoulders the relevant economic responsibilities. Take the concrete example of the retail trade, medium and small enterprises are in the majority, the places where they are located are separated from each other and there is a great variety of business and service items. They face large numbers of consumers, they should not adopt an accounting form of high centralization and of unified responsibility for profits and losses. The carrying out of the system of being responsible for one's own profits and losses is beneficial for bringing into better play the initiative of the staff and workers, to meet the immense variety of customers' demands. This is more suitable to the characteristics of the retail trade.

Viewed from the situation of the trail points, we know after the stores have carried out the system of responsibility for their own profits and losses, first, the ownership of the means of production still belongs to the state; second, although the right to use the means of production belongs to the stores, the stores still have to carry out business under state planning and within the limits permitted by policies and decrees, and they have to shoulder the relevant economic responsibilities. The stores cannot go beyond the range of business, nor have they the right to use the means of production for speculation and profiteering, for harming the people's interests or for seeking personal gain. In other words, the stores make use of the right under certain conditions. Third, the allocation of the income and profits of the stores is carried out under the principle of considering the interests of the state, the collective and the individual and in accordance with the rules and regulations concerned. From September to December 1980 the income of Shiyi Jinglu Department Store increased by 66,000 yuan over the corresponding period of the previous year. In all, 42,800 yuan, which was 64.8 percent of the increased amount, was turned over to the state. The income of Shiyi Jinglu Nonstaple Food Store increased by 17,300 yuan over the corresponding period of the previous year. In all 15,200 yuan, which was 87.6 percent of the increased amount, was turned over to the state. Except for the greater part of the enterprises' profits which were turned over to the state, the fixed assets and welfare institutions purchased with the enterprises' retained funds are still the property of the system of ownership by the whole people. From the various aspects mentioned above, we know that the trial-point stores carry out the system of responsibility for their own profits and losses under relative and certain limits. This system only changes the management system and form of allocation of the stores, making the production relations of the system of ownership by the whole people more perfect. It does not change the nature of the system of ownership by the whole people of the enterprises.

(3) We should further study how to realize macroeconomic targets while enlivening microeconomics.

The purpose of carrying out the system of responsibility for enterprises' own profits and losses and of perfecting the system of ownership by the whole people is to bring into play the initiative of the staff and workers of the enterprises, to enliven the economy, to promote production and to meet the needs of society. The facts obtained from the trial points show that realizing the target of meeting the needs of society is fundamentally identical with improving the way of running business and increasing profits. But there is a contradictory aspect between increasing the enterprises' profits and meeting the needs of society. Therefore, the enterprises have enlarged their autonomy in running business, and the income of the staff and workers is closely linked with profits. Under the condition of having greater motivation, how should we intensify the state's instructions to and control over the enterprises' economic activities to prevent the tendency of just concentrating on profits and of neglecting the need of society; how should we make the enterprises not only have powerful motivation but also keep on the right track; how should we make the enterprises' economic activities comply not only to the requirements of the law of value and of the law of material interests, but primarily to the requirements of the basic law of the socialist economy to differentiate them from capitalist trade which is intent on nothing but profits; these are problems which merit further study and solution.

In order to realize the above, the fundamental guarantee is to do a good job in readjustment, to stabilize macroeconomics, to have a rich supply of the means of livelihood, to make the trade network sufficient and to open up and unblock the circulation channels. In this way, speculation and profiteering, the forcing up of prices and the practice of concentrating on high profits will be restricted to a very great extent.

In order to carry out the above, we should make clear the enterprises' responsibilities and work out practicable, all-round checking and supervision methods, while expanding their autonomy. We should check not only on profit and other economic quotas, but also on how the principles of running business and policies are implemented, and on how service is improved so as to meet the needs of society. We should direct the initative of the staff and workers of the enterprises onto the right track.

Units at a higher level should exercise the necessary administration over the enterprises which carry out the system of responsibility for their own profits and losses. They should instruct and restrict these enterprises through economic levers such as prices, credit and taxation. Economic legislation, such as legislation on fixing prices and legislation on market management, should be intensified. Those who act against such legislation will be given economic and legal sanctions.

Trial points have just been carried out, many problems cannot be deeply studied and summed up in time. We will work out a comprehensive and complete system and methods through accumulation of experience in our practice in the future, so as to guarantee that the enterprises which carry out the system of responsibility for their own profits and losses can advance along the correct road of serving the people.

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'JINGJI YANJIU' ON SUPERIORITY OF SOCIALISM

HK311313 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 7, 20 Jul 81 pp 34-39

[Article by Zhou Zhenhua [0719 2128 5478] of the Scientific Socialism Research Institute of the Sichuan Provincial Academy of Social Sciences: "Several Questions Concerning the Superiority of the Socialist Economic System"]

[Text] The "resolution on certain questions in the history of our party since the founding of the People's Republic of China" passed by the 6th Plenary Session of the 11th Party Central Committee Party incisively summed up the positive and negative historical experiences over the 32 years since the founding of the People's Republic, systematically expounded on the superiority of our socialist economic system and explicitly set forth the historical mission of further bringing into play the superiority of the socialist system and gradually building our country into a modern, highly democratic and highly civilized great power. We must seriously study and firmly implement these documents, bolster our confidence, heighten our spirit, more closely unite around the Party Central Committee, act with one heart and one mind and advance in victory along the party's line laid down since the 3d Plenary Session of the 11th Party Central Committee.

This article intends to present the author's insights and some tentative views after studying these documents, focusing on the following question: What are the major manifestations of the superiority of the socialist economic system? Why is it that some aspects of this superiority were not fully brought into play in our country during certain periods? What are the ways by which the superiority of the socialist economic system can be more fully brought into play?

(I)

Marx' and Engels' theory on the superiority of a socialist economic system is based on scientific knowledge of the objective law of development of human society. It was formulated by contrasting the socialist system with the basic contradictions and decadence of the capitalist system.

Marx and Engels pointed out that the basic law of development of human society is that production relations must be compatible with the nature of the productive force and that socialized mass production and class contradictions under the capitalist system will certainly lead to the dictatorship of the proletariat and the replacement of the capitalist economic system by the socialist economic system. While exposing the decadence of the capitalist economic system, they also expounded on the superiority of the socialist economic system. They pointed out that under the capitalist system, the process of production is highly socialized while the means of production is concentrated in the hands of a small number of capitalists, and the goal of production is to exploit the surplus value created by the proletariat. On the other hand, the socialist economic system achieves public ownership of the means of production on the basis of socialized mass production and eradicates the phenomenon of man exploiting other human beings. This is "the only precondition for the constant and rapid development of the productive force." The goal of developing production is to "ensure that all members of society can enjoy a prosperous and ever richer material life and that they can fully and freely develop their physical prowess and intelligence." ("Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 322) Under the capitalist system, the capitalists engage in unbridled competition on the basis of the system of private ownership of property periodic economic crises caused by the anarchic state of production bring about serious disruption to the productive force. Under the socialist economic system, "the anarchic state of social production gives way to socialized and planned regulation of production according to the needs of the whole society and each individual member." The people "become the masters of their own social association" and "create their own history with full consciousness." (Ibid, pp 319, 323) Under the capitalist system, "those...who work acquire nothing, and those who acquire anything, do not work." ("Selected Works of Marx and Engels," "The Communist Manifesto," Vol 1, p 267) Under the socialist economic system, "the individual producer receives back from society--after the deductions have been made--exactly what he gives to it. What he has given to it is his individual quantum of labor." "He draws from the social stock of the means of consumption as much as the same amount of labor he contribures costs." ("Selected Works of Marx and Engels," "Critique of the Gotha Program," Vol 3, pp 10-11) Under the capitalist system, the bourgeoisie ruthlessly oppresses and enslaves the working people; the socialist system "raises the proletariat to the position of the ruling class, to win the battle of democracy." Under this system, "the free development of each is the condition for the free development of all." ("Selected Works of Marx and Engles," "The Communist Manifesto," Vol 1, pp 272-273)

From the above discussion, the superiority of the socialist system which Marx and Engels expounded on is mainly manifested in the following three aspects: Economically, it realizes the public ownership of the means of production, and the regulation by planning and distribution according to work, enables the productive force to develop constantly and rapidly and make it possible for the people to enjoy a prosperous and increasingly better material life. Politically, it fully brings people's democracy into play and enables the people to become the real master~~s~~ of society. Culturally, it enables full and free development and utilization of the people's physical prowess and intelligence. It is precisely because the socialist system possesses superiority in many aspects that it will ultimately overcome the capitalist system.

(II)

For the socialist economic system to fully manifest its superiority over the capitalist economic system, it has to undergo a long and tortuous historical process.

What is the criterion in determining whether a new social economic system is better than an old social economic system? Basically, we have to see within a very long historical period whether the production relations in this society are more compatible with the nature and level of development of the productive force than in the old society, whether they can better mobilize the workers' enthusiasm and whether they can rationally utilize the means of production to realize the development of the productive force faster and on a larger scale than in the old society. We must not take specific phenomena during a specific period, in a specific country or in a specific area as the criterion for judging whether a social economic system is superior or not. Otherwise, we will be confused by superficial phenomena and will not be able to see the true nature of matters with clarity.

Stalin said: "It took the feudal economic system around 200 years to prove its superiority over the economic system of the slave society...and the bourgeois economic system 100 years or less to prove its superiority over the feudal economic system." (Stalin: "On the Opposition," People's Publishing House 1963 edition, p 405) This is because all newborn social economic systems develop along a tortuous path. As the old social economic system approaches the brink of destruction, because of the old ruling class' rich experience in reactionary rule, it will try to enforce certain partial reforms and patch up its errors in order to prolong the measured days of the old economic system. At times, a sudden "spurt of vitality" might even occur prior to final collapse. On the other hand, when a new social economic system is born, because the new production relations and superstructure have not fully matured, it is still imperfect and has various shortcomings and errors, and because the new ruling class lacks leadership experience, various kinds of errors are inevitable and sometimes, even great setbacks and retrogressions occur. Nevertheless, as the basic economic system of the old society is incompatible with the nature of the productive force, even if some of its specific structures are almost perfect, it will still be unable to resolve this inherent contradiction and its advance toward destruction is inevitable. As for the new society, although its specific structures have not fully matured and have imperfections, because its basic economic system is cimpatible with the need to further develop the productive force and with the basic interests of the broad masses of people and because it represents the direction of historical progress, it will be able to overcome the shortcomings and errors of its specific structures and constantly improve and develop itself in the course of advance, ultimately overcoming the old social economic system and bringing human society onto a new and higher state.

Marx' and Engels' exposition on the superiority of the socialist economic system was formulated according to the conditions prevailing during the 19th century and on the assumption that the proletarian socialist revolution would first triumph in developed capitalist countries such as Britain, the United States, France and Germany. Great machines and industries had been built in these countries; the productive force was highly developed; the proletariat constituted the majority or a significant portion of the population; the people's scientific and cultural level was relatively high, and they had a long tradition of democratic political life. Marx and Engels thought that after the proletariat in these countries seized political power, expropriated the capitalists and reformed the small producers, the superiority of the socialist economic system would be significantly manifested in a relatively short period of time.

However, history traveled along a tortuous path. After Marx and Engels died, two events in historical development which they had not anticipated occurred: One was at the end of the 19th century and the other some time after the mid-20th century. Two industrial revolutions occurred in the capitalist world and production techniques advanced from the steam engine era to the electrical power era and from the electrical power era to the era of atomic power; while economically, the capitalist world advanced from free capitalism to the stage of monopoly capitalism and from monopoly capitalism to the stage of state monopoly capitalism. Thus, although there has been no qualitative change in the basic capitalist economic system--the system of private ownership of the means of production and the exploitation of the surplus value created by the proletariat--great changes have occurred in many specific structures of the capitalist economy. Essentially, this is a system wherein "the bourgeoisie has progressively come to consider the productive force as a social productive force within all the possible limits of capitalist production relations" in order to continue the development of the productive force in capitalist countries and the improvement of the people's livelihood. ("Selected Works of Marx and Engels," "Anti-Duhring," Vol 3, p 317) Another event was that the socialist revolution had not been able to win simultaneous victory in the developed capitalist countries but first achieved victory in countries where the productive force was underdeveloped. The October revolution achieved victory in Russia where capitalism was at an intermediate stage of development while after the Second World War, the revolution achieved victory in China where the productive force was backward and also in other backward countries. In these countries, manual labor was still predominant; productivity was low; peasants and small producers constituted an overwhelming majority of the population; culture and science were backward, and there had been a long tradition of feudalism. After the proletariat seized power in these countries, they still had to conduct socialist reform of the bourgeoisie and the small producers and develop socialized mass production. Thus, it would take some time for the superiority of the socialist economic system as perceived by Marx and Engels to be fully manifested.

Therefore, our understanding of the superiority of the socialist economic system is not only based on the relvant expositions of the classical writers of Marxism. We must also start from reality and engage in concrete analysis of concrete problems. We must not see things only from a short-term perspective but also from a long-term perspective. We must not only look at the total production output and living standard of specific countries and areas but must also see whether the production relations (economic system) is basically compatible with the nature of the productive force and whether the political system and other parts of the superstructure can push forward the formation of the new economic base and promote the development of the productive force. In short, we must adopt the viewpoint and methodology of dialectical materialism in understanding the superiority of the socialist economic system and must not be confused by certain superficial phenomena.

(III)

Our socialist economic system was built and developed from the ruins of a semicolonial and semifeudal society where in the productive force was very backward. To fully demonstrate the superiority of our national economy in comparison with the national economy of capitalist countries will all the more require a long and tortuous historical process. This is a complex and arduous process.

The establishment and development of the socialist economic system in China was the inevitable outcome of our historical development. It was a decisive choice made by hundreds of millions of our people in the long process of struggle. Old China was a semicolonial and semifeudal society. Over more than 100 years, many progressive people took the old road of European, American or Japanese capitalist modernization in their effort to break away from the backwardness of the economy and technology. However, they all failed. The only road could be transition to socialism from new democracy under the leadership of the CCP and the establishment of a modern socialist power where man does not exploit other human beings.

The history of the People's Republic of China over the past 30 years or so is a history of great victories in socialist revolution and socialist construction. We have established the socialist state system wherein the people are masters under the leadership of the proletariat. We have established a socialist economic system consisting of state ownership and collective ownership. We have also established an independent and relatively complete industrial and national economic system and laid the initial foundation for the realization of modernization.

Practice in the past 32 years has initially proved the superiority of our socialist economic system. Although the development of our national economy experienced several complications, we were still able to attain achievements which would have been impossible in old China. From 1950 to 1977, total industrial output in our country grew by an annual rate of 13.5 percent. During the same period, the industrial growth rates in some capitalist countries were as follows: 4.5 percent for the United States, 12.4 percent for Japan, 6.9 percent for West Germany, 2.3 percent for Great Britain and 5.2 percent for France. Our total agricultural output increased by an annual average of 4.2 percent. During this period, agricultural growth rates in some capitalist countries were: 1.9 percent for the United States, 2.7 percent for Japan, 1.8 percent for West Germany and 2.2 percent for both Great Britain and France. Relying on our own resources, we established a series of new industrial and communications sectors and scientific and technological departments, succeeded in testing the atomic bomb, the hydrogen bomb and the ICBM and launching and retrieving artificial earth satellites. The material and cultural life of the great masses of our people has considerably improved compared with the period before liberation. This fully shows that our socialist economic system--public ownership of the means of production, regulation by planning and distribution according to work--has great vitality. It is indubitable that we can rely on the superiority of the socialist economic system to achieve the four modernizations. All views which negate the superiority of the socialist economic system are erroneous.

However, we must also see that at the present stage, many shortcomings and weak points still exist in specific structures of our socialist economic system. The major faults are: Too much rigidity in the system of economic management, overcentralization in the system of planning, egalitarianism in the wage system and others. The existence of these faults also seriously impedes the full manifestation of the superiority of the socialist economic system.

In short, we must take the viewpoint of dividing one into two in understanding the socialist economic systems established by countries whose productive force is underdeveloped. First, we must fully affirm that their basic system--public ownership of the means of production, regulation by planning and distribution according to work--is essentially compatible with the socialized productive force, and thus, the socialist economic system possesses great vitality. At the same time, we must be sober-minded and see that shortcomings and faults still exist in specific structures in this system and that they are incompatible with the growth of the productive force and hinder the full realization of the inherent superiority of the socialist economic system. The main reason why these shortcomings and faults exist is that without regard to the conditions prevailing in our country, we arbitrarily designated the superiority which Marx and Engels mentioned and which can only be realized in a developed and mature socialist society as a goal which can be attained in our country at the present stage. We committed leftist errors in the guiding principles of economic construction.

(IV)

The basic way to fully realize the superiority of our socialist economic system is to actively and steadily engage in economic readjustment and economic reform in accordance with the requirements of the development of the productive force.

In human history, all social economic forms had to constantly enforce readjustment and reform of their specific structures on the basis of their fundamental economic system. Compared with the qualitative change of developing from one social economic system to another--a "leap"--this readjustment and reform of specific economic structures is but a quantitative change or partial qualitative change, but it is nonetheless an indispensable link in the process of development of production. We must be good at distinguishing between the basic system of a social economic form and its specific structures. The incompatibility of the basic system with the productive force can only be resolved through a social revolution or by eliminating the old production relations. This is a stage when the contradiction between production relations and the productive force is in a stage of significant flux and a state of dundamental change wherein one social economic form replaces another, such as the socialist system replacing the capitalist system. Once a new social economic form has been established, its basic system is relatively stable and will not undergo fundamental qualitative change within a whole historical period. However, the productive force is the most revolutionary and most active element in social production. Many aspects of specific structures will become incompatible with the development of the productive force. This incompatibility between specific structures and the productive force can be resolved in time by enforcing partial readjustment and reform while maintaining the basic system of the social economic form. This is the "evolutionary process" in the historical development of society. It is a stage when the contradiction between production relations and the productive force is in a state of quantitative change or partial qualitative change. It is definitely not the negation of the basic economic system but an effort to improve it and make the basic economic system more sophisticated.

The socialist economic system is a new economic system in human history and one that is more advanced than capitalism. Its birth, development and change will take several hundred years and there will certainly be different stages of growth. In the entire historical process of socialist society, the basic economic system--public ownership of the means of production, regulation by planning and distribution according to work--will not undergo any fundamental change. However, specific economic structures will undergo changes at every stage of its growth. Partial readjustment and reform must be undertaken to cope with the requirement of the development of the productive force. If people can undertake readjustment and reform of specific structures in the socialist economy, the inherent superiority of the socialist economic system will be better brought into play.

Public ownership of the means of production is the cornerstone of a socialist economic system. Our determination to maintain socialist public ownership does not mean that we believe that the higher the level of public ownership the better, without considering the actual conditions of the productive force. It means the establishment of a system of ownership which is suited to the state of the productive force in our country at the present stage, by observing the law that production relations must be compatible with the nature of the productive force. We have a population of 1 billion, 800 million of whom are peasants; we have a vast territory but little arable land; our economic foundation is weak; manual labor still predominates; the commodity economy is backward; the level of socialization of production is low and the development of the productive force is very unbalanced. Under such conditions, we can only establish a system of ownership consisting of diversified economic elements and coexisting forms of diversified modes of production with the socialist state economy and collective economy as its main body and state capitalist economy under the guidance of state plans and individual economy as its complement. Only thus can we fully make use of the abundant manpower and material resources in our country to create more material and spiritual wealth in order to satisfy the growing material and cultural needs of the whole society.

A socialist state-owned economy is the leading strength in our national economy. To make the specific structures in the socialist state ownership system compatible with the state of the productive force at the present stage, we must steadily enforce comprehensive reform of the economic management system. Through expanding the decisionmaking power of enterprises, we must set up the system of "substituting taxes for profits, independent accounting and responsibility for one's own profits and losses" in order to transform the enterprises from being attachments of administrative organs at various levels into relatively independent commodity producers under the guidance of state plans which are able to flexibly conduct productive activities in accordance with social needs and which are able to closely relate production results with the material interests of the enterprise and the workers. On the basis of expanding the decisionmaking power of enterprises, we must change unilateral reliance on regulation by planning into combining regulation by planning mechanism with regulation by market mechanism. Economic management must move from mainly relying on administrative organization and measures to relying on economic organization and measures. We must remold enterprises which are "big and complete" or "small but complete" into integrated economic entities which are organized according to the principles of specialization and coordination and economic rationalization. These measures must be taken to make our economic management system and operation and management methods compatible with the requirements of building the four modernizations and to promote the continuous and steady growth of our productive force.

The improvement of the system of ownership and the reform of the economic management system are closely related and complementary to the readjustment of the structure of the national economy. Under the present conditions of irrational structure of the national economy and serious disequlibrium in the proportional relationships, readjusting the national economy is the foremost task. All efforts to improve the system of ownership and to reform the economic management system must be subordinated to readjustment, must serve readjustment and must be smoothly conducted in a way beneficial to readjustment. Some measures which ought to be taken from the long-term point of view but which conflict with present readjustment work must be postponed. Measures which are also beneficial to the readjustment work must be continued. In order to solve the problem of disequilibrium in the national economy once and for all, the ownership system must be improved and the economic management system must be reformed. Only by maintaining the absolute primacy of socialist public ownership while enforcing various types of responsibility systems and appropriately expanding private plots in the rural areas, permitting the existence of individual economy and vigorously developing collective ownership in the urban areas and adopting state capitalist economy by engaging in joint ventures with foreign capital can we enliven the economy, increase income, increase accumulation, overcome financial and economic difficulties and develop the weak links in the national economy. By the same token, it is only by seriously reforming the economic management system which is characterized by a high degree of centralization, unified control of income and expenditure and state monopoly of purchase and marketing can we fully mobilize the enthusiasm of central departments, local administration at various levels, enterprises and producers, do a good job in combining the strengthening of macroeconomic guidance by state plans and the enlivening of microeconomic enterprises and greatly improve the economic results of production and construction, to enable the socialist economy to develop rapidly.

In short, the errors and setbacks in our economic construction and economic work were not brought about by the basic economic system of socialism but were caused by the shortcomings and faults of specific structures in the socialist economy. Our country has not yet been engaged in socialist construction for a long time. We are clear about certain laws of development of the socialist economy, while with regard to many others, we have to undertake further research. It is inevitable that in the process of building modernization in a vast socialist country like ours with a population of 1 billion, 800 million of whom are peasants and a backward economy that some errors appear in our work and some shortcomings exist in the specific structures of the socialist economy. The reason why we are rectifying the leftist errors in economic construction and enforcing a series of economic readjustments and reforms is definitely not to change the basic system of our socialist economy but to overcome the shortcomings and faults in specific structures, avoid repeating past setbacks and mistakes and gradually enable the inherent great superiority of the basic system of socialist economy to be fully brought into play. Therefore, those views which hold that readjustment and reform are "rightist" and "revisionist" are erroneous. Those who think that readjustment and reform mean adopting the methods of capitalist economy and abandoning the basic system of socialist economy are even more mistaken.

Engels said: "The best way to clearly understand theory is to learn from one's own mistakes and painful experiences." ("Selected Works of Marx and Engels," "To Mrs F. Kelley-Wisch-Newetzky (28 December 1886)," Vol 4, p 458) Since the 3d Plenary Session of the 11th Party Central Committee, the Party Central Committee has seriously rectified leftist errors and gradually established a road to modernization which is suited to conditions in our country. Although this has to be constantly developed, enriched and improved in the process of practice, the important points have been summed up and have been confirmed in the "resolution on certain questions in the history of our party since the founding of the People's Republic of China," which was adopted during the 6th Plenary Session of the Party Central Committee. This is an important guarantee for the further demonstration of the superiortiy of the socialist economic system and the achievement of the victory of building the four modernizations.

Under the leadership of the Party Central Committee, we must consciously implement the party's line since the 3d Plenary Session of the Party Central Committee, firmly march forward along the road of socialism and struggle hard to build a highly democratic, highly civilized and great modern socialist power.

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1980 POWER INDUSTRY ENERGY CONSERVATION RESULTS, NEW TASKS SURVEYED

Beijing DIANLI JISHU [ELECTRIC POWER] in Chinese No 6, 5 Jun 81 pp 1-2

[Article by editorial staff: "Strive to Decrease Energy Consumption in Electric Power Industry"]

[Text] In 1980, staff and workers on the electric power production front engaged in energy conservation work, achieving rather good results. The nation's fossil-fired power plants with capacities of over 6,000 kW achieved a fuel consumption rate of 448 g/kWh lower than in the previous year, which resulted in a saving of 2.9 million tons of raw coal. Actual line losses in the power grid were decreased to 8.93 percent, a figure 820 million kWh lower than in the previous year and equivalent to a saving of 450,000 tons of raw coal. By rational water use, large and medium size hydroelectric stations generated an additional 1.6 billion kWh of electricity, equivalent to 960,000 tons of raw coal. Fuel oil consumption in fossil-fired plants was decreased by 580,000 tons from the previous year, equivalent to 1.1 million tons of raw coal. With the exception of the saving on oil, which resulted from the change in consumption structure embodied in the state energy policy of converting oil-fired turbines to coal and which thus cannot be counted as conservation (although it does include the conservation of ignition oil in some fossil-fired plants), the conservation results for last year were equivalent to a saving of 4.31 million tons of raw coal nationwide, or about 3.5 percent of the total amount of coal used nationwide for generating electricity and providing heat through the heating network. This must be called a considerable conservation achievement.

Analyzing the various energy conservation measures, it becomes clear that the greatest conservation effect was achieved by decreasing coal consumption in electric power production nationwide, and that increased use of high-temperature, high-pressure generating units played the main role in this saving. Because high-temperature, high-pressure units can decrease coal consumption by about 160 g/kWh as compared with low-pressure equipment, economic load scheduling throughout the nation's electric power system last year increased the amount of energy generated with high-pressure units (not including high-pressure block capacities first commissioned during the year) by more than 10 billion kWh over the previous year; this factor alone accounted for 80 percent of the total saving of raw coal in fossil-fired electrical power production. The next most important factor was the relatively long high-water season and abundant water, as a result of which the electric power systems were able to practice rational load scheduling and produce more electricity. Last year, national power production was up 8.3 billion kWh, and a mere 26 large and medium reserviors not only yielded more than 4 billion kWh of additioanl hydroelectric power, but also stored an extra 11.4 billion cubic meters of water. The restoration of water levels in the reservoirs laid an excellent foundation for thorough, rational utilization of hydroelectric resources this year. As a result, we should make even better use of the potential represented by high-pressure generating units and hydroelectric power generation to achieve even better conservation results.

Energy conservation is an undertaking in which the masses should participate. Experience shows that if all power industry employees had not striven to utilize latent potential and had not done everything possible to save the energy contained in coal, electricity, oil,water and steam, it would have been impossible to accumulate such great conservation results. According to summary data on large-scale repair of fossil-fired electric power units in 1980, more than 1,400 turbines and boilers were given major overhauls nationwide, while in coordination with these overhauls, various types of measures were taken to improve technology in order to increase safety and save on energy. Plastic ball cleaning apparatus was installed on the condensers of more than 40 units, making possible an increase of about 2 percent in the vacuum in the units; more than 200 blowers and 300 water pumps were modernized, generally resulting in a saving of 1 to 2 percent on electricity use by the plants themselves; the overhauls of turbine and boiler equipment eliminated leakage and failures; and some of the equipment was subjected to thermal efficiency testing, resulting in improvement of efficiency everywhere.

In order to give a clear idea of the latent potential for energy conservation, we now present some examples of conservation results.

As a result of overhaul and modernization of two 300,000 kW units at the Wangting power station, the period of safe operation was further increased, and in particular after a high-pressure heater was put into operation in one of the units, the output of that unit reached essentially the rated value, the feedwater temperature was increased from 160° to 260°C, and the unit's heat consumption fell from 2,213 to 2,158 kcal/kWh, resulting in a decrease of 10 g/kWh in coal consumption which made it possible to save more than 400 tons of standard coal a day. It can be seen from this example that installing high-pressure heaters is very important in fuel conservation.

Because of limitations in the original set of equipment of a 75,000 kW generator unit at the Jinan power plant, for a long time the power output was 50,000 kW and the turbine steam consumption rate was about 3.5 percent above the guaranteed factory figure, while the turbine efficiency was about 2 to 3 percent below the design figure, so that this unit had the highest coal consumption in the plant. In order to save fuel, the power plant took the occasion of a major overhaul to readjust the set of equipment, decrease the number of nozzles, decrease the flow surface in all stages, eliminated vacuum system leakage, repaired gaps in the axle seals, improved the tightness of the rotary air preheater and the like, with the result that the turbine's heat consumption decreased by 130 kcal/kWh, the turbine efficiency was increased by 2 percent and the fuel consumption for the unit fell by 25 g/kWh, so that this unit, which originally had had the lowest efficiency, suddenly became the most efficient unit, yielding a saving of more than 200 tons of standard coal a day. In fact, in the past many power plants practiced "above-rating" operation on a large scale, increasing the nozzle area in the diaphragm, which resulted in great steam losses; an analysis by the Northeast Electric Power Technology Improvement Office indicates that simply by returning to the initial flow area certain plants in the northeast could save about 10,000 tons of standard coal per year.

The Baiyang River electric power plant put an unused small 1,500 kW steam turbine into use and converted a DG-270 electric feedwater pump into a gas-powered pump; the increase in gas consumption resulted in an increased coal consumption of 1.5 g/kWh, but a decrease in the plant's electric power consumption resulted in a drop of 2 g/kWh in the coal consumed in energy production. As a result of improvements, the plant can produce more than 20,000 additional kilowatt-hours of electricity a day and can save about 0.5 tons of standard coal. Recently after the Minhang power station began using a hydraulically-coupled speed-adjusted water pump developed by the Shanghai General Electrical Power Equipment Repair and Manufacturing Plant, long-term operating tests showed that it functioned stably and reliably and provided excellent regulation and outstanding energy conservation results, being capable of saving 11,200 kWh of in-plant consumption,equivalent to 4 tons of standard coal, every year as compared with the earlier electrically powered water pump. Recently, in order to increase the superheated steam temperature in the 670 ton/hr boiler of a 200,000 kW unit, the Jingxi power plant conducted tests and made improvements, then put a flue gas recycling unit back into operation, increasing the reheated steam temperature by 20-30° and decreasing the unit's coal consumption by about 2.5 g/kWh, thereby eliminating electricity consumption by the recycling blower and higher coal consumption resulting from decreased boiler efficiency. Coal consumption for the entire unit was decreased by 1.4 g/kWh, making it possible to save about 1,500 tons of standard coal a year. It can be seen from the circumstances described that provided the masses can be thoroughly mobilized and analysis of energy consumption intensified, there is great potential for energy conservation.

After a 25,000 kW condenser-type generator unit was converted to bled steam heat supply and power generation at the Shenyang power plant, the plant began central supply of heat to 14 nearby industrial enterprises, putting an end to the use of 45 small boilers owned by the enterprises and 30 smoke stacks, thereby not only lessening pollution of the city's environment, but decreasing flyash discharge by 9,000 tons a year and making possible a saving of 40,000 tons of standard coal in comparison with decentralized heat supply. Recently the plant has been adding a new heat supply unit which when completed will provide all the steam required by 22 plants and will provide heat to an area of 2.4 million square meters at a steam supply rate of 300 tons per hour, thus resulting in the closing down of more than 100 small boilers and a decrease of 60 smokestacks (it will be possible to decrease the amount of coal consumed in power production from 500 g/kWh and to save 100,000 tons of fuel oil which the enterprises would have used in their own boilers, as well as 100,000 tons of coal used for heating in the winter. The conservation results from centralized heat supply are striking, and industrial cities with a long heating period in the winter should pursue this approach especially actively, in combination with modernization and conversion of medium and low power units.

Following the approach of attaching importance to even small quantities in energy conservation, the various electrical systems have carried out general surveys, and the East China power system has adopted a three-level management approach to grid losses, and has actively pursued an energy conservation criticism movement; by loss accounting at every level in the electrical supply lines and by conducting a general survey, last year it recovered 3.6 million kWh of electrical energy that would have been lost. By striving to utilize reactive power, adding power capacitors, adjusting transformer connections and the like, this system recovered a total of 600,000 kvar of reactive power, assuring that the average voltage at the network monitoring points would meet standards during peak load, and thus making possible a saving of 100 million kWh. Line losses in the northeastern grid dropped by 0.61 percent, resulting in a saving of 180 million kWh.

Although the power industry had great achievements in conversation during 1980, its technical and economic indicators still fall far short of those in the developed industrial countries, and we must acknowledge that much latent potential still remains. As regards the energy consumption levels of the country's power industry, if the coal consumed in power production could be decreased by 1 percent from the current level (i.e. by 4.5 g/kWh), it would be possible to save 1.35 million tons of raw coal a year; if the line loss rate in the power grid could be dropped by 1 percent (in absolute terms) from its current level, it would be possible to save 3 billion kWh on power losses. Accordingly, we must work out an overall energy conservation plan which is based on the specific circumstances of our country's power industry and must strive to quickly attain or approach the power consumption figures for power production units of the same type in industrially developed countries, thereby making the requisite contribution to modernization of our country's power industry.

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EAST CHINA POWER OFFICE REPORTS 1980 CONSERVATION RESULTS, SETS 1981 TASKS

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[Article by East China Power Industry Management Office: "A Summary of Energy Conservation During 1980 and Organization of Conservation Work for 1981"]

[Text] I. The power plants subordinate to our office had an annual power output 6.7 percent higher than in 1979; the coal consumption rate was down by 11 g/kWh from the 1979 figure, resulting in a saving of 453,000 tons of standard coal; in-plant power consumption was down by 0,15 percent from 1979, a saving of 66.32 million kWh. The extra electricity generated and fed into the grid as a result of the savings of raw coal and in-plant power consumption totaled 1.225 billion kWh, and this, together with increased generation of hydroelectric power, met the requirement for added electrical power generation from industrial uses in 1980 and fulfilled the assignment to "realize increased output through conservation." The line loss rate throughout the grid in 1980 was down by 1.12 percent from 1979 (absolute value), and the saving was 479 million kWh.

At the beginning of 1980, this office conducted an "Increase Output, Conserve, Increase Revenues, Decrease Expenditures" movement focused on conservation, and implemented conservation directives and specific measures down to the level of individual plants, shops (or shifts), teams and individual workers. The specific work done during the year was as follows:

A. Incremental-cost Load Scheduling Throughout the Grid, Increased Hydroelectric Power Production, a Larger Percentage of Power Production by High-Pressure Units

At the beginning of 1980, in the process of economic load scheduling between hydroelectric and fossil-fueled generating plants we had to bring the water level in the Xin'an River Reservoir, which had been regulated for many years, to a normal level so as to decrease the water consumption rate; in addition, we had to quickly master the water situation at the Fuchun River generating plant, which uses runoff, so as to minimize water losses. Objectively, rainfall was rather concentrated in 1980, and this in addition to economic load scheduling between hydroelectric and fossil-fueled generation resulted in a larger hydroelectric power output than in 1979, equivalent to a saving of 700,000 tons of standard coal (not included in the coal conservation figures given above). At the Xin'an River Reservoir the stress was laid on storing water, and a record water level 14.64 meters above the 1979 maximum was achieved, resulting in a decrease in water consumption from 6.39 to 5.4 m^3/kWh; the water utilization rate at the Fuchun River generating plant's reservoir reached 100 percent, and power output increased by 390 million kWh over 1979.

In the first quarter, the fossil-fueled plants under this office began economic load scheduling on the basis of incremental coal consumption rates in the main units, and in March the number of plants using incremental-cost and economic load scheduling was increased from 7 to 11, in addition to which computers began to be used to produce daily nonreactive load curves for these 11 generating plants on the basis of incremental coal consumption rates, which were issued to the plants for implementation, resulting in a saving of more than 80,000 tons of standard coal over the year. Starting in March, the Yangshupu, Zhabei, Minhang and Wangting fossil-fueled plants under this office began to close down their medium and low pressure boilers promptly in periods of low demand, starting them again in the morning; the number of boilers stoppages and restarts in 1980 reached 4,375. Medium and low pressure units generated 1.25 billion kWh less electricity than in 1979, and this, in addition to the commissioning of a new high-pressure units and a decrease in the number of temporary repairs on large units, resulted in an increase of 2.2 billion kWh generated by high-pressure units, thus increasing the share of electricity generated by the high-pressure units and saving an estimated 189,000 tons of standard coal. In order to increase the power output of its Jianbi, Nanre and Xuzhou main plants, the Jiangsu Province Electric Power Office ceased power production at its 34,000 kW high-coal-consumption railroad power station and completely shut down small units, with capacities of 8,000 kW or less, at the Taizhou, Quanhu and Xuyi power plants. The Gaochun and Huaiyin plants were either shut down completely or operated in only two shifts and shut down at night, with the result that the percentage of electricity produced by high-pressure units province-wide increased to 76.4 percent from the 1979 figure of 72.4 percent, yielding a saving of 71,000 tons of standard coal.

In addition, in order to make full use of the excess capacity of the high-efficiency heat supply unit at the Jinshan Petrochemical Combine's heat and power plant, this office concluded an agreement with the plant which was beneficial to both sides. In 1980 our office shut down low-efficiency, medium-pressure units in the system and had the petrochemical plant's power station generate power in their place; it provided 191 million kWh, saving 300,000 tons of standard coal for the country.

B. Implementation of State Energy Policy and Energetic Reduction of the Burning of Oil

In 1980 this office's actual oil combustion figure was over 4.1 million tons, a decrease of more than 290,000 tons from 1979 because of the Zhenhai power plant's newly-commissioned 125,000 kW oil-burning unit, in 1980 the Zhejiang provincial office had an increase in oil consumption amounting to 168,000 tons compared with 1979; the Jiangsu provincial office decreased oil consumption by 77,100 tons, and Shanghai's subordinate power plants decreased oil consumption by 383,000 tons). The main measure adopted was that starting in the fourth quarter of 1979, the Yangchang, Xiaguan and Minhang power plants gradually converted four oil-fired boilers which consumed a total of 580 tons per hour to coal. The Yangchang and Minhang plants built and commissioned two new coal-fired boiler units with a total consumption of 620 tons per hour; during the period when hydroelectric power production was up, medium and low pressure oil-fired boilers were shut down whenever feasible or used as little as possible; during the "exclusively fossil-fired load scheduling peak," the output of the 125 kW oil-fired unit was cut down at night to 60-80 kW, and the output of the 300,000 kW oil-fired units was cut down to 220,000 kW. As a result, the percentage of power generated by coal in the plants subordinate to this office increased to 37.4 percent in 1980, an increase of 2.7 percent over 1979, and oil combustion was decreased by more than 380,000 tons. In addition, in order to consolidate their coal burning, the Wangting, Xiaguan, Jianbi and Wujing power plants worked hard to decrease auxiliary fuel oil consumption. For example, in connection with major and minor repairs, combustion belts were installed in the boilers of the medium and low pressure stations at the Wangting power plant, the combustion nozzles were adjusted, the chemical testing and analysis of coal, coal classification and combustion regulation were strengthened and the like, so that the burning of oil was gradually stopped; by the end of the year the medium-pressure stations were burning exclusively coal, with the result that oil consumption was decreased by 38,000 tons from 1979. By regulating combustion, the Xiaguan and Jianbi power plants decreased the amount of auxiliary fuel used. The Xiaguan station also took advantage of the low nighttime demand to cut back on or stop the oil-burning boilers, with the result that the two plants decreased their oil consumption by 35,000 and 41,000 tons respectively.

C. Energetic Improvement of Large Generating Units to Achieve Stable, Full-Capacity Generation

The East China power network's existing intermediate-reheat units account for about 45 percent of the total fossil-fueled capacity in the grid. Stable, full-capacity generation in these units is of great importance for the entire grid, and accordingly we have consistently focused our efforts on them.

Recently the Wangting station's 300 kW unit underwent improvements and major and minor overhauls, which fundamentally solved such problems as blade breakage in the steam turbines, vane breakage in the draft fans, axle vibration, generator vibration, breakage of steam regulator valve rods, feedwater pump vibration, water leakage around the generator rotor, breakage of wires, boiler tube overheating and the like. In 1980, the plant installed a high-pressure heater of its own manufacture on a 300,000 kW unit, bringing the output back to 300,000 kW from 280,000 kW and decreasing coal consumption by more than 10 g/kWh/ The 300,000 kW unit's average operating time for the year was fully 7,691 hours.

Since November 1979, the overhaul contract system has been tested on two 125,000 kW units, the Zhabei power station's unit No 16 and the Minhang power station's unit No 8. Various improvements and problem elimination work were undertaken on these two units during major overhaul, as a result of which their quality was greatly improved and they set records of 208 and 184 days respectively of continuous operation without temporary running repairs. At the same time, our office organized competitions, exchange of experience, and comparative assessment for all of the 125,000 kW units in the power system; seven units were rated outstanding in the first half of 1980. The competition and comparative evaluation stimulated economic operation of the large generator units and improved management standards, as manifested primarily in smaller numbers of temporary repairs and a higher rate of commissioning of high-pressure heaters: the average number of temporary repairs dropped from 5.3 per unit in 1979 to 3.6 per unit in 1980, and the commissioning rate for high-pressure heaters increased from 68.1 percent in the first three-quarters of 1979 to 97.3 percent in the first three quarters of 1980, an increase of 29.2 percent, with the result that the coal consumption of the 125,000 kW power units dropped by 2.3 g/kWh.

D. Striving to Increase Generator and Boiler Efficiency

Steam turbine input steam characterisitcs, vacuum levels, feedwater temperatures and turbine and boiler efficiencies were increased to various degrees in the power plants. Under normal high load, the 125,000 kW units were changed over from floating steam pressure to the more economical fixed pressure operation. In the Huainan station's No 3 and 4 turbines, for example, the steam pressure was 133-137 kg/cm^3; the steam pressure in the Zhenhai station's 125,000 kW units is being held at 137 kg/cm^2, and the steam temperature at 540°C. After improvements were made on the Zhabei plant's No 16 high-pressure heater, the feedwater temperature rose from 220°C to 240°C. Efforts were made to bring the vacuum seals up to top standards in the Wangting power station's steam turbine shop, and the number of units at the top standards was increased from one-third at the beginning of the year to one-half. Excess nozzle and diaphragm flow area was sealed off on steam turbines Nos 3 and 8, new balance disks were installed, the copper cooling pipe on unit No 8 was replaced, and scale on the inner and outer surfaces of the copper tubing in the high temperature heaters was removed, after which the feedwater temperatures rose by 15 degrees and the efficiencies of the two turbines increased by 1.49 and 1.4 percent respectively. The Wuding power station arranged for divers to inspect the screening over the circulating pump water intake; the number of cleanings of the secondary filter was increased from two to four per shift; an access port for removing dirt from the secondary filter screen was provided; when the plastic ball cleaning system's ball recovery rate decreased, the plant carried out a cleaning and inspection of the tubes and plates; and during minor overhaul of the steam turbines, flushing of the copper condenser tubing was included among the standards, with the result that the average turbine condenser back pressure was 40.75 mm Hg for the year, down 0.77 mm from the 1979 figure, resulting in a saving of 1,026 tons of standard coal.

Combustion regulation of boilers has been strengthened, and particular attention has been paid to decreasing the carbon content of flyash from coal-burning boilers and to limiting low-oxygen combustion in oil-fired boilers. Soot blowers have been added, and accumulated soot on heating surfaces has been removed. The plugging of air leaks has been strengthened so as to decrease the flue temperature and increase boiler efficiency. In 1980, the power plants directly subordinate to this office installed 23 super-heaters and soot blowers with water-cooled walls, which in normal operation can increase the steam temperature and decrease the flue temperature by 10 to 15 degrees, increasing boiler efficiency by about 0.5 percent. Many power plants have organized combustion regulation groups, have strengthened coal classiffication, draft regulation, and chemical testing and analysis of coal and ash and the like, and the flyash carbon content and the oxygen content of the gas at the combustion chamber outlet have been decreased. For example, after a competition to decrease the carbon content of flyash at the Wangting medium-pressure power station was begun, the carbon content decreased from 5 percent to about 3.5 percent.

E. Cutting Back Energy Consumption by the Four Main Types of Auxiliary Machinery, and Making Wider Use of Energy-Saving and Modernization Measures

The various plants are continuing to make wider use of high-efficiency feedwater pumps, blowers and dust removers, and are removing one stage from pumps with excessive pressure head or machining down their impeller wheels; in addition, the blades of blowers with excessive pressure heads are being shortened. For example, an annual saving of 19.3 kWh was achieved on nine high-efficiency feedwater pumps in Anhui on which improvements were made; the saving on five pumps in Zhejiang which were improved was 1.27 million kWh a year, and that on three high-efficiency dust removers was 2.39 million kWh a year. The Huainan power station replaced the No 4 furnace's dust removers with model 5-36 high-efficiency blowers, saving 1.162 million kWh per year. The feedwater pump on boiler No 9 at the Minhang generating plant was replaced by a high efficiency unit, saving 5,000 kWh per day; the impellers on two feedwater pumps in boiler No 10 were made smaller, saving 17,000 kWh a day; and in addition a hydraulic ally-coupled speed-regulated feedwater pump produced by the Shanghai Electric Power Equipment Repair and Manufacture Combine was installed on the newly constructed boiler No 11, saving about 11,000 kWh of electricity a day. The top stage impeller wheel of the feedwater pump at Jianbi generating plant's unit No 6 was replaced by an inducer wheel, saving 4,800 kWh per day. The impeller of the Xuzhou power plant's No 4 circulating pump was made smaller, saving 3,000 kWh per day. The size of the impeller on the Sudong plant's No 3 circulating pump was also decreased, saving 1,800 kWh per day. One impeller was removed from each of two feedwater pumps at the Zhenhai plant, and from one pump each at the Huaibei and Ma'anshan plants, saving 15,000 12,000 and 1,400 kWh a day respectively. Impeller wheels were trimmed on eight blowers and suction fans at the Wujing, Huainan, Gaoqiao, Ma'anshan and Xuzhou power plants, saving a total of about 7,000 kWh a day.

Second, economic scheduling of auxiliary equipment and other measures were taken to save electricity. For example, the outlets from the two blowers on the No 3 boiler at the Jinshan power plant were cleared out, a throttle and an electrical interlock protection mechanism were installed at the blower inlet, and single blower operation saved 400 kWh a day. The circulating pumps on the Jiabei No 15 and 16 turbines had low suction, and it was necessary to use two jet pumps, but when these two pumps' suction tubes were cleared and the use of one jet pump was discontinued, 2,400 kWh per day was saved. During smooth shutdown of a 125,000 kW unit, after it had been cut back below 40 kg/cm^2 a medium-pressure feedwater pump was used in place of the high-pressure pump, making possible a saving of 12,000 kWh during each smooth shutdown, in addition to which it was possible to decrease friction wear on the feedwater valves, both of which circumstances were helpful in decreasing valve leakage and in uniformly lowering the gas temperature. The circulating pumps of units Nos 15 and 16 varied in electrical consumption, and after economic load scheduling was instituted, 1,000 kWh a day was saved. After the main water circulation line at the Tianshenggang power plant was cleared and the excess water from the circulating pump of the 125,000 kW unit used to supply the older plant, 1,500 kWh per day was saved; in addition, the pump impeller blade angle was adjusted to -6°, saving 1,500 kWh per day. The lead screening in the preheater for the No 8 boiler in the Minhang power plant was stretched, decreasing the air duct resistance and saving 10,000 kWh per day. The air duct cover and sealing devices of the preheater for the No 5 boiler at the Nanjing thermal electric power station were improved and the air leakage rate was decreased from 0.54 to 0.34; and a regulating grating was added to the intake of the ash remover, saving 240,000 kWh per year.

The power plants subordinate to this office decreased electrical consumption by more extensive use of new infrared technology. The Dakou, Zhenhai and Jianbi power plants also successfully test-installed a plant electric meter which was helpful in real-time monitoring.

F. Strengthening the Conservation Management System and Conservation Criticism and Comparison Activities

Encouraged by last year's first nationwide "Energy Conservation Month," all power plants and shops (or shifts) chose energy conservation leaders and responsible persons. Coal and electricity conservation groups, fuel management groups and the like were formed, and plant headquarters used monthly assignment sheets to transmit instructions and energy-saving measures down to the shop, team and individual levels, ran various competitions and figured bonuses monthly on a percentage basis. Some plants also conducted in-plant inspections and analysis. This office's subordinate units reinstated their previous mass-style activities based on identifying exemplary personnel. At the end of 1979, the various power plants subordinate to this office carried out energy utilization surveys and made a comparative analysis of actual and rated energy consumption, determined energy inputs and outlays, and developed measures for improvement, For example, Wujing power plant found that the main reason for high steam consumption was that in the past the flow area had been irrationally increased in order to increase output power, resulting in an increase in coal consumption of 7 g/kWh; piping was poorly insulated, increasing coal consumption by 1 g/kWh, the drain water removal rate was higher than the design figure, producing a coal consumption increase of 0.5g/kWh, and so on. As a result, 23 improvement steps were worked out. The Wangting generating plant's survey discovered that ten feedwater pumps in the plant had low efficiency. Seven of them have now been replaced, saving 3 million kilowatt-hours a year. They found that steam and water losses at the plant were rather high, so they successfully carried out a steam-water balance analysis and chemical monitoring, and over the course of 6 months the medium-pressure station's steam-water loss rate reached a record low of 1.4 percent. In addition to organizing a competition for 125,000 kW units, the system office also organized a competition between corresponding fuel-related operations at different directly subordinate power plants, and three plants were chosen as winners after exchange of experience and comparative evaluation. The three plants had rather outstanding results in improving the correctness of fuel calculations, in conducting acceptance testing of 100 percent of loaded and empty boats (or railcars), and in unloading directly at the plant's own wharves, thereby decreasing transport losses in transfer from one barge to another, eliminating the necessity of recovering the remaining coal, and conserving funds (800,000 yuan). The Zhejiang provincial power industry office held an energy conservation experience-exchange meeting at the Zhenhai generating plant and drew up quotas for the units directly subordinate to the provincial office. The Anhui provincial office held a technical and economic indicators conference at the Anqing generating plant for exchange of experience and discussion of evaluation methods. In August our office selected the Wujin plant and six others as the most advanced plants in energy conservation among the subordinate units, based on the State Economic Committee's "ten types of energy conservation work," "three major organizational measures" and "six main conditions for critical evaluation."

G. Conscientious Implementation of the "Line Loss Management System" and Active Promotion of the "Ten Experiences in Decreasing Line Losses"

Although the quantity of electrical energy supplied by the entire system in 1980 was up 7.1 percent over 1979, line losses were down from the previous year, saving 479 million kWh. This was owing primarily to intensified line-loss management.

At the end of 1979, a conference representing the entire power system subordinate to this office gave full financial, technical and management support to measures for decrease line losses. Starting on New Year's Day 1980, line losses throughout the system were divided into primary losses, secondary losses and supply line losses on the basis of voltage level; these were to be managed at the system office, provincial offices and local power supply offices respectively. The Nanjing, Shanghai and Hefei local power supply offices also instituted a number of instructions and made checks of the relevant departments, after which they mobilized employee energy conservation enthusiasm and implemented more than a thousand mass-style measures for decreasing line losses throughout the system, with an estimated saving of more than 100 million kWh. Second, the voltage level was raised. In 1980, the average voltage for the entire 220 kV main system at 9 o'clock was 220.9 kV, up 20.4 kV or 10.12 percent from 1979. The voltages were correspondingly raised at the 110 kV level and below, thereby decreasing line losses by about 150 million kWh. The third step was to intensify economic operation of the power grid. An effort was made to achieve local balancing of output and load in all the individual areas so as to minimize the amount of power exchanged in the power grid's tie lines. Compared with 1979, the quantity of power sent by Anhui to Jiangsu decreased by 40 percent, and the quantity which Zhejiang received from Jiangsu and Shanghai dropped by 42 percent, correspondingly decreasing line losses. The management of phase-adjustment operation of hydroelectric units was intensified: for example, in 1980 there were an average of 3 to 4 phase-adjustment units at Xin'an River station, 2 fewer than in 1979. The total annual electrical saving from these measures was 50 million kWh. The fourth measure was intensified construction of electrical transmission lines and substations and adjustment of the ratio between investments on generation and supply; investments [on power supply] in 1980 were 92.85 million yuan, accounting for 33 percent of the investment total and representing an increase over the 25 to 28 percent figure for the preceding few years, in addition to which replacement and modernization funds totaled 47 million yuan, also a higher figure than previous years. In 1980, six lines and six substations in the 220 kV circuit and large numbers of transmission lines and substations at the 110 kV level and below were completed, along with voltage upgrading, conversion and line replacement projects. It is estimated that these projects, together with those that went into operation in the second half of 1979, saved 100 million kWh. In addition, operations surveys were made, locating many instances of waste such as unmetered power use and theft and leakage of electricity and resulting in the recovery of paid power consumption amounting to 44 million kWh.

II. In 1980 it will be necessary to implement consistently the four-point policy centered on readjustment, to strengthen centralized management of the power grid, to strengthen the safety base, to pursue the "increased production and conservation" movement centered on energy conservation and to guarantee that the power grid will meet local agricultural and industrial production requirements and the people's daily-use power requirements. Below we list the ten main energy conservation measures for 1981.

A. Converting Medium and Low Voltage Units to Peak or Seasonal Generation So As To Increase the Percentage of Power Generated With High-Voltage Units

Before and after the high water season, the Minhang generating plant's 48,000 kW medium-pressure station, the Zhabei A 54,500 kW station, the Huainan power plant's 36,000 kW station and the Xiaguan power plant's 25,000 station are to be converted to peak-period or seasonal generation. In the case of oil-fueled boilers this is also helpful in decreasing oil consumption. Turbine and boiler equipment which is shut down must be overhauled and carefully maintained. It is estimated that the abovementioned measures can decrease the amount of electricity produced by medium and low pressure turbines by 680 million kWh, and that the changeover to generation by high-pressure generating units can save about 70,000 tons of standard coal.

B. Improvement of Oil-Fired Boilers, Energetic Efforts to Decrease Oil Consumption

(1) Conversion of the Wujing No 7 boiler to coal combustion was completed at the beginning of the year and the unit was phased into the system; this year oil consumption has been decreased by more than 100,000 tons. An effort is being made to complete the equipment for the ash removal system so that coal combustion will not be hindered by the ash removal problem.

(2) Energetic design work and preparations are under way for improvements on the Minhang No 9 boiler, which will be shut down in the second half of 1981; the conversion will decrease oil consumption by 50,000 tons.

(3) Design work and preparations are being made for improvements on the Wujing No 0 boiler, which will by shut down in the fourth quarter.

(4) Combustion regulation of the Minhang Nos 1, 2 and 11 boilers is being undertaken so as to minimize use of auxiliary fuel oil.

(5) After combustion becomes stable in the Yangchang No 35 furnace, the low pressure boiler will be entirely shut down, saving 60,000 tons of oil.

(6) The capacity of the Wusong substation is being increased and State Cotton Mill No 8 is being converted from 35 kV power supply. The Wusong power station's 36,000 kW generator is being converted to back pressure [5154 1090] operation, which will save 10,000 tons of oil, and further research is being done on steps to convert to the burning of coal.

(7) Work is being done at the Jianbi generating plant to alleviate blower wear, increase power output and decrease oil consumption. As early as possible, the Siaguan power plant's local load will be shifted to the new Sajiawan substation, and more small oil-burning boilers will be shut down.

C. Effective Preparation for Large-Unit Peak Laod Adjustment, Preparation for Full Hydroelectric Power Generation During the High-Water Season, and Prevention or De-Creasing of Water Waste

System peaks and valleys already differ by 1.5 to 1.8 million kilowatts, and in 1981 medium and low pressure units will be shut down. During full hydroelectric power generation in the high-water season, the large units will have to take on the task of peak load adjustment, and accordingly we must continue effective testing and modeling of the large units' load adjustment capability, for example turbine and boiler water circulation tests, tests of the speed at which fires can be increased, measurement of differences between the upper and lower wall temperatures of steam drums and the like.

We must fix the minimum power output for domestically produced 125,000 kW units and set permissible rates of change of load.

D. Intensified Reservoir Scheduling, and Expanded Incremental-Cost and Economic Laod Scheduling Between Hydroelectric and Fossil-Fired Plants

At the beginning of 1981, the water head at the Xin'an River hydroelectric station was 12.47 meters higher than during the same period last year. Now that the inflow is relatively large and the precipitation during the rainy season has been relatively concentrated, we must arrange to generate more electricity. In order to minimize or limit water losses and to prevent the water level in the reservoir from exceeding the normal storage level, this year we must gradually increase power output before the high-water season so as to decrease the reservoir water level, while during the rainy season we must determine the quantity of electricity to be generated on a month-to-month basis in terms of water inflow and gradually increase the level in the reservoir. During the period when the reservoir supplies water we must stringently control the amount of power generated so as to assure that at the end of the year there will still be a certain amount of water available for power production. At the Fengchun River hydroelectric plant, the amount of power generated will be decided in terms of water inflow; when there is a rather large inflow the Xin'an station will decrease its output so as to decrease the water inflow pressure on the Fengchun River station, and in addition the fossil-fired stations will suitably decrease their power output so that the Fengchun River station can operate at full output and minimize water losses. Other hydroelectric power stations will strive to use irrigation water to generate more electricity, and during the high-water season they will strive to support the flood control departments, adjust their output in rational fashion, and do everything possible to minimize water loss by generating electricity so as to decrease the water level.

The key to successful reservoir scheduling is a timely grasp of hydrological and meteorological changes and the provision of timely, correct reports on the water situation; accordingly, all hydroelectric plants and load scheduling bodies at all levels must make a major effort in these two kinds of work.

Determination of daily power output requires that the hydroelectric plants perform fully their function of peak and frequency regulation and their role as an emergency reserve. Accordingly, the Xin'an and Fuchun River plants must achieve good incremental-cost water consumption characteristics for the hydraulic turbine generators and for the plants as a whole so that they can use incremental-cost and economic scheduling of the individual units in the plant and develop incremental-cost and economic scheduling between hydroelectric and fossil-fired generation in the entire system. The Xin'an River and Fuchun River plants must also find ways to increase the degree of automation of hydrologic recording and use computers for economic reservoir adjustment.

As regards fossil-fired power generation, the provincial offices must convert some medium and low voltage units which will not require major engineering effort and will not affect local loads to peak or seasonal generation, or shut them down and carefully mothball them so that they will not be competing with the large units. The three provincial offices must also work out a comprehensive incremental-cost consumption curve for provincial dispatching stations and take part in system-wide economic scheduling. They must use their existing computers for incremental-cost and economic load scheduling in the provincial dispatching stations. The Wujing, Nanre, Jinshan and Yangshupu heat and power stations must determine all the thermodynamic characteristics of the heat supply units so as to pursue incremental-cost load scheduling for the plant's heat supply units.

In addition to publishing daily load curves, the general dispatching office should use computers to calculate and issue daily load rate and coal consumption rate information so as to improve the correctness of incremental-cost scheduling, and must investigate reactive power economic load scheduling for the Xin'an River and Fuchun River power plants and the Huaibei and Xuzhou long-distance plants.

E. Maintaining Cleanliness of Inner and Outer Heat Receiving Surfaces* of Boilers

Acid cleaning of boilers should be undertaken during major overhaul when it has been determined that there are excessive scale buildups in the tubing and on the walls, and spcialized acid cleaning services must be organized and intertrade boundaries overcome in order to promote industrial acid cleaning of boilers and save fuel. Boilers should be rationally provided with sufficiently effective soot removal blowers, and long and short tube-type soot blowers should be developed. The generating plants in Shanghai should learn from the experience of using existing soot removal equipment in the Nanshi power plant No 10 boiler, the Wangting No 13 boiler, the Yangchang No 31 boiler and the Minhang No 10 boiler (tight sealing of boiler drive mechanism) and make full use of the capabilities of ash* blowers already installed on boiler units. The various power plants should take advantage of overhauls to identify soot accumulation locations and should install a full set of soot blowers in the first half year, in addition to which they can follow Jianbi and Jinshan power plants' steel ball dust removal experience in boilers with tubular type preheaters.

In 1981 the power plants directly subordinate to the office will acid-clean 15 boilers, with an estimated improvement of 0.2 percent in boiler efficiency. The three provincial offices must also determine the number of boilers which require acid cleaning and draw up an acid cleaning plan. Waste acid must be suitably disposed of so that discharge standards are complied with. The experience of using ferrous sulfate to plate a coating on condenser tubes should be used more extensively, as should leak prevention experience. The Xuzhou and Huaibei power plants should promote sodium triphosphate treatment of circulating water and should install plastic dehydrators in cooling towers, eliminate condenser scale and decrease losses of cooling water.

F. Continued Improvement of Large Generating Units and Elimination of Bottlenecks

Increasing the utilization rate of 300,000 and 125,000 kW generator units and strictly limiting the power generation and operating hours of medium and low voltage units are important energy conservation measures. The Wangting and Jianbi 300,000 kW units' high pressure heaters will need to be installed at an early date. To make the generator units achieve their rate output, unit coal consumption should be decreased by 12 g/kWh, saving about 2,548 tons of coal a month. The Jianbi generating plant making an energetic effort to solve the problem of the three Jian-Chang loops before the high-water season so as to save 25,000 to 30,000 tons of coal. Because of the problem of circulating water escaping from the tubes in the newly constructed Minhang No 11 generator unit, the plant must make an energetic effort to install new drainage tubes so that the generating projects that have been put into operation will be able to produce their full economic benefit. In 1981 the three provinces will repair the final section heating surfaces of six 400 ton-per-hour boilers; by assuring quality and eliminating temporary repairs, they must strive to decrease the amount of work time and thereby increase the large units' utilization rate.

G. Continuous Expansion of the Use of High-Efficiency Fans and Water Pumps and Effective Fixing of the Design for the Auxiliary Equipment of Large Units

This office has a total of 289 blowers, suction fans and dust removers, of which 42 are axial-flow and 55 are centrifugal types. Most of the high-efficiency fans used in the past were of the centrifugal type, but because after the power grid recovered normal-frequency operation and the boilers returned to rated output, the nominal capacities of the fans and water pumps which had been converted were too large, so that it was necessary to make surveys and design new high-efficiency blowers and water pumps with reference to the actual form of operation.

An energetic effort whould be made in effective fixing the design of auxiliary equipment for 125,000 kW units: Wujing is the experimental unit for blowers and suction fans, while Minhang is the experimental location for dust removers; after the designs are finalized they will gradually be put into more extensive use. The Minhang generating plant is the experimental location for water pumps, and the efficiency of hydraulically-controlled feedwater pumps is gradually being improved. The use of circulating water vacuum pump deaerators is being studied.

H. An Effort to Automate Completely the Startup of Combustion in the Boilers of Large Units

The Minhang plant's No 10 boiler is being used as the experimental location for this effort, and after experience is summarized this approach will be put into use throughout the system; it may increase boiler efficiency by more than 0.2 percent. The Wangting plant's No 12 boiler is experimenting with use of a computer with its No 12 boiler to calculate efficiency and for automatic combustion regulation.

I. Continued Strengthening of the Technical Management of Energy Conservation

Energy conservation management requires persistent implementation of the "ten types of work" issued by the State Economic Committee and the document "Conditions for Coal and Electricity Conservation in the Power Grid and in Fossil-Fired Plants." We must start by strengthening the leadership and staffing of energy conservation work, and must transfer and fully replace personnel who are not suited to their positions. The assigned energy conservation indicators and measures must be analyzed and implemented down to the shop (or shift), team and individual levels. An effort must be made to see that measuring and testing procedures are in place within 2 years, that coal scales and oil meters are installed and calibrated, that correct measurements, calculations and evaluations of plantwide and individual station coal and oil consumption are made; the current practice of calculating coal consumption by the reverse balance method and of closing coal consumption accounts in terms of the number of trays remaining at the end of the month must be changed (the reverse balance calculation method may be used only for technical analysis).

J. Do Everything Possible to Decrease Line Losses

Construction of the power network at all levels must continue to be intensified, reactive power must be compensated, work on transmission, distribution and consumption must be increased, and voltages must be raised to the normal levels. Economic reactive power operation throughout the system must be pursued, and the Xin'an River hydroelectric station and the 110 kV Shangyu power station should be used as test points to investigate optimal control of reactive power and voltage at power plants and substations. Low-loss distribution substations should be used, and the replacement of low-silicon steel switchgear should be accelerated. Theoretical line loss calculations and operational surveys should be conducted and continued improvement should be made in the management of electric metering.

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SHIJINGSHAN POWER CORPORATION ENERGY CONSERVATION MEASURES DESCRIBED

Beijing DIANLI JISHU [ELECTRIC POWER] in Chinese No 6, 5 Jun 81 pp 8-10

[Article by Shijingshan Power Combine: "Strengthen Enterprise Management, Strive to Conserve Energy"]

[Text] We are an electric power enterprise which runs three power plants and five power stations with 21 generating units of various types and with a total generating capacity of 1.06 million kW. In recent years, as a result of intensified enterprise rectification and management, we have pursued a coal and electricity conservation movement while maintaining safe power production. In 1979 we drew up a list of 38 power conservation measures and saved more than 97,000 tons of coal for the state. In 1980 we made further efforts to use latent conservation potential in the equipment and further decreased various consumption indicators. Our specific coal consumption for the year was 393 g/kWh, 3 g/kWh lower than the plan figure, which gave a saving of more than 20,000 tons of coal. The 100,000 kW unit at the Gaojing plant and the 200,000 kW unit at the Jingxi generating plant maintained their specific coal consumption at advanced national levels for the type of equipment in question.

1. Strengthening Operations Management

In order to assure safe and economical operation of the equipment and to save energy, we adopted the following measures.

A. Effective Management of Boiler Unit Operation in Order to Maintain Long-Term High-Efficiency Boiler Operation

The boiler operating personnel at the Gaojing plant conscientiously implemented the coal and electricity conservation regulations, maintained conscientious inspection, ash sampling and adjustment during operation, and strove to maintain a stable steam temperature, a stable water level, and stable load adjustment. The chemists carried out continual tests of the coal powder fineness and furnished data for combustion regulation. At any time when boiler combustion conditions were incorrect, heat testing personnel made timely on-the-spot draft measurements, and they and the operating personnel jointly regulated combustion. As a result of intensified combustion unit operation management and close coordination between the relevant shops and specialists, the boiler efficiency in 1979 was 93.38 percent, exceeding the average design parameters for each boiler (91.86 percent), and saving more than 25,000 tons of standard coal.

B. Intensified Analysis of Operations in Order to Make Equipment Operation More Economical

The heat economics groups of the combine and its individual plants constantly analyzed equipment operating conditions and problems which arose during operation, located the problems, proposed measures and jointly solved the problems. For example, the makeup water rate in the Gaojing plant's boilers was somewhat higher than in the same period in the preceding year; the personnel of the heating economics group made a thorough analysis of the reasons, along with the operating personnel, and solved all of the problems which were found, bringing the makeup water rate down somewhat. In 1978, there were 348 boiler and turbine stoppages and restarts, 142 more than in 1977, and the makeup water rate was down 2.44 percent from the 1977 figure of 2.56 percent. In 1979 the Gaojing power plant undertook the task of peak regulation; there were 670 boiler and turbine stoppages and restarts, 2.3 times as many as in 1977, and the makeup water rate stayed at 2.50 percent. In 1980 there were 1,035 turbine and boiler stoppages and restarts, 4 times as many as in 1977, and the makeup water rate was 2.61 percent, which still met the Ministry of Electric Power's coal and electricity conservation standards (2 or 3 percent).

C. Holding of Competitions, and Conservation of Boiler Ignition Oil

Since the Gaojing plant organized the operating personnel for a competition to save boiler ignition oil in May 1979, the personnel have constantly summarized their operating experience and had had outstanding results in conserving ignition oil. In 1978 there were 149 furnace startups, consuming 776 tons of oil, an average of 5.14 tons per startup (including oil used to assist combustion), while in 1979 and 1980 the startup figures were 298 and 496 times respectively and the average ignition oil consumption dropped to 1.07 and 0.528 tons per startup respectively. Currently the hot-furnace ignition oil consumption for a 220 tph [ton per hour] boiler is 0.1 tons per startup, and the cold-furnace ignition consumption is 1.0 tons per startup, while for a 410 tph boiler the ignition oil consumption (cold furnace) is 2 tons per ignition.

D. Intensified Boiler Combustion Regulation Testing to Assure Optimal Oxygen Content of Flue Gas

The Jingxi power plant made solving the problem of black smoke emissions during fluctuation of boiler loads and during the shutdown and startup process one of its major coal and electricity conservation topics, and specialized personnel and operators made joint combustion regulation tests which showed that the optimum flue gas oxygen content was 2 percent, in addition to which they worked out an effective operating method: during increasing loads they adjusted the draft first and then the oil, and when the load was decreasing they adjusted the oil first and then the draft. In this way good combustion conditions were maintained in the furnace, and there were virtually no black smoke emissions from the smokestack.

E. Intensified Combustion Management and Effective Oil Monitoring Work

The 670 tph boiler at the Jingxi plant burns heavy oil, and in the past no one had any idea whether there were deficits in oil received. Starting in 1978 a combustion oil monitoring system was established and kept in continued operation. In the first half of 1977 the oil supply deficit rate was 3.16 percent; timely establishment of relations with the oil supply units and frequent representations to them resulted in confirmation of the situation. In 1980 there was virtually no deficit, and the plant's coal consumption (calculated equivalent of oil consumption) was down 7.6 g/kWh from the 1979 figure.

2. Intensified Equipment Management

In recent years, we have persisted in carrying out comprehensive survey-type thermal efficiency tests before each major unit overhaul, and have made elimination of energy-wasting equipment defects during operation a key aspect of coal and electricity conservation work.

At the time of each major overhaul, the turbine inspection and maintenance teams persist in meeting the overhaul quality standards and deal conscientiously with even the most minor aspects, such as scraping clean the connecting surfaces of the steam cylinder and diaphragm to make sure that the gaps meet the standards, adjusting the gaps in the axle seals and diaphragm steam seals to within acceptable tolerances, using a sand blaster and gauze to thoroughly clean scale from the diaphragm and the blades, and so on. As a result, overhaul of a 100,000 kW unit resulted in an increase of 0.45 to 0.79 percent in boiler efficiency, so that each unit's coal consumption fell by 4.2-7.4 kg/kWh.

During each overhaul, the boiler overhaul teams must thoroughly clean the heating surfaces, completely ream out the air preheated tubes, assure that there is no air leakage in the plenum or walls, recondition burned-away combustion nozzles and the like. In 1980, following an overhaul of the Gaojing plant's No 6 boiler, efficiency was increased by 0.82 percent. Because of scale accumulations on the water cooler walls, acid cleaning was carried out on the water side of the cooler walls of six boilers, making a contribution to safe and reliable boiler operation.

Because the inspection and maintenance personnel have combined economy with safety in putting quality first, have accorded proper importance to the quality of their procedures, and have devoted attention to day-to-day maintenance, modernization and improvement. they have continuously improved the equipment conditions and have greatly decreased the number of temporary turbine and boiler stoppages for overhaul. For exmaple, in 1977 the six 100,000 kW units at the Gaojing station were stopped 37 times for temporary repairs, while in 1980 the figure dropped to 16 times; in 1977 turbine and boiler downtime was 1,664 hours, while in 1980 the figure had dropped to 219 hours.

Intensified equipment management and improved equipment overhaul and maintenance quality have lengthened the time between overhauls, decreased the number of temporary repairs and shortened the time required for major and minor overhauls and temporary repairs, creating the conditions for production of more electric power.

3. Organizing Mordernization, Exploitation of Latent Potential, and Improvement

In order to assure safe, full-capacity, reliable operation of the units, all of the plants and stations have organized three-way technical task groups which include workers, technical personnel and cadres, have mobilized the masses, and have carried out modernization, conversion and full-utilization activities, achieving rather good results in energy conservation.

A. Keeping Plastic Ball Cleaning Apparatus Operating Normally

For many years the Gaojing power plant's steam turbine condenser tubes have had a serious scale problem, and the traditional labor-consuming method of having the workmen ream out the copper tubes, carrying out acid cleaning, and installing circulating water flue gas treatment equipment have been tried, but these steps were incapable of achieving a substantial solution of the scale accumulation problem in the condenser tubes. All of the plant's 600,000 kW generation equipment proved capable of supporting only about a 500,000 kW load during the summer when the water temperature was high, and accordingly starting in 1976 the plant decided to install two filter screens and a plastic ball cleaning system. After repeated improvements over the course of a year and a half, by June 1977 continuous plantic ball cleaning of condenser tubes had been tested on six 100,000 kW generator units, and more than 3 years of essentially normal operation have given a ball recovery rate of over 95 percent. During a windstorm in the winter of 1977, large number of leaves and grass passed through the protective grating into the second filter so that it became clogged and the ball cleaning equipment was temporarily disabled. In the summer of 1980 there was a serious moss problem, and the ball cleaning system suffered another serious breakdown. Because leadership at all levels concerned themselves with the problem and quickly organized a repair group, normal operation of the ball cleaning system was assured. In 1980 boiler shutdowns were utilized to carry out 22 ball removal operations on 12 condensers on 6 turbines, removing a total of 6,510 balls which were stuck in the copper tubes, and assuring normal operation of the ball cleaning system which can make possible a saving of 18 tons of standard coal a year.

B. Decreasing the Length of Repair Stoppages of High-Pressure Heaters

When high-pressure heaters leak and are withdrawn from operation, unit coal consumption goes up by 7 to 10 g/kWh. In order to assure that the quantity of feedwater passing through the heaters was constant and did not exceed the design figures, the Gaojing power plant added a connecting line to the main lines exiting from the feedwater pumps between units so that the point at which the main feedwater lines were paralleled was moved from the heater output to the its inlet. In order to decrease heater leakage and increase the utilization rates, the steam turbine overhaul crew continuously summarized experience, improved the quality of their overhaul procedures and decreased the stoppage time required for overhaul. In 1976 each high-pressure heater overhaul at the Gaojing power plant required an average stoppage of 115.8 hours; in 1979 the figure was 40.5 hours and in 1980 23.4 hours. The number of internal leaks in the heaters also showed a clear decline. In 1976 the utilization rate was 88 percent, in 1979 96 percent, and in 1980 97.8 percent. The 1979 utilization rate for the Jingxi power plant's 200,000 kW unit high-pressure heater was 73.1 percent, which was raised to 96.7 percent in 1980. Both plants achieved the advanced operating characteristics (95 to 98 percent) requested by the Ministry of Electric Power).

C. Addition of Advance Preheaters to Prevent Ash Clogging of the Air Preheaters

Because the input air temperature at the Jingxi power plant's air preheater was low and there were serious condensation and ash accumulation problems, it was manually reamed out from top to bottom during major overhauls. The working conditions were poor and the work extremely toilsome, and even when the procedure was modernized and water under a pressure of 13 kg/cm^2 was used to wash the unit out from top to bottom, it was still necessary to ream out each of 3,000 blocked preheater tubes during each major overhaul, which involved a large quantity of work. As a result, starting in 1978 advance preheaters were installed on six turbines, and the condensation corrosion and ash accumulation problems in the preheater low temperature stage were essentially solved, so that excellent heat transfer efficiency was constantly maintained.

D. Experimental Use of Flue Gas Recycling Equipment to Increase Reheat Temperatures

The 670 tph vertical cyclone furnace at the Jingxi plant was originally provided with a flue gas recycling temperature adjustment device, but it could not be used; in order to increase the economy and safety of the unit's operation, in cooperation with brother units the plant put it onto trial operation in December 1980 during overhaul and conversion work, which solved the problems of decreased heat absorption by the convective heating surfaces and excessively low first and second stage steam temperatures and economizer outlet temperatures resulting from a drop in the flue gas temperature at the outlet of the rear fuel oil combustion chamber (originally designed to burn Jingxi smokeless coal); as a result the average reheater temperature increased by 25°C (with installation of a recycling blower), and it was possible to decrease coal consumption by 1.49 g/kWh, saving 1,640 tons of coal a year.

E. Some Other Energy Conservation Measures

In recent years the Gaojing power plant has carried out improvements on 15 dust removers, three blowers and two feedwater pumps, making possible annual savings of 4.2 million, 600,000 and 3.00 million kWh respectively. A hydraulic jet was used to replace an ash slurry pump in the chemical water settling system, making possible a saving of 30,000 to 40,000 kWh of electricity each year. Use of pressurized water from the outlet of a circulating pump to replace a wash pump made possible an annual saving of 10,000 kWh. In order to decrease coal consumption, an expander was added to the turbine final stage steam outlets; a bled steam source was replaced by a low-pressure steam source; and a header was added to the outlet of the condensate pumps. In order to assure that the generator would achieve the desired output and to increase hydrogen pressure operation, they adopted measures such as decreasing hydrogen leakage.

The Jingxi power plant's 200,000 kW units constantly operate under low load, and in order to improve their operating economy under these conditions, single-speed suction fans were replaced by two-speed fans, resulting in a clear electrical energy saving. The plant also improved the water removal method in the large oil tanks, saving about 35,000 kWh of electricity a year.

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GENERAL

METHOD OF TECHNICALLY EVALUATING ECONOMIC PROJECTS DESCRIBED

Tianjin KEXUEXUE [SCIENOLOGY] in Chinese No 3, 1981 pp 23-24

[Article by Wang Guoxing [3769 0948 5281] of Jiangxi Provincial Scientific and Technological Commission: "Probing Into the Analysis of Technical Economy Carried Out in Development Study"]

[Text] Science and technology must be closely integrated with economic construction in order that the projects under study can be technically advanced and economically rational. Therefore, a study of the rationality, speedy action and correctness of our policy decisions on science and technology is urgently needed, particularly in conducting demonstrations and analyses of certain important technical and economic problems in our country.

This article will introduce the concept of value engineering as a method of comprehensive qualitative and quantitative analysis in development study. Its main feature is the combination of simple mathematical calculations with tangible demonstrations and analyses. This method can be used for technical and economic forecasts before the beginning of the study and can serve as reference data for policy decisions with a view to obtaining better results in scientific research. It can also be used for a more objective technical and economic evaluation of the result of the research.

Value engineering is generally conducted according to the following procedure:

1. Work out various alternate plans and ascertain their technical and economic indexes;

2. Prove and analyze the tangible factors that may influence the various plans and select the corresponding technical and economic parameters;

3. Work out the corresponding formulas for mathematical calculations together with numerical values to be substituted;

4. Carry out a comprehensive analysis and demonstration of the internal and external advantages and disadvantages from various technical and economic aspects, compare the plans and finally choose the best one;

5. Conduct research, design, trial production or experiment, and constantly followup and examine the projects under research.

The mathematical form of value engineering in research is expressed as:

$$V = E.Ka.Kv.Kl.Kd.Ke \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Here V stands for value engineering; E, for economic benefits; Ka, for progressiveness coefficient; Kv, for feasibility coefficient; Kl, for dependability coefficient; Kd, for suitability coefficient; and Ke, for job opportunity coefficient.

Value engineering can be used for technical or economic forecasts on the projects under research, or to compare them with one another. It can also provide reference data for policy decisions in tapping potentials and renovating or transforming production enterprises; or for technical or economic evaluations of the result of research.

Economic benefits refer to the amount of economic gain and can be expressed as follows:

$$E = 1 - W \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Here 1 is the anticipated gain; W, the research expenditure.

It is obvious that the greater the economic benefits, the more acceptable will be the research project.

The anticipated gain in (2) means income from the expected increase in sales or the expected savings in production (to be accounted for annually or to be accumulated year after year). This numerical value can be calculated from the anticipated performance of the project under research. The research expenditure can be calculated as follows:

$$W = K(Wr + Wm) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Here W stands for research expenditure; Wr, for labor consumption (or living labor) including the wages of the research personnel, expenses for inspection travel, design expenses, and so forth; Wm, for material consumption (or materialized labor) including materials, elements, parts, extra installations and equipment, trial production, processing expenses, and so forth; K is the coefficient of scientific research and management expenses. Generally, it is expressed as K = 1.1 - 1.3, in consideration of scientific research and management expenses which combine to form the whole research expenditure.

Progressiveness refers to the degree of superiority of the technical function of the project under research. There are still divergent views and disputes on this question. According to the viewpoint of the "high-grade, precision and advanced schook," people can blindly strive for "advanced world levels" in disregard of objective conditions and production costs. According to the viewpoint of the "suitable technology school," people may one-sidedly stress suitable value and confuse scientific research with ordinary "tapping potentials, renovation and transformation." These people may also insist on a reasonable technical standard, but this standard must be based on what is within our power. If the progressiveness coefficient expressed by Ka is divided into "low, medium and high" grades, then it should be correspondingly expressed as Ka = 0.8; 1.0. and 1.2. This will enable us to consider the degree of superiority in selective value engineering.

Feasibility. This refers to the possibility of success or failure for the project under research. It is commonly called the degree of certainty. A feasibility analysis means a calculation of the risks involved. Feasibility varies according to different characteristics in different projects. In conducting research, feasibility is greater when similar samples or experiences at home or abroad are available for reference, and the risk likely to be encountered is less. The analysis of feasibility is mainly based on the availability of scientific and technological data, the skill of research personnel, the extent of certainty in tests and experiments, facilities for processing and trial production, the performance of elements, spare parts and auxiliary equipment and their availability, and many other factors. Accordingly, Kv is used to denote the feasibility coefficient. Thus Kv = K_1, K_2, K_3, K_4 and K_5. The numerical values can be obtained from Table 1.

Table 1.

Name of coefficient	Symbol	Numerical Value
Availability of data	K_1	0.8-1.1
Skill of research personnel	K_2	0.8-1.1
Certainty of tests and experiments	K_3	0.9-1.1
Processing and trial production	K_4	0.9-1.1
Supply of elements, parts and equipment	K_5	0.9-1.1

Table 2.

Name of coefficient	Symbol	Numerical Value
Breakdown frequency	K_1	0.9-1.2
Sustained breakdown	K_2	0.9-1.2
Average life	K_3	0.9-1.1
Durability	K_4	0.9-1.1
Effectiveness	K_5	0.9-1.1

Table 3.

Name of coefficient	Symbol	Numerical Value
Promotion	K_1	0.9-1.1
Popularization	K_2	0.8-1.2
Marketing	K_3	0.8-1.2

Dependability. This refers to the probability of expected performance and freedom from breakdown under normal conditions within a certain time. The elements of dependability include: Breakdown frequency (number of breakdowns per unit time), duration of sustained breakdown, average life, durability, effectiveness and other factors. Quantitative analysis is as difficult for dependability as it is for progressiveness. However, this element is of great significance to the value of the project. If a research or innovation project is technically advanced with great economic benefits but undependable in the course of production, it cannot be easily popularized or may even be written off as a total failure. In studying the dependability of a research project, the dependability coefficient may be expressed by Kl. Thus Kl = K_1, K_2, K_3, K_4, K_5, and their numerical values can be obtained from Table 2.

Suitability. This concerns whether the result of research can promote the technology of production and be popularized or whether it is suitable for marketing. Promotion means the ability to lead or speed up the development of production or the progress of technology in other departments and the possibility of its causing a chain reaction. Popularization means the widespread use of the project in the production within a short time even by other trades and professions. Marketing refers to the degree of competitiveness in the market. All these factors come under the category of suitability, and its coefficient can be expressed by Kd. Thus Kd = K_1, K_2, K_3 and their numerical values can be obtained from Table 3.

Job opportunity. This means a comparison of the labor power required for the research project with that required by similar equipment or measures so as to determine whether labor will be reduced or increased. This consideration is necessary in view of our present large population and the difficulty of job placement. If, in such circumstances, we one-sidedly strive for high automation and high labor productivity to the extent of jeopardizing job opportunities, a social problem will arise. Of course, this element should be combined with economic benefits, progressiveness, feasibility, dependability and suitability for a comprehensive analysis. For practical purposes, the job opportunity coefficient can be expressed as Ke, and the "abundance, equivalent and scarcity" are expressed as Ke = 0.9; 1.0; 1.1.

In applied value engineering, two points should be clarified:

1. In conducting analysis of technical and economic forecasts,

(1) Job opportunity coefficient Ke should be in direct proportion to value engineering V when we consider the job opportunity angle. Thus,

$$V = Ka.Kv.Kl.Kd.Ke$$

(2) Job opportunity coefficient Ke should be in inverse proportion to value engineering V when we consider raising labor productivity. Thus,

$$V = E.\frac{Ka.Kv.Kl.Kd}{Ke}$$

(3) Both (1) and (2) have to be considered when there is no way to check the economic benefits. Thus,

$$V = \frac{Ka.Kv.Kl.Kd}{Ke}$$

or V = Ka, Kv, Kl, Kd, Ke.

V > 1 means acceptable and V < means unacceptable.

In evaluating or comparing the results of research, we should first compare them with projects of the same character before those of different characters.

In carrying out value engineering, we should throughout the entire process of practical application conduct follow-ups, exercise supervision and take detailed notes to insure the success of the research. Upon the completion of the research, we again have to check the result against the forecast and evaluation so as to prove its superiority or defects, and draw lessons from our experience for future guidance.

Since quantitative analysis is much more difficult than qualitative analysis in development study, particularly in the selection of numerical values for certain coefficients, we can therefore only advance through probing in practice in order that our work can be gradually improved or rationalized. However, technical and economic analyses of research projects are indispensable, and the broad masses of scientific workers are expected to carry out further probing. It is hoped that this article will provoke some effective action. (Examples omitted)

(Edited and published by Yin Jun [3009 6874])

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CHINA REPORT

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON IMPLEMENTATION OF READJUSTMENT

HK030306 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81 pp 8-10

[Article by Shen Yue [3088 6390]: "Sort Out 'Leftist' Thinking, Correctly Implement the Policy of Readjustment"--slantlines denote boldface]

[Text] In order to understand and implement the policy of further economic readjustment in an all-round way, it is necessary to sort out the "leftist" erroneous thinking. Since the founding of the PRC, the "leftist" erroneous thinking in economic work has existed for a long time and it reached a climax during the "cultural revolution." The "leftist" mistakes in the guidelines of economic work were expressed chiefly in the deviation from China's national condition, being overanxious for successes instead of doing things within the limits of our own resources, blindly seeking excessively high targets, high speed and high accumulation.

As a result, the national economy became seriously out of proportion. Comrade Chen Yun pointed out that, in disregard of the objective conditions and going against the objective laws, some people took fantasy as truth and acted according to subjective will and tired to do things which may not be possible in the future. This remark has pointed out the crucial point of the question. The "leftist" erroneous thinking was also manifested in not proceeding from the socialist objective laws, not reorganizing the objective existence of the commodity economy in the historical stage of socialism, denying the necessity of the production and exchange of commodities, denying the historical role of the long-term coexistence of various sectors of the economy, denying that enterprises are the producers of social commodities and denying the relative independence of the activities of socialist enterprises. In the management system, excessive emphasis was placed on centralization, and enterprises were put under excessively rigid control. The "leftist" erroneous thinking was fully manifested by subordinating the driving role of science, technology and culture to production and subordinating the training of qualified personnel and the exploitation of intellectual resource, which resulted in that the role of the intellectuals not being brought into full play for a long time. Furthermore, in the matter of distribution, the practices of egalitarianism and eating "from the same big pot" were exercised, and the principle of "from each according to his ability, to each according to his work" was violated. All these practices serously harmed us in the past and their influences have not yet been eradicated. Therefore, only when we sort out in earnest the influence of "leftist" thinking, can we correctly implement the policy of readjustment and act according to socialist objective laws. To sort out "leftist" erroneous thinking is chiefly to correct the guiding thinking of the leadership and help the leadership at all levels draw lessons in the respect, not for the leadership at each level to make self-criticism and not for everyone to go through the ordeal of self-criticism.

Through practice in the past, we found that to correctly implement the policy of readjustment, it was necessary to handle well the following five relationships on the basis of sorting out "leftist" thinking.

/First, it is necessary to handle well the relationship between readjustment and production and simultaenously grasp production and readjustment./ We have undergone a process of gradual deepening in understanding the readjustment. That is, in the past 2 or 3 years, the main targets of readjustment were to curtail the scope of capital construction, reduce financial expenditure, try hard to withdraw money from circulation, achieve a financial balance and stabilize the economy. All these endeavors were undoubtedly correct. However, as pointed out by the leading comrades of the CCP Central Committee, from a long-term and fundamental point of view, the readjustment of the economy involves three things: They are the readjustment of the economic structure and the readjustment of the industrial structure. The general aim of readjustment is to gradually rationalize China's economic structure and therefore this will take a long time, as expected. But, seen from another side, if we do not summon up our energies and try our utmost to grasp well the current production and open up new sources of production, the readjustment can hardly be carried out smoothly. So economic readjustment and the current production interact and are mutually dependent. Take coal mines for one example. In January and February this year, some coal mines slackened their production and adopted a passive approach, thus resulting not only in the shortfall in the output of coal but also in the failure to fulfill the plan for stripping and tunnelling; therefore, the readjustment cannot be carried out in an isolated and static way. Spontaneous and close attention should be paid to production and readjustment. Here lies a problem of cognition. That is, at the beginning of this year, some comrades took a passive approach toward the readjustment. It seemed that so long as the readjustment was carried out, the current production could be slackened, and some people even mistakenly held that the lower the production targets, the better, or they passively waited to be closed, suspended, merged or shifted (to other types of production). All these tendencies are wrong. The Liaoning Provincial Party Committee twice convened telephone meetings thus corrected these tendencies in good time. The situation took a favorable turn in the last 10 day period of February this year, and the downward trend of production was basically reversed. We must manage to grasp production and readjustment simultaneously and help production and readjustment promote each other.

/Second, it is necessary to handle well the relationship between readjustment and reform./ Reform should be subordinated to readjustment, but the CCP Central Committee never intended that with readjustment, reform could be neglected. The orientation of reform must be upheld from start to finish. It is true that the pace of reform in some fields should be slowed down and stabilized, such as the reform of the price system and that of the wage system, but there must be reforms that are conducive to readjustment and promote readjustment. Such reforms should be carried out in a planned and active way. The experiment of expanding the decisionmaking power of enterprises, the reform of industry and the integration of enterprises are both readjustment and reform. They should be grasped firmly and developed well, and on the basis of the achievements made last year, they should be further consolidated, developed and improved. Last year, there were 262 units participating in the experimental work of expanding the decisionmaking power of enterprise business management in Liaoning Province. The output value of these units constituted 56 percent of the budgeted output value of industrial enterprises of the province while their profits constituted 76 percent. Last year, the output value of the pilot enterprises showed an increase of 6.4 percent while their profits increased by 9.9 percent. The profits they handed over to the higher authority increased by 8.2 percent. All these figures were higher than those of the enterprises which had not participated in the experiment. These pilot enterprises enabled the state to have an additional income of 290 million yuan, constituting 78.6 percent of the state's increased income. The enterprises and the individuals had an additional income of 80 million yuan, constituting 21.4 percent of the increased income, thus "more income for the state, the enterprises and the individuals" was realized, with the state receiving an exceptional increase in income. Practice has proved that the expansion of the decisionmaking power of enterprise business management is correct in its orientation with remarkable achievements and sound development being realized.

Since the 3d Plenary Session of the 11th CCP Central Committee, particularly since the CCP Central Committee put forth the principle of "giving fuller play to strong points, protecting competition and promoting integration," increasingly remarkable economic effects were achieved in the reform of industry and the integration of enterprises within the province. A total of 122 industrial companies, 65 general factories, 439 economic complexes and 3,051 amalgamated enterprises have been established throughout the province with a work force of 1 million staff members and workers, and annual output value of 11 billion yuan and 1.3 billion yuan of profits. The number of the staff and workers, output value and profits of the organized enterprises accounted for one-fourth of all the province's industry.

Some comrades mistakenly held that with the mention of readjustment, they should disregard reform and take a passive approach toward it. This is wrong. In fact, the readjustment and reform are mutually complementary. We should never take the road back because something goes wrong with reform. It has been discovered the little decisionmaking power the enterprises got during the experiment has not received its deserved respect and has even been taken back by the authority above. This seriously dampened the enthusiasm of the pilot enterprises and their staff members and workers. Economic reform is a new thing. We must cherish it and support it. All economic sectors such as finance, banking, tax, goods and materials, labor, commerce and foreign trade should vigorously cooperate with one another, make close concerted efforts and maintain the continuity and stability of the policies to smoothly carry out the readjustment and reform and thus, enliven the economy.

/Third, it is necessary to handle well the relationship between centralization and the revitalization of the economy./ During the further readjustment of the national economy, the macroeconomy must adhere to centralization but efforts should be continued to revitalize the microeconomic sectors mainly to revitalize production. Over the past 2 years, good experience has been gained in making the economy more active. For instance, under the guidance of state planning, regulation by market mechanism was exercised, market forecasts were carried out, and the enterprises were allowed to organize and increase production according to the contracts signed by the production side and the users' side on the condition of arranging production strictly according to the state plan; the principle of to each according to his work was further implemented and the work of handing out rewards was also strengthened; the marketing of a part of the products by the enterprises through their own channels was permitted and direct contacts between the production side and the user's side was encouraged. It wasn't only the breakthroughs in all these respects that enlivened industry. Last year, the total value of industrial output of Liaoning Province registered 9.4 percent increase over 1979. But at the beginning of this year, an increase of 3 to 4 percent was unlikely to be attained. However, there later occurred an increase in production. The main reasons are seen to be the following three points: First last year, in the industrial production of the province, regulation by market mechanism was carried out under the guidance of state planning, and the products put under regulation by market mechanism were about 30 to 40 percent. Second, the economy and production were revitalized. This included the expansion of the decisionmaking power of enterprises, the reform of industry, the promotion of integration, and flexible adaptation in implementing policies on the condition that they not violate the principles and policies of unity. Third, the investment effects were brought into full play by relying on tapping potential, innovating and transforming the existing enterprises. Last year, the increase in the output value achieved by tapping potential, innovating and transforming the existing enterprises constituted around 30 percent of the total increase. Practice has shown that the principles put forth by the Liaoning Provincial Party Committee were correct. That is, the principle of "stressing five things, and improving one" (stressing that some of the communes, the production brigades, the production teams and individuals in the rural areas should be allowed to get rich first; stressing the revitalization of the economy; stressing the management of all trades and professions, stressing science; stressing the training of qualified personnel; and improving leadership skills). Under the guidance of state planning, the role of regulation by market mechanism was brought into play to carry out the principle of "breaking four things" (breaking conservative thinking; breaking the separation in length and breadth by regulations and different regions, departments and trades; breaking the superfluous interlinks; and breaking the irrational old-fashioned regulations and restrictions), and the principle of "one adaptation" (flexible adaptation on the basis of not violating the policies and principles). Therefore, the effective methods and measures which promoted production and improved the economic effect in the past should be upheld continuously and improved consistently. At the same time, full play should be given to the overall planned and coordinated role of the various localities so as to proceed from the local actual conditions, formulate the related specific policies and solve the problems of economic work in time.

/Fourth, it is necessary to handle well the relationship between the part and the whole, the immediate and the long-term./ It is imperative to break the bounds of different regions and trades and the "small but comprehensive" and "large and comprehensive" practices. It is not permitted for various localities to form a separate industrial complex. Take the "three big industrial items" (wristwatches, bicycles and sewing machines) for instance. The state is drawing up an overall plan for producing the "three big industrial items." The province is also making an investigation and working out a plan for this purpose. Practice has proved that it is not profitable to produce bicycles in smaller batches than 300,000 bicycles. Everyone vies with each other in producing the "three big industrial items" but eventually no one will succeed owing to their lack of competitive strength. At present, there are 35 factories producing washing machines in Liaoning Province. In fact, three of four primary motor manufacturing factories would be enough and the other key parts and spare parts can be produced and organized to form a complete set within the province. Only when the level of specialized production is improved, can the targets of high quality, low production costs and large batches be met. Therefore, we have decided to rationalize the layout and fix the locations. Repeated and duplicated construction is no longer allowed. This requires us to earnestly do a good job of market forecasting, have a clear understanding of the needs of the people in a certain period (for instance the needs before 1985), make feasibility studies and technical deliberations on every plan, prevent blindness and avoid rushing headlong into mass action in an unplanned way. One must not be concerned only with the immediate and neglect the long-term, nor only with the part at the expense of the whole. One must take into account both past experience and the situation that may possibly arise in the future and develop an overall plan. The Provincial Party Committee has decided to make industrial cities the center for production and arrange other product industries around it and break the bounds of different departments and regions, organize the enterprises in a rational way step by step, and further make a proper job of the reform of industry and the integration of enterprises.

/Fifth, it is necessary to handle well the relationship between readjustment, restructuring, consolidation and improvement./ The eight-character policy of "readjustment, restructuring, consolidation and improvement" is a unified entirety, and it must be carried out comprehensively. Readjustment is the core, and without readjustment. the national economy cannot regain the initiative. Consolidation is the foundation. Without consolidating the existing enterprises, readjustment and restructuring will lack a firm foothold and the results of readjustment cannot be furhter strengthened. Take coal mines for instance. The tunnels of some coal mine were in serious disrepair and the rate of this disrepair of some tunnels reached 30 percent. Through readjustment, the problem of the tunnels being in disrepair was solved. But without consolidating the coal mines, setting up and perfecting various management systems, including various responsiblity systems and strengthening enterprise management, the tunnels will fall into disrepair as before, after a period of time. So it is imperative to grasp firmly the consolidation of enterprises.

Over the past few years, some achievements were made in consolidating the enterprises of Liaoning Province. Of 3,056 industrial and transport enterprises at or above the municipal level throughout the province, 2,783 enterprises had reached acceptable standards, constituting 91 percent of the enterprises. According to incomplete statistics, in the province there are 840 enterprises which exercised all-round quality management, nearly 1,000 enterprises which carried out all-round business accounting and a number of enterprises which carried out the rotational training work for their staff members and workers. The production of most of the enterprises has recovered and exceeded the previous best records. However, looking at the economic effects of the industrial and transport enterprises as a whole, quite a few targets have not reached record levels. Compared with Shanghai and other advanced localities and units, we still have a long way to go. Therefore, this year, taking the improvement of economic effects as the key point, we must learn from and catch up with Shanghai and further grasp well the rectification of enterprises and business management.

The present situation is good, but the implementation of the policy of readjustment is only the beginning. On the road of advancement, there are still various difficulties confronting us. For this reason, we are determined to analyze new situations and solve new problems in a conscientious and down-to-earth manner to ensure the smooth advance of the work of economic readjustment and strive for the all-round fulfillment of the state plans.

CSO: 4006/480

'JINGJI GUANLI' ON EXPERIMENT IN PROFITS, LOSSES

HK050744 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81 pp 42-45, 10

[Article by Gu Zongcheng [7357 1350 2763] and Sun Guanglin [1327 1684 2651] of the Economics Research Office of the Sichuan Institute of Social Sciences: "A Preliminary Study of the Characteristics of the Assumption of Sole Responsibility for Profits and Losses by the Enterprises Under the Socialist Ownership by the Whole People"]

[Text] With the development of the expansion of the enterprises' decisionmaking power, some enterprises in our country have been experimenting with independent accounting, paying taxes to the state instead of turning profits over to it, and assuming sole responsibility for their own profits and losses. Different people have different arguments and views about these measures. Can the enterprises under the ownership of the whole people really assume sole responsibility for their profits and losses? Must they assume this kind of sole responsibility to an "absolute" degree? Is the assumption of sole responsibility for profits and losses implemented for the sake of changing the nature of the system of ownership by the whole people, or for the sake of perfecting the internal economic relations of the system of ownership by the whole people? The answers to these questions are related to both the orientation of the reform of our economic systems and the specific policies concerning the present experimentation. If we want to answer these questions correctly, it is of key importance to clearly understand the characteristics of the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people.

I

Assumption of sole responsibility for profits and losses amounts to a principle of common operation which governs the production of commodities, and which requires every producer of commodities to have the income arising from production and operations to cover the expenditures incurred, and moreover, to earn a profit. Such is the general substance and character of assumption sole responsibility for profits and losses. In the long course of economic development in human society, under different systems of ownership, various categories of producers of commodities differing in their social nature have all observed this principle of operation: assumption of sole responsibility for their own profits and losses. However, the economic relations embodied in this principle have differeed with variations in social organizations and the relationships of ownership systems, and have thus reflected the specific contents and characteristics of the assumption of sole responsibility for profits and losses.

At the present stage, our country's socialist economy is a planned commodity economy. The enterprises under the ownership by the whole people are relatively independent producers of commodities, and therefore, assumption of sole responsibility for profits and losses as a principle of operation, is equally applicable to them. However, by saying this, we have only mentioned the general character of assumption of sole responsibility, without revealing the specific contents of assumption of sole responsibility for profits and losses by the enterprises under the ownership by the whole people. Therefore, we must specifically analyze in depth the economic relations embodied in assumption of sole responsibility for profits and losses by such enterprises.

At the present stage, in our country, the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people is based on the separation of the power to own the means of production from, and also the unity of this power with, the powers to possess, use and allocate the means of production. For one thing, this kind of assumption of sole responsibility for profits and losses embodies some economic relationship between the enterprises as socialist producers of commodities; and for another thing, it embodies the economic relationship between the socialist state and the enterprises under the ownership of the whole people, namely, the separation of the power to own the means of production from, and also the unity of this power with, the powers to possess, use and allocate the means of production. The first relationship, which is a horizontal one, is embodied in basically the same manner in the assumption of sole responsibility for profits and losses by the enterprises under the two different systems of public ownership. By virtue of the latter relationship, which is a vertical one, this kind of assumption of sole responsibility for profits and losses is essentially relative and not absolute; this latter relationship embodies the internal economic relationships of the system of socialist ownership by the whole people. Above are the basic characteristics of the assumption of sole responsibility by the enterprises under the ownership by the whole people.

Because the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people is essentially relative, we are primarily required to correctly divide economic powers between the state and the enterprises. The overall requirement is that we must ensure that the enterprises will have relatively adequate decisionmaking power over their operations and management (such power being the specific form of the enterprises' powers of possession, utilization and allocation), and we must also ensure that the state has the power to own the means of production in the custody of the enterprises and will exercise unified leadership over the enterprises.

Judging from the experience of our preliminary practice, if the enterprises under the ownership by the whole people assume sole responsibility for their profits and losses, in principle, they should have the following categories of decision-making power.

1. Under the guidance of state planning, the enterprises should have the power to formulate their own plans for production according to market needs, except when limited by directive plans.

2. When the enterprises have fulfilled the tasks specified by the state with regard to its monopolistic purchase or selective purchase of products, they should have the power to allocate the remaining products. They should be allowed to make contracts with other units concerning the supply of products, to entrust the marketing of products to commercial or commodities departments, or to market the products themselves. They should also have the power to set prices for their own products according to market demand and supply and within the limits permitted by the state's policies in relation to commodity prices.

3. The enterprises should have the power to purchase the means of production by themselves according to the needs of production. They should also be empowered to dispose of, according to relevant regulations stipulated by the state, those means of production which are left unused, which embody backward technology, or which result in poor economic effect.

4. The enterprises should be empowered to retain all after-tax profits and to use them for developing production, for the staff and workers' collective welfare, for distribution bonuses and for expanding reserve funds, according to principles stipulated by the state.

5. Under the prerequisite of complying with the state's labor policies, the enterprises should be empowered to act on their own in determining the size and composition of their staff, inviting applications for jobs, recruiting workers by selecting the best qualified applicants, readjusting wages, and giving rewards or punishments to the staff and workers.

6. Within the limits of simple reproduction, the enterprises should have the sole power to allocate funds, should be allowed to utilize the depreciation funds set aside, and should enjoy decisionmaking power over reproduction that leads to the expansion of the value of material things. On this basis, the enterprises should also be permitted to raise their own funds (including after-tax profits) and to carry out, within the limits prescribed by the demands of state plans, reproduction that leads to the expansion of the value of funds.

The proposition that the enterprises should enjoy decisionmaking power over production, circulation, distribution, consumption and reproduction does not imply, in the slightest degree, that the enterprises can dispense with unified state leadership and carry out absolutely free operations. On the contrary, this proposition demands that unified state leadership over the entire national economy be ensured. The reasons are: (1) After all, the enterprises are a tiny part of the entire national economic network, and what they know about the overall situation will inevitably be limited. This limitation will develop into blindness and also become an obstacle to the proportionate development of the national economy in the absence of a social center to exercise direction and carry out readjustment. Therefore, there must be an alert and resourceful "brain" to coordinate and command them in a unified way. (2) The enterprises' independent economic interests are basically consistent with the state's interests. However, the enterprises are prone to proceed from their own interests in considering problems. This will give rise to contradictions between the enterprises' interests and the overall interests of the economy, between immediate interests and long-term interests. Therefore, the state is required to perform its functions as a regulator of interests. (3) Ours is a country with a vast territory, a large population, a backward economy, a relatively low standard of economic management, and with deep-rooted habitual forces of small producers prevailing. In view of this national condition, it is even more necessary for the state to concentrate, in a relative degree, the scattered, limited economic forces, and to undertake the "four modernizations" construction step by step, in a planned way and with emphasis on key tasks. If the state is deprived of the power to own the means of production, it will lose the power to exercise leadership over the entire national economy.

Therefore, by several means described below, the state must exercise the power of authority over the enterprises under the ownership of the whole people that assume sole responsibility for their own profits and losses. This also indicates the special nature of the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people in contrast to the assumption of sole responsibility for profits and losses by the enterprises under collective ownership.

1. The state must have the statutory power to own the means of production in the custody of the enterprises under the ownership of the whole people, and must, by virtue of this, collect taxes (or fees) from the enterprises for the possession and use of funds. The enterprises must be responsible to the state and must ensure that the means of production owned by the whole people are protected from damage.

2. The state must have the power to oversee the use of the means of production by the enterprises under the ownership of the whole people. It must be able to use various economic levers to promote the improvement in economic effect of the use of the means of production by the enterprises. It must have the power to exercise intervention, and even to close enterprises, suspend production in enterprises, merge enterprises, or shift enterprises to other types of production.

3. The state must have the power to guide and control production of the enterprises via the means of planning.

4. The state must have the power to distribute and benefit from the net income created by the enterprises, and also to stipulate the principles governing the use of the enterprises' after-tax profits.

5. On the basis of fully respecting the democratic rights of the staff and workers of the enterprises, the state must have the power to dismiss, reward or punish the principal leading cadres of the enterprises.

To sum up, to divide economic powers between the state and the enterprises in this way is only for the sake of perfecting the internal relations in the system of ownership by the whole people, and not for negating this system. Of course, when the enterprises under the ownership of the whole people really assume sole responsibility for their profits and losses, they will demand greater decisionmaking power. To a certain extent, this will indicate the separation of economic powers between the state and the enterprises. It seems that this will weaken the state's power over ownership of the means of production. However, actually, the assumption of sole responsibility for profits and losses will enable them to be closely integrated. Economic experience has shown that although under a management system marked by the assumption of responsibility for profits and losses solely by the state and marked by a high degree of concentration of power, the state's ownership power seems to be quite adequate and secure. However, because the enterprises are devoid of power, responsibility and benefits, the means of production cannot be managed really satisfactorily. A great deal of the means of production in the custody of enterprises under the ownership of the whole people have been deliberately damaged or wasted, and an even larger quantity of the means of production have not been fully utilized. Actually, the state's ownership power has thus been weakened. With the assumption of sole responsibility for profits and losses, the enterprises, proceeding from the consistency of their own interests with the state's interests, will exercise their decisionmaking power consciously, will strive to continuously improve the economic effect in their use of funds, and will thus enable the material substance of the state's ownership power to be continuously enhanced.

II

The assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people differs from the assumption of such responsibility by the enterprises under collective ownership, not only qualitatively, because these two categories of assumption of sole responsibility embody different ownership relations, but also quantitatively, because the scope in which, and the extent to which, these two categories of enterprises shoulder responsibility for profits and losses differ.

Considering the scope in which enterprises assume sole responsibility for profits and losses, those enterprises under collective ownership must shoulder complete responsibility for the profits and losses arising from their own production activity and operations, whereas for the enterprises under the ownership of the whole people, their responsibility for profits and losses is limited by their functions and powers in the domain of management and operations. For the latter, if they earn excessive profits because the state has provided them with excellent means, such as in terms of funds and technology, or if they incur losses because of mistakes in state planning, then in principle, they must not shoulder responsibility for such profits and losses.

Considering the extent to which enterprises assume sole responsibility for profits and losses, in regard to those enterprises under collective ownership, after they have paid taxes to the state, all the remaining profits will belong to their workers. All losses must be sustained by themselves and their workers, to the extent that their assets may have to be sold to cover the losses. Things are different for the enterprises under the ownership of the whole people. When they obtain profits, they must ensure benefits for the state as a priority, and they can claim only a portion of the profits. If there are losses, they should, in the first place, employ reserve funds or production development funds to cover the losses, and when the losses cannot be adequately covered in this way, they will have to use part of the staff and workers' wages as compensation. However, it must be ensured that the staff and workers' wages must not fall below a certain minimum, and moreover, their assets must not be sold at will for the sake of covering the losses. When they are incapable of bearing the responsibility for losses, the state will have to grant subsidies. For those enterprises whose operations cannot continue on account of their losses, the state must take measures to support them, close them, suspend their production, merge them with other enterprises, or shift the workers to other occupations. When enterprises under the ownership of the whole people close down, the state must accommodate their staff and workers in a centralized way.

Why are there differences in the scope and extent of responsibility for profits and losses for the two different categories of enterprises, namely those under the ownership of the whole people and those under collective ownership? It is because the degree of public ownership is different for the two categories of enterprises, so that there are differences in the extent to which, and the style in which, the enterprises' power, responsibility and interests are integrated. The enterprises under collective ownership have the power not only to possess, use and allocate, but also to own, the means of production. Correspondingly, their economic responsibility and economic interests are relatively complete. They must assume complete responsibility for their own profits and losses. On the other hand, the enterprises under the ownership of the whole people merely have the power to possess, use and allocate the means of production in their custody. Moreover, they are empowered to benefit from merely part of the fruits of their operation. Correspondingly, their economic responsibility must inevitably be incomplete, so that actually they assume responsibility for profits and losses on an incomplete and relative basis.

The relative nature of the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people is essentially embodied in the dual character of this kind of assumption of responsibility, namely, for one thing, the economic realization of the enterprises' power to possess, use and allocate the means of production, and for another, the economic realization of the state's power to own the means of production. Because of this dual character, we must clearly know the jurisdiction of the enterprises and of the state in matters of management when we want the enterprises under the ownership of the whole people to assume sole responsibility for profits and losses. Not only must the enterprises assume responsibility for profits and losses in the light of their own functions and powers, but those bodies in charge of economic leadership and management, which exercise powers on behalf of the state, must also shoulder responsibility for those profits and losses which they should be responsible for, in view of their functions and powers. In our country, over many years, great losses and wastes have been caused by the enterprises' own actions; however, losses and wastes to an even more serious extent have been due to macroeconomic disproportion and mistakes of higher organizations in management. Therefore, when we require the enterprises under the ownership of the whole people to assume sole responsibility for their profits and losses, we must proceed from the dual character of this kind of assumption of responsibility, and require both the enterprises and the leading bodies concerned in charge of management to share in the responsibility for profits and losses. Therefore, when the enterprises under the ownership of the whole people assume sole responsibility for profits and losses, this move not only appears as a reform of the enterprise system, but calls for a simultaneous reform of the entire economic system. If we do not understand this point, it will be difficult to really implement the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people.

III

The relative and incomplete nature of the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the wh[illegible]ple is also reflected in the distribution of the enterprises' profits. [illegible]ibution of the profits of those enterprises which assume sole responsibilit[illegible]rofits and losses is effected through the payment of various taxes to the state by the enterprises and the subjecting of the after-tax profits to allocation by the enterprises. Just like the enterprises under collective ownership, the enterprises under the ownership of the whole people must pay various taxes, deducted on behalf of society, to the state. Moreover, they must also pay to the state various taxes arising from the power to own the means of production, such as taxes for the possession and use of funds, resources taxes, and so on. For these enterprises, whether the designed types of taxes are rational is related to whether the role of such taxes as economic levers can be fully brought into play. This is naturally a very important point. The levels of tax rates are related to whether profits are distributed in an appropriate ratio between the state and the enterprises. This is an even more important problem which we must study vigorously.

To determine an appropriate ratio, we must in the first place clearly know what factors affect and determine this ratio. We think that generally there are two main factors. The first factor is the enterprises' need for a definite amount of economic benefit from their production, due to the enterprises' role as relatively independent producers of commodities. (The magnitude of this need varies with differences in the enterprises' circumstances and with different requirements of the readjustment of macroeconomic proportions in different periods.) The second factor is the amount of fiscal funds needed to be centralized by the state as society's overall representative. What we describe as the enterprises' need does not refer to the subjective desires of the leaders, staff and workers of the enterprises, but refers to the economic benefit which corresponds with the enterprises' economic powers and economic responsibility arising from their assumption of sole responsibility for profits and losses. The quantity of fiscal funds needed by the state depends mainly on the objective needs of state fiscal expenditure. Both the magnitude of the enterprises' need and the amount of fiscal funds needed by the state are to a certain extent flexible. However, there is a limit to this flexibility. The appropriate limit to the "enterprises' need" is that its magnitude must not be smaller than what is needed to maintain simple reproduction, to provide for the staff and workers' welfare, to distribute bonuses, and so on. The appropriate limit to the "amount of fiscal funds needed by the state" is that it must not be smaller than the minimum required amounts of social consumption funds and social accumulation funds in the state's fiscal expenditure. However, to determine a rational ratio of distribution, we must discover an optimum point somewhere between these two limits. What are the factors affecting this optimum point? The principal factor is determining jurisdiction with regard to expanded reproduction between the state and the enterprises. It is because in considering the four categories of substance in the enterprises' need, the production development funds exhibit greatest flexibility, and the other categories are relatively stable. Considering the state's fiscal matters, generally speaking, if revenue is steady, the flexibility of certain expenditures, such as those on national defense, scientific research, education, subsidizing commodity prices and so on, is limited. Such expenditures can be satisfactorily estimated. The question is that capital construction expenditures account for a large proportion of the total expenditure and are also highly flexible. Therefore, to determine a ratio according to which profits are to be distributed between the state and the enterprises, we must mainly consider how to work out a ratio by which funds for expanded reproduction are to be distributed between the state and the enterprises. In distributing such funds, we must consider whether the distribution is conducive to mobilizing the enthusiasm of the enterprises, and whether it helps the state grasp the power of leadership over the national economy. However, our consideration should basically proceed from whether it is conducive to bringing the economic effect of investment into play. Thus, we must proceed from the actual circumstances, such as the level of the productive forces in, and the economic structure of, our country at the present stage; we must carry out technological and economic forecasting and study what proportion of investment undertaken by the state, coupled with what proportion of investment undertaken by the enterprises, will produce the optimum overall economic effect in a given stage. This should be taken as the basic criterion in determining jurisdiction with regard to expanded reproduction between the state and the enterprises.

Moreover, in the light of the requirement of the planned development of the national economy, we must define the jurisdiction of the state and the enterprises with regard to expanded reproduction. Our defining of the jurisdiction must be based on various macroeconomic and microeconomic levels. In view of the many years of experience in economic planning and also the experience in the use of the enterprises' production development funds over the past 2 years, we may consider dividing the jurisdiction over expanded reproduction into sic levels: First, the level of national economic sectors; second, the level of industrial sectors; third, factories undertaking socialized or specialized production; fourth, medium-sized and small factories whose products cater to local needs; fifth, the level of major products; and sixth, the level of product variety, specifications and design. At the first and second levels, the power of investment should be mainly vested in the state. At the fourth, fifth and sixth levels, the power of investment should be mainly vested in the enterprises. The situation of the third level is rather complicated. We should determine the appropriate magnitude of the power of investment in expanded reproduction to be assigned to the enterprises in the light of differences among various enterprises in their production activities and products. For those specialized factories which have attained a high degree of socialization in production, whose products are of a single variety, and which can be conveniently subjected to statistical check, planning and supervision by society, such as modern electric power stations, power-generating plants, large-scale equipment for producing chemical fertilizer and so on, the state should take responsibility, in a centralized way, for their geographical distribution and for investment in connection with them, and should provide them only with those funds for maintaining simple reproduction and small amounts of funds for expanded reproduction. There are some specialized factories and combined enterprises which have attained a high degree of socialization and which can be conveniently subjected to statistical check and supervision by society, but whose product variety is extensive and whose product quality varies greatly. Examples are large machine-building factories, combined iron and steel works, and so on. The state should give them the necessary power of expanded reproduction. The state should assign even greater power over expanded reproduction to those specialized factories whose products exhibit great variety, involve numerous different specifications, and are quickly replaced by new generations of products. Consequently, different trades or enterprises differ in the extent to which they assume responsibility for profits and losses. The state may regulate them by means of different types of taxes and different tax rates.

IV

The assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people includes an inherent requirement of regulating, on a full scale, the differentials in the enterprises' income.

Income differentials represent excessive profits earned by some enterprises by virtue of their objectively superior conditions of production and operations. It should be noted that regulating the enterprises' income differentials constitutes an objective requirement of socialist production relations, because the existence of income differentials is contradictory to the socialist principle of equal benefits for equal amounts of labor. Considering this point, the assumption of sole responsibility for profits and losses by both the enterprises under the ownership of the whole people and the enterprises under collective ownership includes the requirement of regulating income differentials. However, the scope and extent of the regulation required differs between the two categories of enterprises. For the enterprises under collective ownership, only the regulation of part of the income differentials is required, and the state will have no power to regulate those income differentials caused by certain factors such as differences in the enterprises' technical equipment, and so on. Such income differentials can belong only to the enterprises. The assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people requires the regulation of income differentials among the enterprises on a full scale, because this kind of assumption of responsibility is connected merely with the effect of the staff and workers' labor and the effect of management and operations. Therefore, the enterprises' after-tax profits should be a sensitive indicator of the effect of the staff and workers' labor and the effect of management and operations. Such profits should not embody profits or losses due to objective conditions, such as prices, taxation, differences in technical equipment, resources or geographical location, and so on. The part of the profits or losses arising from these factors should change according to the power of ownership (or power of decisionmaking) governing these factors.

Judging from the practice of the experimentation conducted in Sichuan on the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people, the problem of regulating the income differentials among the enterprises on a full scale has been increasingly and markedly manifested as a characteristic of the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people, and has been viewed as an important matter by various circles and parties. We believe that if we base our ideas on a profound understanding of the general contents and specific characteristics of the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the people, and if we adopt the necessary measures to solve the practical problems realistically, step by step and in an orderly way, then the work of experimenting on the assumption of sole responsibility for profits and losses by the enterprises under the ownership of the whole people will develop healthily and steadily along the correct orientation.

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'JINGJI GUANLI' ON PRIVATE INDUSTRIALISTS

HK021011 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81 pp 31-34

[Article by Liang Zhuanyun [2733 0278 6663] of the Industrial and Commercial General Administrative and Management Bureau: "Problems Concerning the Restoration and Development of Individual Industrialists and Businessmen in Cities and Towns"--note passages within slantlines denote boldface type]

[Text] Individual industrial and commercial households in cities and towns are an important part of the individual economy in cities and towns and they constitute nonagricultural individual laborers. Following the 3d Plenary Session of the 11th CCP Central Committee, the Party Central Committee has, in order to promote economic activities, suggested that under the premise that the socialist public ownership has overwhelming superiority, a diversified economy should be allowed to exist while individual industrial and commercial households in cities and towns should be properly rehabilitated and developed. Facts prove that this policy is totally correct.

The Importance of Rehabilitating and Developing Individual Industrial and Commercial Households

Small businessmen and pedlars carry out their business in a diffused and flexible manner and they are able to readjust the varieties of their products in their efforts to promptly meet the needs of the people and to accommodate themselves to market changes. They may have fixed shops, set up stalls or sell their goods in streets and lanes to provide service on customers' doorsteps and therefore they are welcomed by the broad masses of consumers. In particular, the small businessmen and pedlars in rural areas are often engaged in both selling and purchasing and therefore such a practice is very much in line with the habit of exchanging goods that is very common in the countryside. Thus with such features, small businessmen and pedlars are supported by the masses and consequently they have vitality.

Negative and positive practice over the past 3 decades has proved that under the premise that the state economy and collective economy are in overwhelming superiority, it is of great significance to develop production, promote market activities, meet the needs of people's life and expand employment by actively supporting and properly developing individual industrial and commercial households in cities and towns.

/First, by developing individual industrial and commercial households we will be able to supplement the state and collective economies./ Our commercial networks have long been deficient. Take the catering trade for example. Investigations in 48 cities have shown that the number of catering points in 1979 was 90 percent less than in 1957. This means that over a period of 20 years, the number of catering points has dropped from 110,000 to 11,000. In early liberation days, the number of cities with more than 50 catering points for every 10,000 head of population was several hundred. Now there are only a handful of cities that have more than 5 points for every 10,000 head of population. It is true that over the past few years, the number of catering points in cities has considerably increased, but that is the result of the merging of the state and collective catering points with individual points which constituted a greater proportion. For example, of the catering points in Xinxiang City of Henan Province, 8 percent belong to the state, 44 percent to the collective and the remaining 48 percent to individuals. The number of catering points run by individual households in Guilin in Guangxi Province, Shangqiu in Henan Province and Liuan in Anhui Province made up two-thirds of the total catering points in each province while the proportion of state-run catering points is less than 10 percent. It is very striking at present that the number of service points lags far behind social need. But Zhengzhou City has to a certain degree solved this problem through developing individual households. For example, 20 households have been permitted to process clothing in the agricultural and sideline products market in Huayuan Street of the city. They receive 200 to 300 customers per day and they are welcomed by the masses. The masses also have complained about the shortage of repairing points. It is said that Beijing, with 3 million bicycles, has only 177 bicycle repair points and they are run by the state and the collective. Thus, an average of one repair point for every 17,000 bicycles can in no way meet the needs of the masses. Some individually-run repair points have recently begun to be developed, which is welcomed by the masses.

Individual industrial and commercial households are most suitable for undertaking scattered business focusing on handicrafts and other trades that are closely related to the people's life. In these aspects, individual industrial and commercial households are superior to the state and collective economy. For example, to totally depend on the state and collective economy in such trades as cotton fluffing, mending pots and pans, sharpening knives, repairing furniture and preparing specially tasty snacks, it is hard to meet the needs of the people. It is exactly in these aspects that the individual economy may make up for the shortfalls in the state and collective economy.

/Second, proper development of individual industrial and commercial households is in the interest of expanding employment./ At present there is a considerable number of people awaiting employment; some of these people may be employed by state enterprises but most must be employed by collective enterprises or through their own individual efforts. Practice has proved that the method of the state being totally responsible for arranging the labor force in cities and towns has not been successful and according to this method our road has been becoming narrower and narrower. On the other hand, the individual economy is easy and practicable and quick for solving problems and therefore we must make use of this channel. Investigations show that of the 4,317 individual households granted business licenses in Guangzhou early this year, 2,700 people were newly employed. In Shenyang, more than 3,000 people were employed last year because of the development of individual households; more than 1,500 badly off people had their problems resolved after they were given temporary licenses.

/Third, proper development of individual industrial and commercial households will help the diversified economy to launch competition./ People often criticize that for dozens of years the products of our enterprises have been low in quality with few varieties and the service quality of our shops has been low and service attitude bad, coupled with a serious "bureaucratic commercialized" style of work. Of course there are many reasons for this consequence and one of them is that these aspects are monopolized by the state economy without any competition. In order to overcome such shortcomings in economic activities, it is necessary as one of the methods to allow the diversified economy to launch competition. Facts have proven that this method is very important for some enterprises to improve the quality of their products and their style of business. A noodle shop in Shenyang that is run by the state had business hours from 8:00 to 9:00 am until 4:00 to 5:00 pm and it sold nothing but noodles and consequently business was not good. But last year there were two or three individual households selling deep-fried twisted dough sticks in front of the shop. They began their business early in the morning and closed late in the afternoon. Their business was good and they drew a lot of customers to the shop. Seeing that this situation was threatening their interest, the staff of the shop also got up early in the morning and they began to sell twisted dough sticks. They sold them at a lower price and of better quality and consequently they squeezed the individual households out. The service attitude and quality of the shoe-repair shops in Beijing have improved over the past few years and people say that it is largely because there is competition between these shops and the service given by individual households.

In addition, by developing individual households the state will have more revenue. In this way, we will also be able to resume the production of some traditional handicraft articles and skills and foodstuffs with local features and flavor so as to enrich the life of the people.

Obstacles in Rehabilitating and Developing Individual Industrial and Commercial Households

It is true that individual industrial and commercial households in cities and towns have developed quite rapidly over the past few years, but from the viewpoint of the whole country, the development is far from balanced. So far only Liaoning, Heilongjiang and Jilin provinces have made rapid progress in this matter. Up to the end of August last year, the number of individual industrial and commercial households in Beijing was 1,298 as against 10,000 in Shanghai and more than 4,300 in Tianjin. The majority of the staff of such households are social idlers rather than those who are approved by the departments concerned. The number of young intellectuals who are awaiting employment is very limited in such households. Investigations show that 80 percent of those engaged in individual business are social idlers and the figure for young intellectuals is less than 10 percent. The proportion of young intellectuals is even smaller in some places.

For example, of the 5,828 individual households that were given licenses in Shenyang up to the end of July last year, 49.5 percent were social idlers, 45.6 percent were retired staff and 1.8 percent were young intellectuals. Most of these people are engaged in commerce, catering and service and repair trades; only a few are engaged in handicraft and transportation. The investigations in Guangzhou carried out early this year show that of the 5,022 households that have been granted licenses, 48 percent are engaged in commerce and catering and 9 percent in handicrafts. This shows that some problems have yet to be resolved before we are able to develop individual industrial and commercial households.

/First, the question of understanding, particularly the understanding of some leading cadres./ Some people hold that developing individual industrial and commercial households will foster such styles of business as speculation and profiteering; others are even worried that with the development of such households, capitalism will become rampant. Some comrades who are responsible for this work have been warned that by developing such households they will make mistakes. A district leading cadre in Luda said not long ago: "I was criticized during the great cultural revolution because I had developed individual households and now it is necessary to consider carefully in developing such households." In order to clarify such vague understanding it is necessary to clarify: First, is developing individual households developing capitalism? The answer is no. That is because the individual industrial and commercial households we are talking about are individual laborers and they are part of the individual economy. The individual economy came into existence long before the emergence of capitalism and it is a subordinate economy. Of course, the individual economy has some negative factors that will give rise to some problems if we relax our vigilance. But as long as we are able to strengthen our management, we will be able to make this economy subordinate to the socialist economy so that it will not cause danger. Second, will the development of individual industrial and commercial households give rise to unhealthy tendencies such as speculation and profiteering? This question has to be analyzed. It is right to say that with the development of individual industrial and commercial households there will appear capitalist business style such as speculation and profiteering. But speculation and profiteering are related not only with developing such households, they have a deeper reason for their existence. And this reason is the level of development of productivity and the level of people's consciousness. But the basic way to eliminate such tendencies is to constantly develop productivity and heighten people's ideological consciousness. We cannot, just because the development of individual households may give rise to unhealthy tendencies, restrict the development of such households. The key for preventing a capitalist business style from developing is to strengthen management.

/Second, is the question of policy./ Simply speaking, the past policy for individual industrial and commercial households was that for capitalist industry and commerce. That is the policy of "utilization, restriction and restructuring." The general principle for such households was that they "could only be decreased but not increased" and finally they were to be abrogated. For example, such households were not allowed to open accounts with banks and they were not entitled to get loans from the banks. As a result, they could only engage in small business and they could not have substantial economic relations with the state and collective economy. During a long period, such households had to pay progressive tax. Under such a tax system, they had to pay 7 percent tax for an annual turnover of less than 120 yuan, 8 percent for 120 to below 180 yuan and 62 percent for an annual turnover of more than 1,320 yuan. It was also defined that they had to pay additional tax in four categories. That is to say, they had to pay an additional

10 percent tax for an annual turnover of 1,800 to below 2,500 yuan; an additional 30 percent tax had to be paid for an annual turnover of 3,500 to below 5,000 yuan; and an additional 40 percent tax for an annual turnover of over 5,000 yuan. It was thus difficult for such households even to make little profits. Such taxes were levied arbitrarily in some places and consequently it was difficult for such households to continue with their business.

The problems of the supply of goods and materials were even more serious. Commercail departments do not supply such households with commodities that are in short supply, while the supply of sugar and meat is restricted. Grain departments at most can only supply them with limited amounts of low-priced grain and edible oil. Goods and materials departments do not guarantee the supply of tinplate for repairing pots and pans and nails for repairing shoes. All this hampered the development of such households. For example, a hand-pulled noodle shop and a cold noodle-in-sauce shop that are respectively situated in Taipingqiao market and Sidao Street of Western Daoli District in Harbin can only use flour that is purchased at negotiated prices and consequently they have to sell their noodles at 0.15 yuan per liang and this price is over 100 percent higher than state-owned shops. It will be difficult for these shops to continue with their business in this way. Recently, more than 3,000 individual households in Shenyang Municipality have suspended or temporarily closed down their business because they did not have enough supply of goods.

The political treatment of individual households also has to be studied. One reason that only a few young intellectuals who are awaiting employment joined such households is that such individual households have a low social position while their political treatment is yet to be resolved. The young intellectuals who joined such households do not have social insurance and nobody cares about the length of their service and whether they want to join the party of CYL. That is why most of the young intellectuals that are awaiting employment would rather lead an idle life than working with such households; some who have joined such households regard their work as an expedient measure and do not intend to keep their jobs for long.

/Third, is the question of management./ The management over individual industrial and commercial households is very chaotic at present. In many places, such households are under the management of neighborhood committees, urban construction departments, business departments, industrial and commercial administrative departments and even public security departments. But such management is nothing but restriction or these departments are only responsible for collecting management fees and do not care about the business difficulties of these households. Government departments do not know even the basic situations of such households and therefore they are not in a position to guide and manage these households.

Strengthen Leadership and Management Over Individual Households

More people have come to gradually see the positive roles of rehabilitating and developing individual industrial and commercial households. But we must understand that such households belong to the private economy that has a negative aspect. For example, such households have a tendency of making progress blindly and they may care about nothing but making money and consequently cause social waste. They may also develop a capitalist business style such as engage in speculation and profiteering, confuse the genuine with the sham or give short measure or with such households it may be difficult to guarantee traffic safety and food hygiene. Therefore it is imperative to strengthen management over such households.

/First, strengthen iedological education./ It is necessary to repeatedly disseminate the party and government principles and policies among individual households and to educate them to be law-abiding, to resort to just trading and to serve socialism with their own labor and to educate them not to live on exploitation nor reap without sowing. We must in particular be concerned with the progress of the young intellectuals that are working with such households so that they will understand that such work is part of socialist labor and feel that it is glorious to do the job.

/Second, resort to economic measures to guide the healthy development of individual households./ The state must use the supply of goods and materials to intentionally support the business of individual households that is needed by society and restrict the business that is not suitable socially. Economic levers such as tax and interest must also be used to regulate the development of individual households. Not long ago, inland revenue departments temporarily stopped levying aggressive taxes on such households and instead, various places may levy taxes on such households as they do on the collective handicraft industry. Banking facilities have also relaxed their policies toward individual households. The individual households that have won licenses and that are doing just business and are able to repay are allowed to open bank accounts and they may ask for certain loans. These measures will no doubt play positive roles in developing individual households. All our economic policies are to serve socialist politics and therefore these policies must include encouraging just business and opposing illegal activities. For example, as a support for the young intellectuals who are undertaking individual economy, they may be permitted during a certain period to pay less or be exempted from tax; but this method is not applicable for other staff of individual households. The individual households that do not have licenses must pay tax according to the tax rate of "temporary business." Such households must pay additional tax once their profits exceed the quotas. Such a measure is not only to restrict the development of such households but is also a different treatment for the individual households with and without licenses. The individual households that should not enjoy support should not be permitted to open bank accounts, nor should they be given loans. Such households that have opened accounts should have their accounts cancelled or if they have been granted loans, these loans must be frozen. All this is aimed at directing the development of individual households.

/Third, strengthen administration and management over individual industrial and commercial households./ All individual industrial and commercial households must register and receive business licenses from industrial and commercial administrative departments in the places where they are located; no household is allowed to start doing business without approval. The industrial and commercial administrative departments must check and supervise individual households and often investigate the quality and prices of their products. Unhealthy business methods such as crude processing and replacing quality products with low-quality products must be corrected promptly while illegal activities such as speculation and profiteering and exploiting staff must be stopped. The individual households that have violated the state policies and laws must, according to the seriousness of their case, be educated, fined or have their licenses cancelled. Legal action must be taken with regard to serious offenses.

In order to manage individual households effectively it is imperative to help them establish mass organizations for self-education. In the past, individual households had their own organizations for self-education. In the past, individual households had their own organizations such as pedlars unions and handicraft unions and it is our duty to help them rehabilitate such organizations as soon as possible.

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SUPPORT FOR COLLECTIVE ECONOMY IN CITIES, TOWNS URGED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 8, 4 Aug 81 pp 16-17

[Article by Zhang Zhongshan [1728 1813 1472] of Gansu Branch of People's Bank of China: "Vigorously Support the Development of Collective Economy in Cities and Towns"]

[Text] The collective economy in cities and towns is an important component of the national economy as well as a strong economic force for realizing the four modernizations. The vigorous development of the collective economy in cities and towns is of great significance in developing production, enlivening the market, providing job opportunities and serving the people in production and daily life.

The Strong Vitality of Collective Economy

Both the collective economy and the state economy are under the system of socialist public ownership, but compared with the state economy, the collective economy has its own special features and strong points. Collective enterprises are generally organized by the laboring masses with self-raised funds or the investments of shareholders, and no state investment is needed. Apart from the taxes paid to the state, all the products of these enterprises are the property of the workers. They are small and can be operated in many different forms, and with greater decision-making power in their business operation. Their operational flexibility in meeting various social needs plays an important role in filling up certain gaps left in the state economy. The equipment for production in these enterprises is rather simple, mostly requiring high labor intensity. This is an important factor in the solution of the employment problem. Since these enterprises have their own independent accounting and the responsibility for profits and losses, personal gains are closely related to the success of business; this serves as an impetus to the workers in production and management. Besides being regulated by state planning, a fairly large portion of their supply and marketing is regulated by market conditions. Collective commerce is an important link between the city and the countryside and between production and marketing, and has the responsibility of catering to the consumers' needs. Collective commerce and state commerce combine to form a multichannel network for the circulation of commodities, and thereby help enliven the market and the economy. These are the special features that have a decisive effect on the rapid development of the collective economy in cities and towns, and on its better results. If the 1970 total industrial output value of Gansu Province is used as the base figure, then by 1980, the output value of units owned by all the people increased by only 85.67 percent, while that of units owned by collectives increased by 258.37 percent. In 1980, the total amount of profits earned by state-operated industry in Gansu Province was less than one-sixth the value of fixed assets; in the same year, however, the profits earned under the system of the collective economy in cities and towns amounted to one-quarter of the value of fixed assets. In 1979, 2 workers were employed for every 100 yuan's worth of fixed assets under state economy; under the collective economy, however, the same amount of fixed assets could provide employment for 11 workers.

From the above, we can see that the collective economy in cities and towns has been able to survive and develop mainly because of its adaptability to our productive forces at their present level, plus the many other advantages which the state economy does not enjoy. Hence, the vitality of the collective economy. As long as we provide the correct guidance, adopt flexible policies and strongly support its production, the collective economy will play an even greater role in the four modernizations by forming a mutually supplementary relationship with the economy of the whole people.

Problems Confronting Collective Economy

1. Shortage of funds, material and manpower. For many years, the state has given little financial support to collective enterprises. After tax payment, the major portion of the remaining profits was kept by the higher level departments in charge, and only a very little was left for the enterprises to use as accumulated funds. Therefore, expanded production was difficult. In 1979, for example, Lanzhou Municipality invested 3.04 million yuan in capital construction under the collective economy, and this amount was only 8 percent of the total investments in capital construction for the municipality. It was further stipulated in unequivocal terms that no graduates from universities or vocational high schools could be assigned to collective units. Moreover, the production of these units could not be included in state planning, and there was no guarantee of a supply of the required equipment and raw materials. Thus the development of the collective economy was seriously hampered.

2. Low wages and limited fringe benefits. In 1979, the average wage of a worker of the collective industry in cities and towns throughout the country was 515 yuan, 190 yuan less than that of his counterpart in a state-operated unit. In the same year, 62,416 workers in the collective sector of the province were not elegible for a nonstaple-food subsidy. Workers of many collective units could not enjoy labor insurance, retirement benefits or free medical care during retirement.

3. Heavy tax burden, high tax rate and low minimum taxable income. Before 1956, the state collected progressive taxes from collective enterprises at the rate of 5-36 percent within fixed limits. Now, unlimited progressive taxes are being collected up to 7-55 percent. For this reason, some small collective enterprises lacked the courage to expand their business, while the large collective enterprises were increasingly impoverished.

4. Lack of guiding ideology for banks in dealing with collective economy. Some comrades in banks held the view that the collective economy is only a transitional form which should be taken advantage of, restricted and remolded; therefore, it is not entitled to the same treatment as that given to the system of ownership by the whole people. Furthermore, in view of the large number of collective units in the

cities and towns, their weak economic foundation and their personnel from diversified class origins, these comrades were afraid that the loans could not be redeemed by them. Therefore, these comrades refused to grant loans under any pretext; if they granted any at all, they would reduce it to a minimum. In some localities, banks were unapproachable for loans. They were particularly strict in opening or settling the accounts of collective enterprises, thus creating more difficulties for these enterprises.

5. The problems of duplicated construction, blind production and competition for tasks, materials and technology in the collective economy. In Pingliang County, for example, there are six collective enterprises utilizing waste paper as raw material. Formerly there was an "overabundance" of waste paper; now there is a scarcity. If the required material has to be imported from Xian, the cost of each ton of waste paper will be increased from 70 to 140 yuan, and this high production cost will result in poor sales. There are huge stockpiles of coarse paper and toilet paper, and two old plants in Pingliang--one paper mill and one fiberboard plant--were forced to close down. This is an indication of some problems in overall planning and readjustment in developing collective economy.

All these problems are inseparable from the effects of "leftist" ideology which claimed that "the bigger a productive unit is, the higher should be the degree of its public ownership." For many years, the collective economy failed to receive the consideration it deserved; even for a time it was treated as a "capitalist tail" and the "soil for breeding capitalism" and therefore given the axe. Whenever there was an opportunity, there would be irrational "escalations" and "transitions" which restricted the development of collective enterprises.

Banks' Obligation To Support Collective Economic Development

In order that the collective economy can play its proper role in the national economy, we should conscientiously sum up our experiences, draw our lessons, emancipate our minds and arrive at a correct understanding. We should also adopt more flexible policies and carry our readjustments. In dealing with collective enterprises, the departments concerned should uphold the principle of "helping it to mount the horse and escorting it to a certain point," and "allowing a period of rest for the sake of recovery." They should take positive action to "loosen the fetters and smash the locks" in a vigorous effort to support the development of the collective economy. The banks, on their part, should quickly correct their wrong ideas about collective economy, and support it by extending loans and providing facilities in the settlement of accounts. They should also guide them in financial bookkeeping so as to expedite the improvement of their business management.

In granting loans, the banks should continue to uphold the principle of "giving preferential treatment to the best" instead of arbitrarily imposing restrictions. If collective enterprises are making good use of their resources and producing easily saleable goods, the banks should actively support them. The banks should also grant loans at appropriate times for the purpose of tapping potentials, renovation and transformation among the collective enterprises, so that their equipment can be upgraded or replaced. In dealing with funds needed by collective retail stores or commercial cooperatives for the purchase of goods, loans should be granted according to the minimum standard. In granting loans, however, they must be careful to avoid any further extention of the capital construction front. Bearing in mind the need to create more job opportunities and to bring into play the strong points of each locality, they should correctly implement the credit policy by treating every case on its own merits so as to promote the healthy development of the collective economy.

State funds indirectly appropriated by collective enterprises should as a rule be replaced by direct bank loans. There have been many restrictions on granting loans, and on the opening and closing of accounts for the collective enterprises. This has resulted in the overdue repayment of their loans. There was also encroachment on one another's funds so that finally the state economy had to be chiseled. This is an indirect way to use state funds. Therefore, instead of allowing them to use state funds, it would be better for the banks to extend them direct loans. To solve the employment problem for the sons and daughters of their workers and staff members, some large plants have specially allocated funds, equipment and even raw material to set up small collective factories, which were in fact equivalent to workshops affiliated with the large plants. Some of these investments took the form of advanced payments; others were simply given free. In essence, this is the use of state funds in the collective economy. Therefore, we should try our best to create favorable conditions for large plants to operate collective enterprises so that the funds for these plants, instead of dying down indefinitely, would be replaced gradually by bank loans.

It is suggested that cooperative banks be set up in cities and towns for the unified handling of deposits, loans and remittances as a facility for these collective enterprises, so that money from a collective source will be spent on collective undertakings. This will be a more effective way of using loans and interest rates as economic levers to supply funds for the development and regulation of the collective economy.

We should actively assist the collective enterprises in cities and towns to clear the channels for production, supply and marketing and to solve real problems in production. At present, collective industrial enterprises are mainly dependent on the processing of materials supplied by customers and industrial-commercial contracts, besides producing and selling their own goods. The raw materials sources for them are not included in the state planning, and they have to "look for rice to cook their meals." As to the marketing of their products, they can only rely on their own efforts in the absence of a regular contractual relationship between them and the commercial procurement departments. That is the cause for occasional overstocking which tied down the circulating fund. With their wide range of contacts and their ability to promptly reflect on the general situation, the banks therefore should take advantage of their special position in helping the enterprises, through industrial or commercial loans, make reliable market forecasts, ascertain the laws of supply and demand, produce easily marketable goods and strengthen their own competitive power. There will then be steady progress and sustained development for the collective economy.

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FINANCIAL RESPONSIBILITY SYSTEM PAYS OFF IN HEBEI PROVINCE

Shijiazhuang HEBEI RIBAO in Chinese 30 Jul 81 p 1

[Article by correspondent Ji Cainong [0370 6299 6593]: "Profits Continue To Increase Every Year After Introduction of Financial Responsibility System for Farms and Pastures in Hebei"]

[Text] The system of financial responsibility adopted by 33 state farms and pastures has shown remarkable economic results.

For a long time, many farms and pastures suffered losses. After the introduction of the system of financial responsibility, they made a total profit of 3.7 million yuan in 1977. It was raised to 26.68 million yuan in 1978 and 34.46 million yuan in 1979. In 1980 despite various natural disasters and other causes of poor harvests, their profits still remained as high as 48.21 million yuan, which was 12.8 times that of 1977. The reform of the financial system has not only reduced the state's burden, but also changed the conditions of production at state farms and pastures. According to statistics, the surplus funds retained by the farms and pastures, after fulfilling their quota, amounted to more than 100 million yuan, or twice the state investments in the province's capital construction from 1972 to 1979. The income of workers and staff members has also been increased. The farms and pastures have also appropriated 20 million yuan to build dormitories for the workers with a total floorspace of 250 million square meters which is equivalent to the total floorspace of houses built with state funds in the past 10 and more years. The housing situation characterized by "three generations being crammed in the same house with inadequate protection against inclement weather" has been basically changed.

As present, the broad masses of cadres, workers and staff members of various state farms and pastures in the province are conscientiously summing up their experiences of the responsibility system, and, on this basis, revising the rules and regulations in an effort to improve business management and to achieve even greater success this year.

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FINANCIAL SUPERVISION NEEDED TO CHECK UNHEALTHY TENDENCIES

Beijing ZHONGGUO CAIMAO BAO in Chinese 1 Aug 81 p 1

[Article by unidentified correspondent: "Uphold Financial and Economic Discipline, Check Unhealthy Tendencies--Many Localities Have Set Up Organs To Exercise Financial Supervision"]

[Text] Under the leadership of the party committees and the government at various levels, the financial supervisory departments in many localities have actively carried out investigations on cases of violation of financial and economic disciplines since last year. According to incomplete statistics, more than 12,000 cases involving more than 689 million yuan have been brought to light. By now, some 9,100 cases have been closed and some 251 million yuan recovered.

Acting in accordance with "Several Regulations Concerning Financial Supervision Issued by the Ministry of Finance" approved and relayed by the State Council, many localities and departments have formed and improved their own financial supervision organs. By now, financial supervision centers have been set up in the financial bureaus of all 29 provinces, municipalities and autonomous regions of the country, while the financial departments of some 320 prefectures, municipalities (prefectures and leagues) and some 1,400 counties have either set up their own supervisory organs or included professional financial supervisors in their personnel. Throughout the country there are now more than 3,500 financial supervisory cadres, more than doubling the number since 1979. Among the various ministries, commissions and other organs directly affiliated with the State Council, 31 of them have already set up, or are preparing to set up, financial supervisory organs.

In 1980, acting in accordance with the spirit of "Several Regulations Concerning Financial Supervision Issued by the Ministry of Finance," the financial supervisory departments in various localities have allocated more than 1,900 persons to the job of auditing financial receipts and expenditures from 1979 and enforcing financial and economic discipline.

To sum up and exchange experiences in this connection, and to plan future work, the Ministry of Finance recently held a national financial supervision work conference in Beijing which called on the financial departments in various localities to strengthen their supervision in order to maintain a financial balance for the current year and to check unhealthy tendencies in the economic sphere. The financial departments were also urged to take a serious view of the violations which might jeopardize the financial receipts and expenditures balance, and the cases of seeking revenge by attacking financial and accounting personnel. Such cases must be dealt with severely.

The conference called on all ministries, commissions and other organs directly affiliated to the State Council, and the various bureaus in the provinces and municipalities to act in accordance with the State Council's relevant regulations by setting up financial supervision organs or by including financial supervisors in their personnel. Financial departments at all levels were also urged to keep a sufficient number of supervisory cadres to meet the requirements of financial supervision.

Comrade Zhang Yun [4545 5686], deputy secretary of the Central Commssion for Inspection of Discipline, attended the conference and made an important speech. She called on the committees of inspection of discipline at all levels to support strongly the financial supervisory cadres and the financial and accounting personnel in combating violations of financial and economic discipline and in checking unhealthy tendencies in the economic sphere.

Before the conference adjourned, some leading comrades of the Ministry of Finance also came to give talks and to present summary reports.

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FINANCE AND BANKING

NEW DEVELOPMENTS IN CURRENCY CIRCULATION STUDIED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 8, 4 Aug 81 pp 7-8

[Article by Meng Zhaoxia [1322 3507 1115] and Peng Ziqin [1756 1311 0530] of Tianjin Branch of People's Bank of China: "New Conditions and New Changes in Currency Circulation"]

[Text] Along with the deepening of national economic readjustments and restructuring and the implemention of the party's rural economic policies, many new conditions and new elements have emerged in our currency circulation. What are the effects of these new conditions and new elements on the amount of currency required for circulation in the market? Based on recent research on currency circulation, we are of the opinion that the following conditions deserve our attention.

1. The increase of social groups and units, and the greater number of people seeking employment have brought about the need for an increased amount of currency in circulation. These increases along with economic development have made it necessary to increase the amount of cash to be used as operating expenses. According to statistics compiled after an investigation in Tianjin Municipality, the number of units responsible for cash control in the municipality in 1980 increased by 67 percent over that of 1965. Furthermore, because of the continual increase of channels for economic activities and the more flexible scope for the use of cash, the average cash on hand as established by the banks for the units was raised from 250 to 340 yuan, a 36 percent increase. For these two increases alone, an increase of 2.85 million yuan is required for circulation. Also, in view of the huge number of people looking for jobs, the need for increased currency is obvious. In the 15 years since 1965, some 1,391,000 people were added to the work force. The number of persons to be supported in each worker's family in the municipality was reduced from 1.78 in 1965 to 0.48 in 1980. The number of workers and staff members has been sharply increased, and the currency holdings of each new worker are estimated to be 6.36 yuan.

2. The change in the pattern of consumption by residents has led to the need for increased currency. In recent years, consumers have spent more on clothing and daily conveniences and less on food. According to statistics, the proportion of food in the retail sales of consumer goods in the municipality was reduced from 58.8 percent in 1965 to 43.18 percent in 1980, while that of clothing was increased from 12.7 percent to 22.42 percent, and that of daily conveniences was increased

from 28.5 percent to 34.44 percent in the same period. An investigation of the household expenses of 500 workers has revealed that among the 30 items of commodities for household use, electric appliances and garments, bicycles, sewing machines, clocks and watches, TV sets and others of the 10 major items, woolen garments and furniture are now in great deamnd. The demand for high-grade consumer goods is particularly keen among young people preparing to be married. According to a study on newly married couples and young people preparing to be married in Yangu District of Tianjin, each wedding ceremony cost more than 1,500 yuan. In planning of this occasion, each of these young people had to keep on hand 420 yuan--which is 12 times the average holdings of the urban population--for a month or more before the wedding. Based on the number of married couples in 1980 throughout the municipality, namely 115,300, there would be at least 4 million yuan of floating currency in the market.

3. The increase of channels for commodity circulation leads to an increased need for currency in circulation. Speaking of agricultural trade fairs, we now have more than 100 of them in the urban and suburban areas of our municipality, and the volume of their transactions increased from 23.21 million yuan in 1977 to 108.42 million yuan, or 3.1 percent of the total retail sales, in 1980. According to estimates based on investigations, the volume of transactions of agricultural and sideline products in the central district of the municipality in 1980 totaled some 42 million yuan with 11.75 turnovers. A total of 3.4 million yuan was thus required for circulation. The volume of transactions in the trade fairs of the suburban counties reached 67 million yuan with 10.06 turnovers and requiring an amount of 6.6 million yuan for circulation. This shows the very great effects of agricultural trade fairs on currency circulation. Now let us look at the situation of individual industrial and commercial undertakings. In 1977, there were in the municipality only 888 of them; by the end of 1980, the number was increased to 8,544 with a total personnel of 9,653, a total private capital of 1.23 million yuan and business transactions totaling 14.23 million yuan. The number of these undertakings was further increased to 11,106 with a total personal of 12,592 in May 1981. In 1980, individual industrial and commercial undertakings opened 929 bank accounts, which amounted to 10.87 percent of the total number, with an average credit balance of more than 100 yuan. There are 7,615 such undertakings which have not yet opened any bank account, and, based on the calculation from this bank balance, they should be in possession of approximately 760,000 yuan. If we figure an average of 220 yuan for cash holdings, according to a survey on 26 undertakings, then an additional 1.9 million yuan will be required for circulation. Hereafter, the increase of individual undertakings will also increase the amount of currency holdings.

4. The implementation of the party's rural economic policy and the further improvement of the rural economy will require more currency for the market. This requirement is first manifested in the increase of rural communes, production brigades, production teams and work groups following the introduction of the responsibility system in the countryside. According to statistics, the number of production teams in the municipality in 1980 was increased by 1,166, an 8 percent increase. No statistics are available on work groups in the municipality; however, according to a survey conducted in Jinghai County, there are in this county 412 work groups. Based on this figure, it is estimated that there are more than 3,000 work groups in the municipality. More imprest funds are required for additional accounting units. In Jinghai County, each unit possesses an average of not less

than 100 yuan for its own fund for lending, and according to this rate, more than 400,000 yuan are required for the whole municipality.

Secondly, settlement of accounts with cash, which has become more common in the countryside requires a corresponding increase of currency in circulation. In 1980, the total value of procurement for agricultural and sideline products was 420 million yuan, of which 31.8 percent was paid for in cash. Aside from the marked increase of commodities as a result of a diversified economy, the system of production quota for groups and households has increased the channels of sales to the state. There is now a greater need for cash settlement, and for state procurement alone, an additional 1.1 million yuan is required.

Thirdly, the increase of labor power in the countryside has also increased the amount of currency holdings. In 1980, the labor power in the communes and production brigades and teams of the municipality was 42.2 percent more than in 1965. After working for the collective, the vast majority of commune members are engaged in private cattle raising, in weaving and knitting by hand, or in other sideline occupations. The average income for each commune member from the collective was about 155.8 yuan, an increase of 7.4 percent over 1979, and an alltime high. According to surveys conducted on 10 production brigades of the upper, lower and middle categories with regard to household sideline occupation, the average income from the sales of material objects (mainly grain and nonstaple food) for each commune member was 14.02 yuan, a 4.4 percent increase over 1979; from products of private lots and other sideline occupation, 75.28 yuan, a 4.5 percent increase; and 18.37 yuan from wages, bonuses and subsidies, a 43 percent increase. On this basis, an additional amount of 3.8 million yuan in circulation is required.

Fourthly, many peasants are building new houses. According to statistics, 7.4 percent of the peasants in the municipality have built new houses and some 210,000 of them have been, or are being, built. About 80 percent of these houses are built of bricks, and each of these houses costs approximately 770 yuan. In view of the general scaracity of building materials in the countryside, the peasants have to wait some time for these materials and to keep approximately 42 yuan on hand for each house. In the countryside, new houses are usually built during the transition period from spring to summer, especially from March to May. By the yearend, the amount of currency required is usually below the annual average, but still not less than 1 million yuan.

5. The reduction of private hoarding has correspondingly alleviated part of the demand for currency in the market. In 1979 and 1980, the rate of bank interest was constantly raised and savings deposits increased rapidly. The total amount of these deposits is now more than 8 percent of the total payment of wages. According to statistics compiled from a survey on 7 savings centers, approximately 25 percent of the savings deposits came from the "cash drawer bottom." For this, we can deduce that in the past 2 years, the amount of private hoarding was reduced by 22.3 million yuan. At the same time, the hoarding of subsidiary coins has increased. From 1977 to 1980, the municipality withdrew a total of 450 million yuan from circulation, but, in the same period, the total amount of subsidiary coins issued was 2.12 million yuan more than the amount withdrawn; and for every subsidiary coin withdrawn, 2.6 subsidiary coins were issued. In the past 2 years, particularly, the hoarding of coins among young people and children showed a marked increase. According to

to statistics based on a survey on 26 children in the No 7 Kindergarten, 24 of them had personal savings. Out of these 24, 19 students saved a total of 48.06 yuan in coins, averaging 2.33 yuan each; [figures as published] and 30.4 yuan in bank notes of 10-cent denomination, averaging 1.6 yuan each. Apart from this, the 184,000 yuan issued in coins in the municipality were all hoarded. The grand total of subsidiary notes and coins hoarded amounted to 2.3 million yuan.

6. Credit sales have reduced the volume of currency in circulation. Since 1980, credit sales have been on the increase. Credit usually takes one of these two forms: first, in the form of consumer loans granted by the credit and investment company of the bank. This was how 1,905,000 yuan was loaned out to push the sales of 14-inch color TV sets, produced by the 712d Plant. Second, in the form of direct credit sales by the industrial enterprises or through consignment to commercial enterprises. The No 3 Radio Plant has set up a credit system for the sale of 12-inch black and white TV sets of Tianjin brand and has sold 14,000 sets for 5.2 million yuan in this way. It is estimated that credit sales in the municipality will be above 14 million yuan, and this will reduce the volume of currency for circulation by approximately 1 million yuan.

From the above, we can see that many new conditions have emerged in currency circulation in the past 2 years. Some of these conditions call for an increase of currency in circulation; others call for a decrease. We must therefore conduct in-depth investigations to ascertain the actual situation and then carry out a comprehensive analysis before we can reach a correct decision and work out correct currency policies accordingly.

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BEIJING MINING BUREAU OVERFULFILLS COAL PRODUCTION PLAN

Beijing BEIJING RIBAO in Chinese 25 Jun 81 p 1

[Article by Yu Fei 0060 7378: "The Leadership Goes Deeply Into the Pits To Command, Greatly Reorganized Labor Discipline; From January to May, the Beijing Mining Bureau Overfulfills Raw Coal Production Plan"]

[Text] The Beijing Mining Bureau has conscientiously changed the style of leadership, reorganized the labor discipline, and from January to May this year, it overfulfilled the raw coal production plan.

As of April this year, the Beijing Mining Bureau's production showed a deficit, and up to the middle 10 days of May, the whole bureau was short over 50,000 tons of raw coal production. The party committee of the bureau made the timely decision to strengthen command at the first line of production in the pits, reorganized labor discipline and strengthened safe production. The party committee secretary and the bureau chief and leading cadres led 57 cadres of the bureau agencies to form a production leadership group which went deeply into 9 mines to ascertain the reason for the production deficit and to solve the problems existing in production. At one time the Datai coal mine had a larger deficit, and the bureau's leadership group studied the problem with the mine leaders and decided to implement the management method of dividing the responsibility of the production sections in the pit. The mine leaders accompanied the three shifts to direct production. By the end of May, this mine completed the raw coal production plan with a surplus of 2,200 tons. The party committee secretaries and chief officers of many mines went into the pits to struggle alongside the workers and strive to produce coal. Each mine exerted efforts to praise the progressive comrades, and at the same time, those who violated labor discipline were severely dealt with. During the last 10 days of May, the Daanshan mine had six workers who falsely reported attendance. After the mine leaders understood the situation, the workers were severely dealt with individually. By the end of May, this bureau not only pulled itself out of its deficit, but it completed the raw coal production plan for the period from January to May with a surplus of 699 tons. While assuring the completion of the production task, it also took measures to actively carry out reorganization. Since the beginning of June, the production of this bureau has continued to increase, and by 23 June the entire bureau produced 4,000 tons more raw coal than planned.

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ENERGY

DATONG BUREAU USES MECHANIZED COAL EXTRACTION TECHNOLOGY

Beijing GUANGMING RIBAO in Chinese 10 Jul 81 p 1

[Report by reporter Sun Xinde [1327 2450 1795] and correspondents Wang Rongping [3769 2837 1627] and Ma Yuxiang [7456 3768 4382]: "Datong Mining Bureau Suits Measures to Local Circumstances, Develops Comprehensive Mechanized Coal Extraction Technology and Achieves Noticeable Results"]

[Text] In recent years, our nation's largest coal production base, the Datong Mining Bureau in Shanxi Province, suiting measures to local circumstances, has actively developed a new comprehensive mechanized coal extraction technology and has achieved noticeable results. In 1980, the entire bureau's production of coal by mechanized extraction constituted 39 percent of the extraction production, whereas in the first quarter of this year the percentage reached 48 percent.

Comprehensive mechanized coal extraction is an advanced coal extraction technology developed internationally in the 1950's and 1960's. It involves the use of a system of facilities to extract, load and transport coal, support the mine shaft and control the roof plates in the mine shaft, and similar work procedures to carry out comprehensive mechanized production. The Datong coalfields have a rich reserve located at a shallow depth, the geological structure is simple, and the coal layer reserves are level, so they are suited for using this new technology. The bureau cooperated with the Taiyuan Coal Institute of the Coal Sciences Institute and successfully developed a mobile support for hydraulic pressure extraction of the thin coal layer in the Datong coalfields after 4 years of research and development for use in production. Later, they went on to develop a fixed model and put into production many types of buttress hydraulic pressure mobile supports suitable for the Datong coalfields. At the same time, the state also adopted some comprehensive extraction facilities introduced to the bureau from abroad and they served importantly in production. At present, the bureau has 28 comprehensive extraction teams which have successfully experimented and popularized the new technology of comprehensive extraction in 14 exploitable coalbeds.

The efforts of the Datong Mining Bureau to develop comprehensive mechanized extraction of coal has brought about five welcome changes for this large-scale coal production base:

1. The yield and the efficiency have been increased. Last year, the entire bureau's production increased 4.28 million tons over that before employing comprehensive mechanized extraction. The average monthly production of comprehensive extraction was 3.4 times that using ordinary mechanized extraction of coal and 2.46 times that of blast mining. The efficiency of extraction is 2.5 times that of ordinary extraction and blast mining.

2. Safety is good and fewer injuries occur. The upper part of the Datong coalfields belong to the Jurassic period: the coal is hard, the top plate is hard, metal and wooden supports for the top plates do not completely satisfy the requirements, and top plate accidents occur easily. Now, the comprehensive extraction facilities include a high-tonnage strong metallic mobile hydralic pressure support for the top plate, the injection of water, and similar other technical measures, so the safety is greatly increased. For several years, comprehensive extraction has eliminated death due to accidents caused by the collapse of the top plates.

3. The retrieval rate of coal resources has been increased. In 1980, the entire bureau worked 16 new comprehensive extraction sites: the retrieval rate at the sites reached 71.59 percent, an increase of 5.41 percent over that of 1979, and over 2 million tons more of coal were retrieved.

4. The scope of coal extraction has widened, the direction has lengthened, and the amount of work involved in digging tunnels and alleys required to produce the same quantity of coal has been reduced. According to statistics, in 1980 the entire bureau dug 42,000 meters less tunnels and alleys using comprehensive extraction.

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BEIJING NOTICE ORDERS STRONGER CONTROL OVER BOTTLED GAS

Beijing BEIJING RIBAO in Chinese 12 Jun 81 p 1

[Article: "Strengthen Control of Civilian Liquid Gas, Carry Out the Work of Planned Supply Well; City Government Notice Orders a Halt to Blind Production and Sale of Steel Bottles of Liquid Gas"]

[Text] The city government recently issued a notice ordering stronger control over civilian liquid petroleum gas and a halt to blind production and sale of steel bottles of liquid petroleum gas, calling on concerned departments to enforce implementation of the order.

Since last year, civilian liquid petroleum gas in the city has been in short supply, the gap between demand and supply has become wider and wider. To cope with this, many ways must be used to increase the source of gas, and on the other hand, control must be strengthened in order to carry out the work of planned supply well. But at present, the units that produce steel bottles of liquid petroleum gas in the city have increased in number, and steel bottles of gas are even being sold on the agricultural and commercial markets. This disregard for the condition of resources and blind production and sale of steel bottles of gas have destroyed the planned supply of liquid petroleum gas, throwing the amount of sales out of control and intensifying the supply shortage.

To carry out the work of planned supply of liquid gas well and to strengthen control over civilian liquid petroleum gas, the city government has ordered:

1. All steel bottles of liquid petroleum gas for civilian use in the city of Beijing are to be manufactured under assignment by the Beijing City Gas Utensils Plant; other plants and units are not allowed to produce any further bottles.

2. All steel bottles of liquid petroleum gas for civilian use in the city of Beijing must be uniformly managed and sold by the city gas company and must carry the label of the city gas company. Other units or individuals are prohibited from dealing in or selling steel bottles of liquid petroleum gas. The steel bottles produced by the city gas utensils plant and used in the city are sold under contract by the city gas company. The gas utensils plant cannot sell them in the city in any way.

3. The city's liquid petroleum gas users will be uniformly dealt with and developed by the city gas company in accordance with the conditions of petroleum resources. No units or individuals are allowed to purchase steel bottles of gas elsewhere or use other illegal means to increase users or to purchase liquid petroleum gas in the city.

4. The city gas company must conscientiously strengthen control over the supply of liquid petroleum gas and strictly control the blind increase in the number of users of liquid petroleum gas. Users that do not have the capital or that borrow capital to purchase gas and users that use steel bottles of purchased gas without the label of the gas company will not be supplied.

The supply to autonomous users, industrial, scientific research and other users must be limited. Shipment of liquid petroleum gas to other places is strictly prohibited. The city gas company must conscientiously investigate and halt the supply to users in other regions. Units or individuals located in Beijing are not allowed to purchase gas in Beijing for any outside units or users in any way.

5. The city public utilities bureau and its subordinate gas company and the city coal company must join together to strengthen the leadership of the supply and marketing stations of liquid petroleum gas, improve management and control, improve the quality of service, and strictly carry out the above regulations.

6. The responsible persons of units violating the regulations will be given the necessary discipline by the superior departments according to the situation.

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'JINGJI GUANLI' ON SHANDONG COTTON OUTPUT

HK030920 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81 pp 14-16

[Article by Zhong Yi [0022 3015]: "What Is the Significance of the Great Increase in Cotton Output in Shandong?"--slantlines denote boldface]

[Text] In 1980, Shandong Province witnessed a great increase in cotton output. The unit output of ginned cotton of the province reached 97 jin per mu, an increase of 56 jin per mu over 1979. This figure far surpassed the national average output level. A great number of typical examples of high output have emerged throughout the province and there are 30-odd counties with an average output of over 100 jin per mu. For example, Guan County attained an average output of 132 jin, Yanggu County 137 jin, Wenshang County 150 jin. The total cotton output of the province exceeded 10 million dan for the first time, in other words, the output increased by 7.40 million dan over 1979, an increase of 2.2 times. A level and growth margin of cotton output per unit area such as that achieved in the province last year has not been witnessed since the founding of the People's Republic.

Due to the good harvest of cotton, the province supplied the state with a large amount of commodity cotton. The total amount of commodity cotton sold to the state by all communes and brigades throughout the province in 1980 exceeded 10 million dan, which surpasses the total sold in the 3 years of 1977, 1978 and 1979, and is more than double the highest annual output in history. The average amount of ginned cotton sold by each cotton producer to the state was 42 jin last year. In Liaocheng, one of the key cotton-producing regions, every cotton producer, on the average, sold 85 jin of cotton to the state. In Linqing County it was 106 jin. Based on a rough calculation, with the yarn spun from the increased 7.40 million dan of cotton, about 2.1 billion meters of cloth can be produced; that is to say, for every person in our country there is an extra 6 plus chi of cloth. This has not only vigorously assisted the development of the textile industry enabling it to produce more cotton fabrics to fulfill the needs of the people, but also helped a lot in activating the market, withdrawing currency from circulation, and increasing the state's financial income.

Due to the good harvest of cotton, collective and personal incomes doubled last year. In 1980, the income from the cotton production of the province reached 2.4 billion yuan, an increase of nearly 1.7 billion yuan over 1979. Every cotton producer's income increased by an average 70 yuan. Some backward regions, in particular, the key cotton-producing regions in the north western part of Shandong Province, have begun to undergo gratifying changes because of the all-round good harvest of cotton last year. The revenue from cotton production in the four cotton-producing regions of Huimin, Dezhou, Liaocheng and Heze amounted to 1.8 billion yuan, and accounted for more than 80 percent of the total agricultural revenue. The revenue from cotton production in Liaocheng region, which is the cotton-producing center of the province, amounted to 680 million yuan last year, and exceeded the total agricultural revenue of the year before. Hence, the fund used for collective accumulation and production has more than doubled. In the three cotton-producing regions of Liaoching, Dezhou and Heze, there were 940,000 households, about one-fourth of the total number of farm households, whose income exceeded 500 yuan. The revenue from cotton production of Wenshang County exceeded 100 million yuan last year, an increase of 3.8 times over the year before and this accounted for 67 percent of the total agricultural revenue. And the commune members of this county had an average per capita income of 284 yuan. The revenue from cotton production of Linqing County was 116 million yuan last year. There were 27,000 households, 24.5 percent of the total number of farm households, whose income exceeded 1,000 yuan. The Fengquan production team of the Yandian commune in this county is a well-known "barren land" where only weeds thrive, and the average cotton output was merely 2.8 jin per mu in 1977. This team also achieved a tremendously good harvest in 1980. The average output reached 140 jin per mu and the income of every member rose to 146 yuan in contrast with the 51 yuan of the year before.

The reasons why Shandong achieved such a big increase in cotton output are varied. The main reasons can be summed up in four points: correct policies, a scientific attitude, the people's efforts and a favorable climate.

1. /The conscientious enforcement of the policy./ In the last few years, the cotton output of the province has been fluctuating around 3 million dan or so, much lower than the record level. What were the actual reasons? According to the investigation, one of the most important reasons was that the problem concerning the grain ration for cotton producers has not yet been solved. Besides, the income gained from cotton producing remained low, the rewards did not match work and both these factors caused problems as well. To deal with these problems, the provincial authorities last year further carried out the whole series of guidelines and policies initiated by the central authorities concerning the promotion of cotton production. A policy of linking grain ration to cotton production has been carried out throughout the province. According to this policy, the grain ration for cotton producers is calculated in basic accounting units. Everyone who provides the state with 10 jin of ginned cotton can get a grain ration of not less than 365 jin; if providing more than 10 jin, every extra jin of ginned cotton will be rewarded with 1.5 jin of grain; everyone who provinces 20 jin of ginned cotton will be assured of a grain ration of 380 jin; those who provide more than 20 jin will get 4 jin of grain or 2 jin of chemical fertilizer for each extra jin of ginned cotton. Thus the grain ration can be increased to as much as 600 jin. In order to win the people's confidence, the provincial authorities set aside more than 500 million jin of grain at the beginning of last year to be used in implementing the policy. Under such a policy, the cotton producers' grain ration is ensured; and on the other hand, the more cotton produced, the more grain received. Thus the problem concerning the grain ration for the broad masses of cotton producers has been solved fairly.

In the meantime, as the purchasing price for cotton has been raised and the production responsibility system of linking remuneration to output has been adopted, the situation of low returns for cotton producing has been changed and the egalitarian practices in distribution have been properly overcome. The cotton producers' enthusiasm for production was vigorously mobilized as soon as these policies were put into effect. Last year, besides actively promoting cotton producing, many communes and brigades even reallocated plots for cotton producing--some fertile plots and even quite a few private plots have been used for cotton producing.

2. /The enforcement of "five fixes and one reward"--multiform job responsibility system of linking remuneration to output./ The "five fixes and one reward" means: Fix the plot, fix the labor, fix the output, fix the cost, fix the remuneration; and reward overproduction. The so-called multiform job responsibility system means the coexistence of three forms: fixing output quotas on a group basis for some cases, on a household basis for some others and on an able-bodied person basis for the rest. No matter which form is adopted, all things must be done under the prerequisite of "three upholds" (uphold the public ownership of the means of production, uphold the accounting system in which the basic accounting unit is the production team, uphold the principle of distribution according to work) and "five unifieds" (unified leadership, unified planning, unified plowing, unified irrigation and unified distribution). In order to carry out the policy of the "five fixes and one reward," contracts for production and purchase were signed at all levels--the province, the region, the county, the commune, the brigade and the production team--and job contracts on rewards and punishments were signed between the team and commune members. All these activities have played an essential role in improving the administration of cotton producing and raising the cotton output.

According to reports from different places, the enforcement of the "five fixes and one reward" production responsibility system of linking remuneration to output has brought about a few great changes. The first change is the raising of the production consciousness of commune members. In the past, people used to reluctantly go to work only after earnest urging by team leaders, and always loafed around the fields. Now they go to work without being urged and work from dawn to dusk, striving for a high yield. The second change is the meticulosity of field management. In the past, the management was a mere formality to deceive higher authorities. Now, intensive and meticulous farming and stressing practical results has become a common practice. Take sowing for example. Now people process seed by seed, strip by strip, and work very carefully to save all seedlings, just like they do when planting melons. The third change is the raising of the land utilization ratio. In the past, people used to leave a wide margin around cottonfields, and gaps could always be found in strips. Today, people make use of every inch of land and save even a single seedling. The fourth chage is the advocating of scientific cotton producing. In the past, people used to grow cotton in a traditional way and rejected any scientific developments. Now, as they are always concerned with the output, they do not hesitate at all to try improved varieties and new techniques. The merit of the "five fixes and one reward" job responsibility system of linking remuneration to output lies in the principle of distribution according to work. It negates the rrational practices of egalitarian distribution, and really links the results of the producer's labor to his material interest. In the words of the masses, linking remuneration to output is like linking our mind to it; whoever is involved will be concerned with production; now we go to work without a call by a whistle or bell, without being urged by the production team leader; intensive and meticulous farming boosts the output; the principle of more remuneration for more work encourages us to work hard.

3. /The rational readjustment of the internal structure of agriculture./ As one of the important cotton-producing areas of the country, Shandong possesses all the advantages for cotton producing. There are long hours of sunlight; the broad masses of people have a tradition of cotton producing, a rich store of planting techniques and experiences, a number of examples of high production have occurred before in the province, and so forth. However, for many years, the production of cotton was always squeezed out by that of grain because of the one-sided emphasis on the guideline of "taking grain as the key link." Proceeding from reality, last year the provincial authorities adopted the principle of taking cotton producing as the main task while giving due consideration to the production of grain and other crops, and carried out a reasonable readjustment of the proportionate relation between grain and cotton. After the reallocation, the cottonfield area has been increased from 8.14 million mu in 1979 to 11.05 million mu in 1980, an increase of 2.91 million mu. The focus of readjustment was put on the four regions of Liaocheng, Dezhou, Huimin and Heze. The increase in cotton producing area in these four key cotton-producing regions accounted for more than 80 percent of the total increase in the whole province. After the reallocation, the proportion of cotton-producing area to the total area of cultivated land has attained a record level. In the meantime, according to the principle of rational allocation and proper concentration the provincial authorities have set up 61 commodity cotton-producing counties instead of the 65 in 1979, of which 28 counties each possess more than 200,000 mu of cottonfields, in contrast with 14 counties in 1979. Most of the cotton-producing communes and brigades have also reallocated the plots. According to incomplete statistics, 2 million mu of cottonfields have been transformed from poor land into fertile land. The readjustment of the internal structure of agriculture and the regional reallocation helped to develop strong points and avoid shortcomings, enabled the favorable natural and technical conditions to be rationally employed, and created the important conditions for an increase in cotton output.

4. /Scientific cotton producing./ There is an outstanding problem in cotton production. When seedlings come out late in the initial stage, the cotton plants boom in the middle stage, and the cotton bolls ripen late in the final stage. Tall cotton plants will shed cotton at all stages and eventually grow big but empty bolls. In such a case, although there are a lot of bolls, the harvest is usually poor. In order to avoid this, the authorities have extensively carried out the following effective measures. First, they have actively popularized the improved cotton variety of "Lumian No 1." This variety has high resistance, short maturity period, and high boll-forming rate, and grow a large quantity of big bolls which blossom in a concentrated way, resulting in high yields which are over 20 percent higher than the local varieties. It was popularized in 80 percent of the cottonfields throughout the province last year. Second, they have paid much attention to the basic facilities. Just to name the major ones, they have extensively taken care of irrigation in winter and spring to preserve the moisture of the soil, dug irrigation ditches and ditches for reducing the alkalinity of the soil, applied phosphate and cake fertilizer, engaged in timely sowing, intertillage and soil loosening, timely treating of seedlings, and so on. Therefore, the seedlings in

most of the cottonfields were saved and grew healthily. Third, they have vigorously promoted the prevention and cure of insect pests. Fourth, the cottonfield management has been strengthened. In the past, "whenever the harvest of wheat began, cotton seedlings would shrink like a fist;" and "as soon as the sowing of wheat started, nobody would take care of cotton anymore." Such a situation basically changed last year. People completed the field maintenance work such as hoeing fields, eliminating damaging insects, topdressing, soil loosening, pruning, and so on in time. Most of the cotton producing teams managed to ensure their fields were free of weeds, insect pests and hardened and impervious soil. The phenomenon of early aging due to shortage of fertilizer has been greatly changed.

5. /The solid improvement of the leadership in cotton producing./ Leadership is the key link in raising cotton production. In order to strengthen leadership the first important thing is to pay attention to the enforcement of guidelines and policies. The Provincial Party Committee and the provincial government convened a few conferences on cotton producing last year. They reiterated the policies in "the decisions concerning the speeding up of cotton production," and saw that all of them were concretely carried out. Second, many leading groups have been set up in those regions, counties, and communes in the cotton-producing centers, and cotton production was raised to an important position and grasped as a key task. The third thing is to spread experience from one point to the whole area. The authorities concerned have summed up the typical experiences of the key cotton-producing regions and spread the information to other places to instruct these areas in production. The fourth thing is to promote technical instruction. Technical advisory groups have been formed at the provincial level and in all key cotton-producing regions. These advisory groups have provided technical guiding suggestions relating to the different farming seasons. Organizing training classes and fostering a great number of technical cadre, the authorities have brought fully into play scientific and technological personnel. Finally, they have organized production and circulation departments in a unified way and made them coordinate closely in supporting cotton production.

Apart from all the above factors, "nature" also contributed. As there were few cloudy and drizzly days and sunshine was abundant in the blossom period of last year in the province, bolls did not shed a lot. The high temperature and the late arrival of the frost season also helped a lot in boll maturing and opening. These were really favorable climatic conditions for a good cotton harvest.

What is the significance of the experiences of Shandong in achieving a good cotton harvest? It has demonstrated two "very bigs." For one thing, the power of policies is very big indeed. Over the past years, because the policies were wrong, the initative of cotton producers was not mobilized and the output remained low. Now, as the correct policies have been carried out well, the cotton producers have found their prospects bright, production has been raised and the people's livelihood greatly improved. Based on experience in leading agricultural production over many years, the party's central authorities have formulated a guideline for the future--to develop agricultural production, we must rely on policies, science and the strengthening of the responsibility of peasants. The practices in Shandong have proved once again that this guideline by the central authorities which conforms with the actual circumstances of agricultural production in our country is correct. Then, will the production increase spontaneously with the correct guideline and policies? Not necessarily. It depends on whether the policies are solidly and well carried out. In fact, there are still plenty of places and units where the production remains as low as before because the policies have not been solidly carried out. The authorities concerned in Shandong have seized the key to the problem. Regarding the enforcement of relevant policies as important work, they were really determined, their speeches inspired confidence and the measures they took were effective. As they have upheld the policies all the way, it has resulted in good effects. As to the other thing, the latent power for increasing output is very big indeed. The output of 1 mu increased by a few 10's of jin and the total output more than doubled. This fact has proved that low yield can be turned to high yield and new production levels can be attained only if the initiative of man is mobilized and the latent power for increasing output is brought into play. If we broaden our outlook from Shandong to the whole country, we find that the cotton production in many provinces, cities and regions also achieved good results last year, and the whole country's cotton output increased by more than 20 percent. Nevertheless, it should be noticed that the output per mu in some key cotton-producing provinces is still far below that of Shandong. And in particular, there are still one-fifth of the cottonfields throughout the country on which the output is below 50 jin per mu. This shows that the cotton production in our country still has considerable latent power. If other regions can conscienciously learn from the Shandong experience, develop their own strong points, avoid the shortcomings, and give full play to their dominance, they will surely be able to achieve a fair increase in cotton output in their own regions. This is definitely possible and the conditions do exist.

There is one more question to discuss. Should the development of the cotton production depend on expanding cottonfield area or on raising the output per mu in the future? In our opinion, from the national view, it should depend on raising the unit output because our country has an enormous population yet little cultivated land, and the grain production level is still low. The key cotton-producing provinces should further readjust the allocation rationally, give better play to the dominance of cotton production with the prerequisite that the stable growth of grain production is ensured. In provinces where the areas of cottonfield has already attained record levels, these cottonfield areas should not be expanded any more; our aim is to maintain a proper relationship between grain and cotton, so as to stress the production of grain with that of cotton and ensure the production of cotton with that of grain.

CSO: 4006/480

INCREASED PURCHASING POWER, PROSPEROUS MARKET REPORTED

Guangzhou GUANGZHOU RIBAO in Chinese 18 Jul 81 p 1

[Article by correspondents Wu Mingxian [0702 2494 0341] and Shi Caibai [2457 2088 4101]: "Increased Purchasing Power and Flourishing Market--Guangzhou Market Busy in Usually Slack Seasons; Purchasing Power Greatly Increased in Countryside; High-Grade and Brand Name Commodities Selling Well; and Commercial Structure Beginning to Change"]

[Text] Since the beginning of this year, the market in our municipality has enjoyed such prosperity as has rarely been seen since the liberation. The total commodity procurement, the net sales, retail sales, state revenues, people's savings deposits in both urban and rural areas, and the withdrawal of currency from circulation have all increased by wide margins. The situation is gratifying.

Since the beginning of this year, the market here has witnessed four special conditions:

1. Business is as usual even in slack seasons, but is even more flourishing in busy seasons. Even after the usually busy seasons of New Year and the spring festival, the market still remains as busy as ever. The sale of industrial goods for daily use in the municipality has always been brisk, and in the first 5 months of this year, the total volume of commodity sales was more than 570 million yuan, an increase of 14.4 percent over the same period in the previous year. According to statistics compiled on 21 main varieties of industrial goods for daily use, sales have increased for 12 of them including TV sets, tape recorders, leather shoes and floor fans. At present, apart from cotton cloth--which has to be rationed according to government regulations--and sewing machines and bicycles manufactured in Shanghai for which supply does not meet demand, there is now an abundance of industrial goods for daily use. The supply of nonstaple food has become more plentiful. From January to May, pork, poultry, eggs and fish sold in the market totaled more than 145 million jin, and each person in the urban area had an average of 14 jin each month.

2. There has been a greater increase of purchasing power in rural than in urban areas. From January to May 1981, the sale of nonstaple food in the city area (including the suburbs and Huangpu District) was 8.3 percent more than the same period in 1980, while sale of the same item in the 6 counties under the jurisdiction of Guangzhou increased by 15.3 percent. The sales of industrial goods for daily use in the first 5 months of this year increased by 15.1 percent over the same period of last year, while the sales of the same items in the subrubs of

Guangzhou, Huangpu District and the same 6 counties showed an increase of 17.1 percent. In the first 5 months of this year, again, people's savings deposits in the city area increased by 52.8 percent over the same period of last year, while the savings deposits of commune members in the 6 counties increased by 81.6 percent.

3. People's money is being spent more on high-grade or brand name goods or novelties. Because of the general increase of income for people in the urban and rural areas, their consumption level has been raised, and they are more selective in their purchases. In the first 5 months of this year, the number of TV sets, tape recorders and floor fans sold in the municipality exceeded that of the same period in 1980 by 3 to 7 times. According to the statistics of Nanfang Daxia Department Store, 331 refrigerators, 318 washing machines and 2,994 electric rice cookers were sold here in the first 5 months of this year. High-class wooden and and metal furniture is also being sold fast, and in the first 5 months of this year, the volume of sales exceeded that of the same period in 1980 by 13 and 20 percent respectively. For clothing, more chemical fiber materials and garments were sold than cotton cloth and garments in the municipality.

4. There has been a marked change in the commercial structure, along with the gradual return and development of many economic sectors and the increase of circulation channels and forms of transactions. Commercial transactions are now more flexible than before. Since the beginning of this year, many trades and undertakings have provided commercial services according to social needs. This has broken the monopoly long enjoyed by state-run commerce in the past, and a new spectacle of mutual competition among various economic sectors has appeared. At the same time, under the guidance of planned regulation, market regulation is now playing a more active role, and negotiated transactions outside the plan are serving as a means to make up for the shortage of commodities. The market is now more enlivened. In the first 5 months of this year, the total volume of transactions at the trade fairs in the municipality exceeded 125 million yuan, an increase of more than 50 percent over the same period of last year.

9411
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DIVERSION OF 'THREE WASTES' PROGRAM FUNDS REPORTED

Beijing Battery Plant

Beijing BEIJING RIBAO in Chinese 15 Jul 81 p 1

[Article: "Battery Plant Diverts 'Three Wastes' Special Management Funds To Build Office Building; Management Projects That Should Have Been Completed Last Year Have Not Been Completed yet"]

[Text] Reporter of this paper Liu Tingzhao [0491 7200 2507] reports: the Beijing City Battery Plant disregarded concerned regulations of the higher authorities and diverted 80,000 yuan of special "three wastes" management funds for other uses; thus, the "three wastes" management projects which should have been completed last year have not been completed yet.

For a long time, the city battery plant's waste water and waste gas had a higher mercury content than the state standard, seriously harming the health of the workers and the surrounding masses. To eliminate pollution of the environment by this plant and to provide experience for the nation's battery producers in the management of the "three wastes," the state's Light Industry Ministry gave the city battery plant 200,000 yuan of special funds at the end of the year before last and ordered the plant to complete the task of managing the gas and water containing mercury in 1980.

According to the demands of the higher authorities, 120,000 yuan of the special funds were to be used for civil engineering construction of a battery liquid shop and the other 80,000 yuan were to be used for the purchase and installation of mercury treatment facilities. However, the responsible comrades of the plant disregarded the regulation of the higher authority stipulating that "special 'three wastes' management funds must be used for that purpose," and they used the 80,000 yuan of special funds for mercury treatment on constructing the plant production office building. After more than a year, the 200,000 yuan were spent, the production office building of the battery plant was handed over for use, but the treatment tasks ordered by the higher authorities were not completed yet. Although the civil engineering construction part of the battery liquid shop has been completed, the mercury treatment facility has not been started, and poisonous water and gas are still being released. When the higher authorities inquired about the treatment situation, they were told: "We do not have any more money." At the beginning of this year, that plant again requested special mercury treatment funds of 80,000 yuan from the city's financial committee, and it is estimated that the waste gas and wastewater treatment projects will be completed at the end of this year.

The concerned departments of the city's First Light Industry Bureau approved the battery plant's diversion of the special "three wastes" treatment funds on its own without approval from the responsible bureau chief and the Ministry of Light Industry, and it should also be held responsible. It is worth mentioning that the city battery plant did not conscientiously investigate the mistake of diverting special funds and correct the use in time, but tried hard to explain it away and digressed from the main issue. The Ministry of Light Industry and the Environmental Protection Bureau have offered serious criticism and have demanded that the debt for the treatment of the "three wastes" be repaid right away.

Criticism of Diversion

Beijing BEIJING RIBAO in Chinese 15 Jul 81 p 1

[Article: "Diverting Special 'Three Wastes' Management Funds Is Not Allowed"]

[Text] Diverting "three wastes" management funds has occurred many times recently and we must pay attention to this.

The debts of "three wastes" management incurred by some units have not been repaid. One reason given is: "We have no money." Yet, in fact, at some units, the special funds appropriated by the state for "three wastes" management have become capital construction funds for building production office buildings, repairing asphalt roads and beautifying the plants. This phenomenon shows that the leaders of these units do not care about environmental protection. In the eyes of these comrades, environmental protection work is not necessary, and in arranging work it is pushed out of the way or abandoned whenever possible. This way of thinking and acting are contrary to the demands of the directives of the party and government and the masses of people. They are completely wrong. We sincerely hope that the comrades who think and act this way will increase their understanding, correct their attitude and strengthen their discipline through discussion of "serving the people and being responsible to the people" to conscientiously grasp environmental protection work well. The special funds appropriated by the higher authorities must be assured of being used in the treatment of the "three wastes." It must not be diverted at will. Each leading agency must also strengthen supervision and examination of the subordinate enterprises to stimulate them to conscientiously implement the measures of managing the "three wastes" and concretely use special funds for special purposes. At those units that violate the directives of the higher authorities and divert the special funds for "three wastes" management at will, their leaders should be subjected to criticism and education and they should be ordered to make improvements within a specified time. The necessary treatment should be carried out when the situation is serious.

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GENERAL

NEED FOR RESPONSIBILITY SYSTEM IN FINANCE, TRADE STRESSED

Kunming YUNNAN RIBAO in Chinese 19 Jul 81 p 1

[Article by correspondent Gong Zongsui [7895 1350 6659]: "System of Responsibility for Business Must Be Practiced by Finance and Trade Enterprises--Provincial Finance and Trade Department Called on all Localities Actively To Promote Responsibility System by Proceeding from Realities"]

[Text] The leading comrades of the Finance and Trade Department under the Yunnan Provincial CCP Committee recently led a number of work teams to Qujing and Zhaotong, where they conducted investigations on conditions for adopting the responsibility system in various forms among the finance and trade enterprises at the basic levels. After summing up their experiences, they called on various localities to proceed from realities and adapt the measures to local conditions in order to popularize the responsibility system.

Since the second half of 1980, many finance and trade enterprises at the basic levels have adhered to the principle "to each according to his ability" in order to change the old practice of "eating out of the same pot," and to further arouse the enthusiasm of workers and staff members. In the experiments in expanding the decision-making power of enterprises, they learned from the experiences of the system of responsibility for production in agriculture, and tried out various forms of the system of job responsibility and economic responsibility. According to their investigations, this system mainly took the following forms: responsibility for a set profit quota, sharing above-quota profits and bearing all losses; receiving rewards for profits and paying compensation for losses; fixed quota for work and production with work groups held accountable for business results and eligible for quota-fulfillment rewards; fixed levels for losses among some enterprises and sharing of savings if losses are kept below the allowed level; people engaged in diversified economy to be evaluated according to their production and their commune affilitation; job responsibility for everyone engaged in tax collection and food procurement; and four others.

Adoption of the responsibility system aroused the enthusiasm of workers and staff members of the enterprises. Instead of waiting for customers to call on them, they are now making door-to-door deliveries; and instead of sitting behind the counters of procurement centers, they are now going down to the countryside. Late opening and early closing are now replaced by early opening and late closing. There has been a marked improvement in their service, accompanied by increased sales and profits and reduced expenditures. The People's Restaurant under the Qujing County Food Company has four branches with 105 employees. In practicing the responsibility system of receiving rewards for profits and paying compensation for losses, every employee has a sense of responsibility for fulfilling the four quotas (for volume of business transactions, expenditures, gross profits and net profits). Their work performance is reviewed at the end of each month and they will receive rewards or penalties according to the result. These measures have produced good economic results. Since the introduction in March of the responsibility system, this restaurant has fulfilled its quota every month, and its business transactions and profits have increased by 25 and 47.3 percent respectively over those of the same period in 1980. In Sayu Supply and Marketing Cooperative of Zhaotong County, formerly there was no clear definition of job responsibility and its system of operation was not strictly enforced resulting in frequent cash shortages. Early this year, the system of fixed quota was introduced among its 8 procurment and marketing centers and 11 retail stores, and evey counter and work group were held accountable for their business results. They would, however, be rewarded for fulfilling their production quota. Since then, they have not only overfulfilled their assigned duties of procurement and marketing but also improved their methods of accounting. By keeping careful records of all transactions and inventories, with all discovered shortages to be made up by the persons concerned, they made only one wrong entry in their books throughout the first 5 months of this year.

To promote the experiment of the responsibility system among finance and trade units, the Finance and Trade Department under the Provincial Party Committee recently held a conference attended by responsible comrades of various bureaus on the finance and trade front. After listening to the reports by the work teams, everyone realized that the system of responsibility was a good way to promote circulation, to improve business management and to raise the quality of services, and should therefore be promoted. They also felt the need to further emancipate the mind, provide more active leadership, sum up and popularize the experiences, and adapt their measures to local conditions in order for this system to be popularized.

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NATIONAL POLICY AND ISSUES

PARTY'S LEADERSHIP OVER ENTERPRISES

HK090905 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81
pp 3-7

[Article by Jin Guangwen [7246 1639 2429]: "Strengthen and Improve the Party's Leadership Over Enterprises"--passages within slantlines denote boldface as published]

[Text] The great Chinese Communist Party has just celebrated its 60th anniversary.

Under the leadership of the party, the Chinese people have over the past half a century and more waged tortuous and arduous struggles, finally defeated vicious internal and external enemies one after another and won historical victories for the new democratic revolution and socialist revolution to pioneer the great cause of socialist construction. Under the leadership of the party, we have smashed the counterrevolutionary cliques of Lin Biao and the "gang of four," saved the country and revolution and begun a new historical period of the socialist construction that is aimed at realizing the four modernizations. The experiences in the course of revolution and construction have proved that the Chinese Communist Party is the leading core of the whole Chinese people as well as the mainstay of the Chinese revolution and construction. Without the party, there would be neither new China nor modern China.

It is our general task for a long time to come to realize the four modernizations. It is unimaginable to build our country into a powerful socialist country without the leadership of the party that is representing the interests of the people and that is in a position to unite the people of various nationalities in their fight.

But because the party's good tradition and work style have been seriously spoiled by the sabotage of the "gang of four" during the 10 chaotic years, because of the defects in the party's system of leadership and because the new historical period has set new tasks and demands on the party, it is imperative to strengthen and improve the party's leadership. Comrade Deng Xiaoping said that we are facing a big problem of how to improve the party's leadership, and if we do not study and solve this problem, we will not be able to uphold the party's leadership and prestige. He also said that in order to improve the party's leadership it is imperative to improve the current leadership work of the party and rectify the party's leadership system that includes the leadership system over enterprises.

The leadership system of our enterprises has experienced constant development and change. Prior to the founding of new China, some state-owned enterprises in base areas resisting Japanese aggression and liberated areas implemented a factory director responsibility system under collective leadership. That is to say, the important matters of the enterprises were decided by "three-member teams" that were composed of the party branch secretary, the factory director and the head of the trade union or factory management committee, while the factory manager was responsible for daily production and administrative work. This system accorded with the situation during war time and with that of small-scale enterprises and simple production.

Following the nationwide liberation, we confiscated large enterprises. Some state-owned enterprises introduced the party committee system and the enterprises were directly under the management of the committee. Other factories implemented the factory director responsibility system, with a unified command for both production and administration so as to meet the objective need of socialized mass production. Still other enterprises implemented democratic management system by factory management committee and workers' congresses while the party organizations were responsible for guiding ideological and political work in factories and mines. Beneficial experiences were gained from trial implementation of these systems but there were also some problems. In 1953, some enterprises introduced the "system of one-man leadership," but it resulted in weakening the party's leadership and the staff's democratic management. The Eighth Party Congress that was convened in 1956 officially decided that the workers' congress system and factory director responsibility system under the leadership of the party committee be implemented in enterprises. It must be affirmed that these systems played a positive role in strengthening the party's leadership and workers' democratic management. But they had the major weak point of confusing the party's leadership with workers' democratic management. Both the "unified leadership of the party" and the "first secretary in command" were one-sidedly stressed in carrying out these systems, administrative powers were totally centralized in the hands of the party organizations, and all matters had to be discussed by the party committee and approved by the party secretary. Consequently, people thought that realizing party leadership meant that the party had to take care of everything. Other people even thought that party leadership meant that everything had to be approved by the party secretary. Practice proved that, by confusing party work with administrative work, the broad masses of the people were not able to fully display their role as the masters of the country, and this confusion was not beneficial to establishing and perfecting the responsibility system of production and technology and unified command in production and administration. More important was that with such a system, the political party, which is the vanguard of the proletariat, was downgraded to an administrative organization as well as to a direct manager of economic activities in production and technology of enterprises. As a result, the tendency for the party not to care about its own work emerged. In fact, the party's ideological and political leadership in enterprises was weakened.

The 3d Plenary Session of the 11th Party Central Committee pointed out that the leadership system must overcome confusing the party's work with administrative work. Now the party and state leadership system is being reformed according to the principle of separating party and administrative work. The restructuring of the leadership system of enterprises must also overcome shortcomings such as confusing the party's work with administrative work, confusing the party's work with that of enterprises, the party replacing administration and the party not caring about the party's work itself. The reform must be carried out according to the principle of separating party and administrative work so that the party organizations in enterprises will be freed from administrative affairs to engage in guiding ideological and political work.

In his speech to the enlarged meeting of the Political Bureau of the Party Central Committee on 18 August 1980, Comrade Deng Xiaoping pointed out that "it is necessary to gradually reform the factory director responsibility system and the factory manager responsibility system under the leadership of the party committee and to gradually popularize through trial points the factory director responsibility and manager responsibility system under the leadership and supervision of the joint committee composed of the management committee, company board of directors and economic integrated organs." He also stressed: "Following the decision of the Party Central Committee, some matters still have to be put on a trial basis so that we can acquire experience, gather the wisdom of the collective, and so that each matter can be solved when the situation is ripe. The decision on each matter has to be made by the Party Central Committee, coupled with a feasible system and regulations that are worked out by the Party Central Committee and that can play their role over a long period and that can only be implemented step-by-step. Before the new system and regulations are declared by the Party Central Committee, the tasks of various departments concerned must be carried out according to the existing system." At present, there are dozens of enterprises throughout the country carrying out experiments, and they are shouldering the glorious tasks of exploring and pioneering a new and complete Chinese-style leadership system for socialist enterprises. The enterprises that are not carrying out experiments are still following the existing factory director responsibility system and workers' congresses system under the leadership of the party committee. But a number of enterprises are implementing the party's leadership over ideological and political work under the principle of separating the party's work from administrative work and perfecting the workers' congresses system and factory director responsibility system in their efforts to make preparations for the necessary reform, even though they are still operating under the existing system.

The reform of the leadership system of enterprises is a major step not only because it is part of the reform of our political system but also because it is directly related to the reform of our economic system. Like the reform of other systems, the reform of this system also needs people's unified ideological understanding, because of some views that have been formed through habit over the past long period, some comrades do not really understand the necessity and great significance of carrying out reform, and therefore they are skeptical about it. Such a situation is inevitable. These comrades hold that when separation of party and administrative work is carried out and the party alone acts as the nucleus in the leadership over ideological and political work in enterprises and does not directly manage the enterprises, the party will then lose "power." Since the party does not have the "power," people will not listen to it and such a situation shows that the party's prestige has dropped and its leadership has weakened. Is such a view correct? To answer this question we must analyze the following two points. First, we must basically understand the leadership role of the party, and second, we must proceed from the point of the development of history and see how the party should display its leadership role in the new historical period.

The revolutionary cause of the proletariat will not achieve victory unless the proletariat has its own vanguard as its leadership core. But any revolutionary cause is the business of the laborers themselves. Comrade Mao Zedong also said: "The basic principle of Marxism and Leninism is to enable the masses to understand their own interests and to unite in the struggle for their own interests." ("A Talk to the Editorial Staff of the JINSUI RIBAO" [SHANXI SUIYUAN DAILY]) This is the view which holds that the people will liberate themselves; it is also the basic view that has always been resolutely followed by our party. Comrade Liu Shaoqi explained this question in detail in his "On the Party" and this explanation merits our studying it afresh. He said:

"[Begin passage in italics] All the causes of us communists are the causes of the people. No matter how correct our programs and policies, they cannot be realized if the broad masses of the people do not directly support them and persist in struggling for them. Therefore, we must rely on the broad masses of people, and whatever we do is decided by their consciousness. Without this consciousness we will accomplish nothing and consequently we will do numerous but thankless tasks. As long as we rely on the consciousness of the masses and as long as they are truly and consciously mobilized, and there is a correct party leadership, all the great causes of the party will finally end with victory and succeed. Therefore, as the vanguard of the masses of people, we communists have the duty in carrying out any work when the masses of the people are not yet conscious to resort to all effective and proper methods to raise their consciousness. No matter how arduous our tasks are and how long the time required, this is the first task we have to do and we must do it well. We will be able to take the second step only when we have done a good job in the first step. That is to say, when the masses of the people are conscious, our responsibility is to guide them in action, in organizing and in struggle. When the people have been organized and they have waged struggles, in the past, we must proceed from their actions and enlighten them to become conscious again in the present. In this way we will be able to guide the masses step-by-step in their struggles for the basic slogans put forth by the party. This is the only complete role played by us communists, the advanced elements of the masses of the great people and great persons. There is no other role but this. If some people want to display their roles more fully, they may consequently make mistakes or turn to heroism, commandism, running things by themselves without consulting others or resort to bestowing favors." [End passage in italics]

He continued: [Begin passage in italics] "In the cause of the liberation of the masses of the people, communists must and can only act as their guides and must and can in no way become the "heroes" to replace them in making revolution. In carrying out revolutionary struggles, the broad masses of the people urgently need guides that are determined and have far-reaching views, because having good guides constitutes a necessary condition for the victory of the people. But the people do not need the "heroes" to replace them in making revolution because such "heroes" who are divorced from the masses will not be able to accomplish any cause of the liberation of the people." [End passage in italics]

This delicate explanation of Comrade Liu Shaoqi shows the correct relations between the party and the people; it also shows the true meaning and nature of the party's leadership. He said that the party can only display its role as a guide in enlightening the consciousness and further consciousness of the people. There is no other role. He said: "If some people attempt to display more roles, roles of the party, they may make mistakes." All these words are by no means groundless; they represent a high point in the experiences gained by our party during the long period in guiding the broad masses of the people in waging revolutionary struggles.

The party's leadership differs from administrative leadership. Comrade Mao Zedong pointed out in "On Correct Handling of the Contradictions Among the People": "In order to be able to effectively carry out production and study and to live in an orderly way it is common knowledge that the people demand their own government, leaders in production as well as leaders in cultural and educational organizations to issue various proper and coercive administrative orders; without such orders it would not be possible to maintain social order." But the party's leadership is totally different from administrative leadership. Comrade Mao Zedong said in "The Question of Political Power of the Base Areas Resisting Japanese Aggression": "Having the power of leadership does not mean that we should shout it as a slogan the whole day long, nor does it mean arrogantly ordering the people to obey us. It represents a correct policy of the party and its own exemplary work; it means to persuade and educate the people outside the party so that they will be willing to accept our suggestions."

During the years of the revolutionary war when we were carrying out underground struggles under white terror, our party did not hold political power except in the base areas. That is to say, our party did not have "actual power" that was incessantly thought of by some comrades. However, we led hundreds of millions of the people in overthrowing the three big mountains that were suppressing the people, and we finally founded the great People's Republic of China. What does the party rely on in realizing its leadership? It relies not on its own power but on the principles and policies that represent the interests of the broad masses of the people. What method does the party resort to in carrying out its leadership? [The party] relies not on administrative order but on the method of persuasion and education, on propagating and organizing the masses and influencing and leading them in carrying out its own exemplary deeds. By relying solely on this, the party was able to make the whole people consciously listen to and follow it in realizing the great task of the new democratic revolution.

Our party became the ruling party after the liberation of the whole country and it has enjoyed high prestige among the people. Closely following the party, the people across the country have launched great struggles in carrying out socialist revolution and socialist construction. The position and tasks of our party have changed since it became the ruling party. But the nature of the party and its relations with the masses have remained unchanged. It can be said that the leadership of the party is still displaying the role of a guide. But because our leadership system did not in a certain period differentiate party work from administrative work, the two have been mixed for a long time, and this system is in fact a system under which the party is also engaged in administrative work. As a result, some comrades have gradually lost the glorious tradition of the party, and intentionally or not, they have become rulers of the people issuing orders instead of persuading and educating them, and they have resorted to administrative leadership to replace ideological and political leadership. To "replace administration with party" is in fact also to "replace party with administration," and this has resulted in weakening and even abolishing the party's leading role. If this abnormal situation continues, the party is likely to degenerate and become itself in opposition to the people. We must clearly sense the danger of this situation.

Our party's general task in the new historical period is to unite the people of various nationalities throughout the country and mobilize all positive factors so as to go all out with one heart and one mind, aim high and achieve greater, faster, better and more economic results in building a modern and powerful socialist country. Realizing this very arduous task can be compared with the revolutionary war to overthrow the oppression and rule of imperialism, bureaucrat capitalism , and feudalism. Whether this mission succeeds or not also depends on whether the party is able to mobilize the whole people ideologically and politically and to organize them so that they will be conscious in making contributions to the realization of this historical task.

Basically the leading role of the party is that mentioned by Comrades Mao Zedong and Liu Shaoqi, that is to enlighten the people to become conscious and then conscious again and to lead them to liberate themselves. Concretely speaking, the tasks of different historical periods have different natures. The task of the party during the period of the revolution was to lead and organize the masses to defeat the enemies; but its main task during the construction period is to establish and constantly perfect the socialist democratic system, lead and support the broad masses of the people in exercising their rights as the masters of their own house and to consciously manage the state, enterprises and all other causes so as to accomplish the great task of building socialism.

The socialist democratic system includes political democracy and economic democracy. The nature of the current reform of the economic system is to establish an economic democratic system of socialism. The results of this reform will realize the presumption of Marx and Engels that our enterprises are united organs composed of free and individual producers on an equal basis, while social economy is a big union of all united organs and all free producers consciously carrying out their social labor under rational and unified planning. To realize such an economic system with democratic union and democratic management cannot but rely on the consciousness of the hundreds of millions of laboring people. Reform of the leadership system of enterprises according to the principle of separating party work from administrative work is needed not only in strengthening the party's leadership but also in realizing such a democratic economic system.

Some people have held that since enterprises are grassroots units with production as their main task, if party committees do not grasp production they will have nothing to do. Is this a fact?

The party committees in enterprises are the party's grassroots organizations and they represent the leading core of the ideological and political work of these enterprises. Separating party work from administrative work will help to overcome the tendency of confusing the party's work with administrative work and of the former replacing the latter. It does not mean discarding or weakening the party's leadership; on the contrary, it sets a higher demand on party organizations in carrying out ideological and political leadership over various organs and the broad masses of the people in enterprises so as to guarantee that the party's principles and policies are implemented in enterprises. But it does not mean that party committees no longer care about production and administrative work; it means that the party committees do not directly interfere with but rely on the method of persuading and educating the masses through the strength of party organizations so that they will be able to improve the efficiency of their leadership. It also means that party committees will have more work to do.

/First, party committees must guarantee that party's principles and policies are conscientiously implemented in enterprises./

The party's political leadership over enterprises is mainly shown in the leadership over principles and policies. The party's major principles and policies are worked out by the Party Central Committee. Some principles and policies are announced or passed down through legal forms by government departments under the leadership of the party. With regard to these, party, administrative, trade union, youth league and other aspects within an enterprise all have the responsibility to implement them.

Party committee secretaries have the responsibility, on behalf of the committees, to make political reports to workers' congresses or plenary sessions, to talk about situations and explain principles and policies from the point of view of enterprises and point out the orientation of these enterprises. The party committees may make suggestions with regard to the topic of workers' congresses and, through persuasion and education by the representatives of party members, guarantee the implementation of the party's principles and policies and government laws and orders. Though administrative, trade union and youth league organizations in enterprises are not subordinate to the party committees, the latter still have the responsibility to acquaint themselves with the work of these organizations so as to help them correctly implement principles, policies and laws and orders.

/Second, it is necessary to strengthen the building of party ideology and organization and display the vanguard and exemplary role of party members./

In order to enable party committees to guarantee the implementation of the party's principles and policies in enterprises, they should have a good party work style and be able to display the vanguard and exemplary role of party members. If party members do not really understand the principles and policies of the Party Central Committee, comply in public but oppose in private, and are in a state of passive resistance or if they depart from the masses or take advantage of their power to seek private interests and resort to other unhealthy deeds, they will not be able to lead the masses in making progress. Therefore to strengthen the building of party ideology is an important premise for strengthening the party's leadership.

As party committees do not carry out direct administrative leadership over the work of enterprises, in order to guarantee the implementation of the party's principles and policies, the committees cannot but rely on the strength of their own organizations and the vanguard and exemplary role of party members to educate and unite the masses so that the broad masses of workers will be willing to consciously accept the party's leadership. In the past, as the work of the party was confused with administrative work, the party committees mainly concentrated their efforts on production and administrative work. As a result, they did not care about party work which seriously hindered the work of party building. With the division of work between the party and administration, the former will be able to concentrate its efforts on party building so that the party organizations will become organized and disciplined vanguard ranks that are the first to bear hardship and the last to enjoy comfort and have a close relationship with the masses.

/Third, rely on the whole body of party members and do a good job of ideological and political work in enterprises./

Persuasion is the basic method of our party in leading the masses and it is a party discipline that each party member must unconditionally implement the decisions of the party. But the party cannot force the broad masses of the people to follow its decisions. Party slogans can be turned into conscious actions of the masses only through the party's ideological and political work and mass work. If it resorts to coercive directives, superficially it will seem that the party is exercising leadership over everything, but actually such leadership has no vitality.

Both party members and the masses of nonparty members have the obligation to observe and implement government laws and orders. The responsibility of party members is not only to display their exemplary role but also to carry out ideological and political work among the masses so that the latter will be able to understand the relevant laws and under this situation party members will take the lead in observing and implementing the laws and orders together with the masses.

In order to do a good job in ideological and political work in enterprises, party committees must organize workers to study political theory in a planned way and to launch various lively activities of ideological education. At the same time, they must also rely on the whole body of party members to go deep among the masses to solicit their opinions, understand the ideological situation of the masses and talk with them individually in a bid to carry out meticulous ideological work so that both party members and the masses will spare no efforts in realizing socialist modernization with one heart and one mind.

/Fourth, support and guide the masses of staff and workers to display their role as masters of their own house and to correctly exercise their powers of democratic management of enterprises./

To realize democratic management of enterprises is an important step of the party in perfecting the socialist democratic system.

Since the founding of the PRC, under the leadership of the party, we have accumulated rich experiences in managing enterprises democratically. Most enterprises are still carrying out the workers' congress system under the party's leadership and a few are trial-implementing the method of dividing party work from administrative work and expanding the powers of workers' congresses so that they will become the top management organizations of enterprises and will have the power to decide production policies and management within the range defined by state law and under state planning.

Party committees must support and guide the workers of all enterprises in carrying out their powers of democratic management and regard this work as one of their main tasks. Following its constant perfection and development, the power of the workers' congresses may be expanded while party committees mainly strengthen their leadership over ideological and political work.

In implementing the democratic management of enterprises, it is necessary to correctly handle the relations of the interests among the state, the enterprise and the individual. Party committees must guide and educate the whole body of workers to understand the mutual relations between the overall interest and partial interests and between intermediate interests and long-term interests, to defend the proper right of both the enterprises and themselves and to prevent departmentalism and individualism from developing. Another question is to correctly handle the relations between democracy and centralism within an enterprise. While democracy must be fully displayed it is also imperative to strengthen centralized and unified command headed by the factory director (manager) over production and technological management on the basis of democracy so as to meet the objective needs of socialized mass production. Party committees must educate the whole body of staff and workers to observe labor discipline, implement rules and regulations and respect the power of the centralized and unified command of the factory director.

Fifth, display the role of mass organizations such as trade unions and the CYL and coordinate the relations among the party, government, trade unions and CYL.

Mass organizations such as trade unions and the CYL are helpful in assisting the party to propagandize and organize the masses. In strengthening the party's ideological and political leadership over enterprises it is necessary to display the positive role of these organizations. As the core of ideological and political leadership over enterprises, the party also has the responsibility of coordinating the relations among party, government, trade unions and the CYL. Party committees may convene liaison conferences of the party, government, trade unions and CYL or enlarged meetings so as to understand the situations and problems of various aspects, unify ideological understanding and coordinate work so that various aspects will be united in their efforts to fulfill various tasks of state planning and enterprises.

The reform of the leadership system of enterprises is an important part of improving the leadership system of our party and country; it is also an important content in the reform of the economic management system. We are confident that under the leadership of the party committees at various levels and by persisting in emancipating the mind, seeking truth from facts, consciously summing up experience and lessons and daring to be innovative, we will be able to create a more perfect leadership system for enterprises that accords with the new historical period and make greater contributions to the strengthening of the party's leadership over enterprises as well as to the realization of socialist modernization.

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'JINGJI GUANLI' ON DISTRIBUTION, REWARDS

HK080856 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 15 Jul 81 pp 58062

[Article by the Shoudu Iron and Steel Company: "Uphold the Principle of Distribution According to Work and Properly Practice the Reward System"]--note passage within slantlines denote boldface type]

[Text] Under the direction of the correct guideline defined in the 3d plenary session of the 11th CCP Central Committee, our company officially resumed the reward system in the fourth quarter of 1978. Since then, we have quite conscientiously eliminated the influence of "leftist" thinking, combined the strengthening of ideological and political work with the amplification of the responsibility system and the practice of the reward system, and banned the reckless issuing of bonuses and equalitarianism; thus enabling the principle of distribution according to work to be carried out better, in bringing the function of bonuses into full play as an economic lever and mobilizing the socialist initiative of the broad mass of workers and staff by strictly enforcing the state's regulations concerning the reward level. We have achieved fairly good economic effects so far.

The principle of distribution according to work is one of the basic characteristics of socialism. However, people cared not conscientiously carry out this principle for a long time and the tendency of equalitarianism in distribution was really serious due to the influence of "leftist" thinking on economic work. The situation became worse during the 1-year turmoil when the principle of distribution according to work was defamed by the cliques of Lin Biao and the gang of four as "soil which fosters capitalism." During the period between the smashing of the gang of four and the third plenary session, the problem of bonuses still remained a forbidden zone in the economic field because of the trammels of the "two whatevers." When we decided to resume the reward system in the fourth quarter of 1978 and set up prizes for excellence in the complete chain in some plants and mines, some people even publicly criticized us for "intending to buy 'the four modernizations' with bonuses" and "resuming revisionist material incentives," and hence shook the conviction of some leading cadres in our company. Confronted with this situation, we armed ourselves with the guideline of the third plenary session, and resolutely enforced prizes for excellent in the complete chain of production. In the meantime, we embarked on discussions concerning the criteria for truth among all the staff and workers and successively at the end of 1978 and in the second half of 1979. We tried to lead them to link the discussion with ideological reality, centering on the question of whether the reward system based on the principle of distribution according to work should be practiced, so as to eventually correct misunderstandings and reestablish the correct conviction. The discussion achieved a breakthrough on the issue concerning the forbidden zone of reward, and the cadres at different levels confirmed their conviction in carrying out the reward system.

However, that one dares practice the reward system does not mean that one can correctly practice it. Since the influence of the "leftist" practices of egalitarianism and eating out of "a big pot" have lasted for a long time and become deeply rooted, "leftist" thinking has always persisted in showing itself almost every time we move a single step forward in carrying out the reward system. Therefore, in order to correctly carry out the reward system, we have to struggle all the way against "leftist" thinking and insist on unremitting education on distribution according to work for cadres and the masses. Over the last 2 years, we have reached a relative consensus on solving the following problems:

//First, is the bonus a fixed income or encouragement for work in excess of the quota?//

We began to enforce the reward system of winning prizes for excellence in the complete chain of production in a number of major plants and mines in the fourth quarter of 1978. Under this system, those major productive plants or mines are chosen as the "dragon heads," and the staff and workers of all auxiliary departments which directly coordinate the "dragon heads" are grouped together respectively in accordance with the production processes to form units of "one dragon" for prize appraisal. There are 10 "dragons" in the whole company. The assessment of such a reward system is based on 2 key points. The first point is comprehensiveness, in other words, the overall economic effects of the "dragon head" must be comprehensively assesses, which include various norms of technical economy such as output, quality, variety, consumption, and on on. For any norm not attained, the bonus for everyone who is in the chain will be reduced. The second point is "excellence," that is to say, the reward standard must be worked out in relation to the average advanced level. Those who attain the standard and win the championship of their trade in the whole country will get double prizes; those who win the championship yet fail to attain the standard or attain the standard yet lose in the championship competition will only get lesser prizes. The assessment standard is a floating one; as the level of the champion in the same trade rises month after month, the assessment standard will be raised correspondingly. Obviously, it is rather difficult to win the prize under this reward system. Therefore, there arose a lot of misgivings among the staff and workers. Some cadres, in consideration of the low salary level of many staff and workers, always tend to increase the certainly for them winning the prize and reduce the chance of losing bonus. Some staff and workers prefer to turn the winning prize for excellent in the complete chain into individual prizes for various single items, and get rid of the assessment of overall economic effect. So, as bonuses are to be issued when any single norm is attained, "the West will light up though the East does not," and their income can be ensured. Some comrades have asked for a lower standard for rewards. They reckon that bonuses should be issued only if the state plan is accomplished; the bonuses are to be increased if a high standard is achieved, yet not to be reduced if the championship is not won.

After analysis, we believe that all the abovementioned thinking is the manifestation of egalitarianism in the reward system, and that the focus of debate is on the nature of the bonus, the essential question of whether the bonus is regarded as the encouragement for work in excess of the quota or as fixed income and welfare payment. For this reason, after having reached a common understanding within the leading group, we began to carry out ideological education of cadres and the masses, centering on the understanding of the nature of bonuses. The emphasis was placed on the following points. 1) The bonus is an encouragement for work in excess of the quota, not a fixed income, still less is it a welfare payment to staff and workers. To complete the state plan is just to fulfill one's basic duty. It is a basis for salary calculation but not for bonus calculation. 2) The assessment of work in excess of the quota must be based on that of the overall economic effect. Only on the premise that the economic revenue of the state is increased, can enterprises retain more profit and individuals get more bonus. 3) For bonuses to promote the improvement of production technology and administration and management, the assessment criteria must be set above the average advanced level and be subject to change. 4) As the prize for excellence in the complete chain embodies the abovementioned basic principles of the reward system, it is an advanced and reasonable system which should be upheld.

As the leading cadres at different levels have reached a common understanding on the nature of bonuses, the leading groups of many units which used to actively call for the lowering of assessment criteria in the name of "representing the voice of the masses" have now turned to strengthening management with the support of the masses and are striving to create a new level and reach a high standard in an effort to win the championship. For example, the steelworks linked the 4 norms stipulated by the company for winning the first prize with other economic norms, adding up to 13 norms of 9 types altogether, changed from big to small, enforced them at every level, and put forth 3,471 assessment standards for all 1,059 workers in the plant according to division of labor in accordance with the post responsibility system. The assessment is strictly related to the standards and linked to the reward system, and the bonus is calculated according to division of labor. As there are standards to be aimed at in working, working results are subject to assessment, rewards and punishment are based on regulations, and the post responsibility system is solidly carried out, the production level has been boosted. In the 2 years from 1978 to 1979, our company achieved national supremcy for three of the technological norms including the capacity factor of steel conversion, the consumption of iron and steel materials and the average life span of furnaces, which also reached the world advanced level. The function of rewards in raising production has further been brought into play since we vigorously popularized throughout the company the method of managing steelworks centered around the post responsibility system while standards, assessment, and rewards and punishment are combined three-in-one.

//Second, is the bonus to be distributed equally or differentiated according to the extent of the contribution?//

In our enterprise, because of the difference in division of labor, there are differences in responsibility and contribution between the major productive plants and mines and the auxiliary units, between major posts and minor ones, between cadres and workers, between leading cadres and general ones. There is a difference in efficiency between two persons even though both of them are working at the same post. Only by taking these factors into account in distributing bonuses can the principle of distribution according to work be realized. However, due to the influence of egalitarianism, we had to face up to an intense ideological struggle when we were ready to differentiate the amounts of distributed bonuses according to the differences in responsibility and contribution and based on the assessment of everyone's results. Some advanced staff and workers who were making conspicuous contributions were wholeheartedly in favor of such a practice, but worried that bigger bonuses would lead to "divorcement from the masses." Those backward staff and workers, in particular those who were doing badly in their work and used to profit from the egalitarian practice of "everybody sharing a spoon of soup," really had a strong aversion to this since they could no longer out of a "big pot" and get a "bonus for peace and tranquility." They were afraid that the strict assessment and the bonus calculation according to division of labor would expose their backwardness; some of them even defamed the methods of assessment, and reward and punishment, as "local policies" exclusively invented by the Shoudo Iron and Steel Company. Some leading cadres worried that the differentiation of bonus distribution would "expand bourgeois rights," and believed that equal distribution had better be adopted so as to "minimize contradictions and do the job well."

To cope with these circumstances, we enforced the education on distribution according to work once again. We quoted first of all from volume 10 of "Manuscripts of Lenin" the discussions concerning the settling up of the individual responsibility system, the improvement of working efficiency and the practice of a strict system of rewards and punishment, compiled all these quotations and then printed and distriubted them to the basic levels in order to vigorously propagandize the great significance of carrying out the three-in-one management system of standards, assessment, and reward and punishment. Next, in conjunction with the trial-point expansion of enterprise autonomy which was under way in the Shoudu Iron and Steel Company, we tried to elaborate on the fact that the amount of bonus is dependent upon how well and enterprise is operated since the system of retaining a portion of profit has been adopted in the enterprise. In order to open up a source of bonus, every worker and staff member has to work hard at his own post to improve the economic effect of the whole enterprise. The more products the state can purchase, the more profit the enterprise can retain and the more bonuses are available. The three-in-one method of standards, assessment and reward and punishment is really a good one, which directly links the economic effects of an enterprise with the working efficiency of everyone and the amount of bonus for everyone, and embodies the conformity of interests between the state, the enterprise and the individual. Finally, we have reiterated the harmfulness of egalitarianism and the advantages of the discrimination between rewards and punishment. We have elaborated on the question not only from the angle of theory but also from that of practical experience. Not only have the leading cadres talked about the problem but also the masses have been motivated to engage in the debate. Many cadres at the basic levels and the masses have cited numerous facts to show the encouraging changes emerging after the responsibility system had been linked to the reward system. Now the examples of full work attendance and full working hours have been increased, while those who shirked the job on the excuse of being since have become fewer and fewer. Accidents in production have been reduced as more people have started to observe the production regulations and discipline. More people have become conscientious and responsible while those careless and perfunctory people have become fewer. More people have begun to be concerned for the collective and production while those who are concerned only for themselves have become fewer. There is another conspicuous manifestation of "leftist" thinking in the distribution of bonuses. For a long time, it had become an understood rule that the reward level for cadres, especially for leading cadres, should be lower than that for workers. It seemed that a "privileged stratum" would be formed and "revisionism" would revive if cadres took more bonus than workers did. In order to break through this forbidden zone, in the second quarter of last year, we widely organized cadres of various types at different levels to work out detailed working regulations according to the division of duties and working process, and made them the basis for the appraisal of cadres' work and for rewards and punishment. On the basis of strictly inspecting, checking and accepting the work of cadres according to the duty responsibility system and the detailed working regulations, we began to enforce step by step the duty prize for cadres, raise the bonus level for them, and differentiate the reward levels in accordance with their tasks and responsibilities. This reform of the reward system provoked yet another debate among the masses. Some people said, "the cadres just sit in the office and do not sweat their guts out, yet take more bonus than we workers do. What an unreasonable thing it is!" Some cadres themselves also felt that they were in the wrong, they say "sharing more bonus is nothing more than bringing vexation on oneself. It just makes us unable to speak justly and forcefully and makes our work more difficult." To cope with such thinking, we unfolded once again the education on distribution according to work.

We quoted from Marx' "Das Kapital" the expositions on the indispensability of management in enlarged production and the duality of management, so as to support our argument that the management labor is an important type of productive labor under the socialist system, and management personnel are also one of the component parts of the proletariat. By criticizing the old erroneous "leftist" views that negate enterprise management and revaling the harm they brought about in practice, we convinced everybody that the cadres, though not sweating out their guts like workers, do make a contribution in all sorts of professional management work which is really indispensable. We also made an evaluation of the outlay in issuing duty bonuses to cadres, showing that the average bonus amount for cadres would still be less than that for workers who made conspicuous achievement although we had raised the bonus level for cadres. The workers found the truth at last through detailed evaluation. They said, "The cadres come to work earlier and leave later, taking on heavier tasks and greater responsibilities, they absolutely deserve to share more bonuses, and this completely conforms with the principle of distribution according to work!"

As we have upheld the principle of more work more may and banned the egalitarian practices in bonus distribution, we have achieved great success at the expense of less bonuses, and the enthusiasm of the staff and workers has been raised higher and higher. People say, in the past bonuses were distributed either in a way to "taking turns to be the dealer" or according to the leading cadres' impression of each workers; but the situation has been changed now, the amount of bonus depends on each person's contribution, the evaluation of the contribution is based on assessment, and rewards and punishments are fairly balanced. There were 19,483 persons participating in the competition for the first prize for excellence in the complete chain in the company last year. The outlay for regular bonuses amounted to 2.93 million yuan, equivalent to a standardized average sum of salaries for 2.78 months; everybody shared 12.52 yuan a month on the average. This conforms to the State Council's regulations by which a well operated enterprise can issue in 1 whole year a total sum of bonuses not exceeding the sum of salaries for 3 months, with the authority of the department concerned.

//Third, should the assessment on reward standards be strictly practiced?//

Only by the strict assessment of reward standards can egalitarianism be prevented in the distribution of bonuses. For this reason, in August last year we convened a congress of staff and workers in which the decision for stricter assessment of reward standards was adopted and stress was put on the 100-percent enforcement of the system. All offences against the system of regulations, whether or not they have caused accidents or losses, have to be recorded and reported, and the offenders will be disqualified from accepting bonuses for that month. A disturbance arose as soon as the resolution was announced. Those who used to overlook the organizations and discipline and have serious anarchic tendencies had a particularly strong aversion to this measure. Some said, "It is too absolute a deed to carry out the rules and regulations by 100 percent. To assess like this is really too strict." Some others said, "Those cadres are trying to bind our workers." Feeling the great pressure, team and group leaders and cadres were afraid that the workers would criticize them for applying the means of "controlling, blocking and oppressing." Hence, some of them never recorded or reported any offences against rules and regulations, and tried not to offend anybody; some tried to gloss over faults by attributing them to objective conditions and feared not reduce the bonus justly when it was found that some workers had not fulfilled the assessment standards. To cope with these circumstances, we unfolded once more the education on the principle of distribution according to work, emphatically solving the problem of hesitation in strictly carrying out the assessment, and criticized the "seeking good relations with all and sundry at the expense of principle" and anarchic practices.

Making use of the basic concept which Engels elaborated in "On Authority," we pointed out to the masses of workers that strict management is an ojbective requirement for enlarged production. We propagandaized a well-known saying by Engels, "at least in terms of working hours, we can put up such a note at the main gates of the plants: Those who enter by this gate please give up all autonomy!" In the meantime, we pointed out that the fear of strict management is an expression of small producers' individualistic aversion to discipline while carrying out the rules and regulations by 100 percent is the duty and responsibility of the working class. On the other hand, we also criticized the once popular erroneous argument which only put emphasis on "abolition" and "revolution" and overlooked "establishment" and "construction" concerning rules and regulations. We mobilized the cadres and workers to draw bitter lessons from examples of offences against rules and regulations, which caused accidents, to sum up experience from practice of strict enforcement of rules and regulations, which led to the stabilization and growth of production, to make clear the truth that "being strict is low, being lax is doing harmful." So we made the cadres and the masses understand that to allow offences against rules and regulations to pass unpunished seems outwardly to be "concern" for the interests of the masses of workers, but actually means dereliction of duty for the workers' safety; those cadres who "seek good relations with all and sundry at the expense of principle" are in fact bad cadres.

//Fourth, in raising the reward level, should we simply raise the amount of bonus, or further bring into play the reward system as an economic lever?//

Apart from the first prize for excellence in the complete chain awarded to the major plants and mines and those posts directly coordinating with them, and the duty bonuses designated to cadres, there are 26,000 or more staff and workers of auxiliary units receiving an all-inclusive bonus whose level is lower than the former two by around one half. At the beginning of this year, when convening the congress of staff and workers to work out the reward scheme, we planned to adopt a modified all-inclusive reward system to properly raise the reward level for this section of people. An ideological struggle was then unfolded between the opinion to uphold the principle of distribution according to work and that of practicing egalitarianism, centering on the problem of how to raise the reward level. In accordance with the principle of distribution according to work and more work more pay, these auxiliary productive units cannot win a raised bonus level unless they can ensure the completion of the assigned production tasks, manage to improve labor productivity and open up new ways of production, and thus increase the state's profit. However, the leading cadres of some auxiliary plants and mines, worried only about bonuses and regardless of their share of contribution, just look forward to simply raising the amount of bonus and do not want to set practicable advanced standards of assessment. In promises to the workers of their own units, some people even said, "I have got to fight for bonuses for all of you even if it means losing my job as secretary or director." To cope with these problems concerning ideological understanding, we organized the leading cadres of plants and mines to unfold a discussion on how to raise the reward level, and tried to guide them to make it clear that bonuses are not a welfare offer but an economic lever to enhance production. The raising of the reward level must be accompanied by the raising of the assessment standards for rewards. If we simply raise the amount of bonus, the bonus will not be able to function as an economic lever. With a common understanding reached, we organized those auxiliary units to work out, according to their own specific conditions, concrete schemes to properly raise the bonus level on the premise that the assessment standards are raised and more wealth is created for the state, thus we improved the all-inclusive bonus and mobilized the initiative of the staff and workers in broadening the sources of income and reducing expenditure. For example, when the original all-inclusive bonus system was in force in the electricity plant, every worker could get 6 yuan a month if he fulfilled the planned task. Starting from February this year, we replaced the old system with a new one which links the amount of awarded bonus to the electricity supply rate reward issued by the electricity supply bureau, on the premise that all the assessment indices are fulfilled. As the reward system has been modified, the electricity plant has begun to make every effort to rationalize electricity supply and reduce the loss of power in actively coordinating with the departments concerned. The comprehensive electricity supply rate was 0.94 in January, and was raised to 0.96 in February and March. The electricity supply rate bonus was 36,000 yuan in January, and rose to 87,000 yuan in February and 102,000 yuan in March; the average bonus per month for every worker or staff member was 6 yuan in January, 8.1 yuan in February and 9 yuan in March. Now the economic gain of the enterprise has become more eminent since, in modifying the reward system, we have combined economic responsibility with economic effect and economic interests, "awarded people according to their contributions," fairly discriminated between rewards and punishment, and thus given full play to the function of bonuses as an economic lever, and pushed ahead with the mass drive of broadening the sources of income and reducing expenditure. Compared with the same period last year, the whole company has achieved a growth in profit of 15 percent in the first quarter of this year, even though the output of steel has decreased by 4.41 percent since the state has reduced the production quota. A good situation of more profit for less output has taken shape.

To meet the requirements of economic readjustment, the quota of steel and iron output set by the state for our company this year has been cut to a lower level than last year. Facing this new situation, egalitarianism did not miss the opportunity to emerge again. Some people thought that we need not strive any more for higher standards and the first prize since the quota had been lowered. They even announced that the first prize for excellence in the complete chain was a "leftist" mistake, and wanted to return to the old path of eating out of a "big pot." In order to refute these arguments, we clearly pointed out the following facts. 1) It is on the basis of the present production level which is close to or has even reached the advanced level at home and abroad that we are mobilizing the masses to create a new level and strive for the first prize. Therefore it is fundamentally different from the old practice of seeking a "high index" despite the objective practical conditions. 2) The first prize for excellence that we are practicing is designed to examine the comprehensive economic effects and is basically different from the "leftist" deeds of one-sided pursuit of output. 3) Although the output quota for iron and steel has been cut, we still have to strive for an increase in the production of those products such as rolled steel, steel tubes and so on which are needed for light industry, the textile industry and agriculture, while actively promoting the production of everyday consumer goods needed by the market. Although the production of iron and steel is confined, we still have to create a new level and strive for the first prize in the operation of blast furnaces and conversion furnaces. We would rather spend part of the time on maintenance than carry on production at a lower level, letting the enterprise be slack and perfunctory and the morale of the workers become lax. Aiming at a high level which is economically rational technologically practicable and actually possible, we have put forth a new objective of struggle this year, and also added some new assessment standards such as energy consumption for a process, administration of environmental protection, production of consumer goods, work to keep the surroundings of the factory green, and so on.

In practice, we have found that the tenacious struggle against egalitarianism must be upheld unremittingly so as to solidly carry out the principle of distribution according to work.

Practice over more than 2 years has enabled us to find out an effective way of upholding the principle of distribution according to work and carry on the struggle against egalitarianism. That is to closely combine ideological and political work with a strict responsibility system and a rigorous scheme of rewards and punishment. In the past, in handling the relations between these three types of work, we always emphasized "combination" on paper yet practiced divorcement in effect. When stress was placed on strengthening business management and linking the responsibility system to that of rewards and punishment, some cadres would always regard this way as the only means to push forward the work, or even misunderstand that ideological and political work was dispensable. Conversely, when stress was placed on ideological and political work and the construction of spiritual civilization, some other cadres would tend to regate the responsibility system and the reward system, and be ready to return to the old path of "spirit is omnipotent." In fact, the responsibility system, the reward system and the ideological and political work are not at all in conflict with each other but are related to and complement each other. None of them is omnipotent and none can work independently. Of them, management is the basis of the various work of an enterprise. Without rigorous business management, rewards will lose their objective basis, and the principle of distribution according to work will not be able to be actually carried out. The distribution according to work, which provides an enterprise with economic impetus, is the link between the interests of the state, the enterprise and the individual. It can turn a laborer's focus of attention from private material interests to those of the enterprise and the collective, and push him to actively engage in business management, and thus make the ideological and political work more convincing. Ideological and political work is not only the important guarantee for the enforcement of the responsibility system and the reward system, but also for the strengthening and improvement of the party's leadership and the construction of socialist spiritual civilation.

Over a long period of time, we failed to handle well the relations between ideological and political work, the responsibility system and the reward system. One of the important reasons for this, apart from the pernicious influence of "leftist" thinking, was the absence of a form to properly combine these three matters.

In order to solve this problem, since the fourth quarter of last year we have unfolded education to strengthen the sense of responsibility of staff and workers being masters of the enterprise, in combination with practicing trial-point "responsibility for one's own profits and losses." And this year, we are driving the campaign further while unfolding the discussion on the topic of "serving and being responsible to the people." In the campaign, we have paid attention mainly to the following matters. The first is to give an education of the revolutionary outlook on life and unfold the discussion on "who one is working for." We have propagandized the communist work ethic of "serving and being responsible to the people" to negate the hired-hand mentality of "looking toward money in everything." The second is to give an education about the conformity of the interests of the state, the enterprise and the individual, in combination with trial-point reform of the system. We tried to make the workers realize their status as masters and understand that they are working today first for the state, then for the enterprise and also for themselves. The third is to further amplify such democratic management committees as staff and workers' congresses, various democratic management committees, advisory committees, and so on, to enable the staff and workers to get a sense of being masters of the state and masters of the enterprise through real participation in management.

The educational campaign to foster a sense of being masters has organically bound ideological and political work, the responsibility system and the reward system together. This educational campaign was vigorously strengthened the sense of responsibility of the broad masses of staff and workers in politics and their enthusiasm and initiative in production. It has animated the responsibility system, provided distribution according to work with a basis, and also tightly combined ideological and political work with production management so as to make it more lively and increase its fighting strength.

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'JINGJI YANJIU' ON ECONOMIC MANAGEMENT SYSTEM

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[Article by Ma Hong [7456 3163]: "On Several Questions of Reforming the Economic Management System"]

[Text] Why It Is Necessary To Reform the Economic Management System

What is the economic management system? On the whole the economic management system is economic relations. The economic management system also includes economic management work, therefore, it involves the superstructure. But in essence, it is production relations, that is economic relations. And economic relations are relations of material interests.

Reforming the economic management system means readjusting and improving the economic relations, that is readjusting and improving the relations of material interests in the various aspects of the national economy. In the economy under the system of ownership by the whole people, there are the relations between the center and the localities, between the state and enterprises, between enterprises themselves, between workshops in enterprises and between enterprises and their staff and workers. Enlarging the autonomy of enterprises means readjusting the economic relations between the state and enterprises. Our state-run enterprises should all be relatively independent economic organizations. They should be economic cells that are full of vigor. Each state-run enterprise should have its own interests that are unified with and at the same time different from the interests of the state. We must see, accept and correctly handled this point. Only in this way can we correctly handle the relations between the state and enterprises, between enterprises themselves and between enterprises and their staff and workers, and only in this way can we bring the initiative in various fields into full play so as to serve the four modernizations.

The economic management system now carried out in China is a highly centralized system that takes administrative management as the dominant factor. Viewed from its basic form, this sytem is similar to the system carried out in the Soviet Union in the latter period of Stalin during the 1950's. Our country's practice in the past 30 years has proved that this system has quite a few drawbacks, which can be summed up in the following four aspects: First, enterprises have become subordinated to the administrative institutes at various levels, and the enterprises' relative independence is negated. Our enterprises are like the beads of an abacus, they can be pushed up or down by the various central ministries and by the various departments and bureaus in the localities. These enterprises have little initiative. It is not that the enterprises do not want to have initiative, but our system has restricted their initiative. Second, the economy is managed according to the administrative system and administrative districts. They have formed their own systems and served the internal relations of the economy. For instance, our enterprises are managed according to conventional rules and regulations by the responsible departments of the center or the localities. In the main they exercise vertical relations, lacking horizontal relations. So many irrational phenomena have emerged. Third, too many plans and quotas are fixed by directives from above. Control from above is too tight. The producers cannot get in touch with the consumers directly. Production is divorced from marketing and demand. Thus, products are stockpiled in large quantities. On the other hand, many products are not marketable. Fourth, state monopoly for income and expenditure, holding "iron rice bowls," eating out of a "big pot," egalitarianism, economic irresponsibility and disregarding economic effect are the rule.

This economic system does not comply with the objective law for the development of the socialist economy. It is not suited to the requirements for developing the socialist commodity economy, to satisfying the people's everincreasing and ever-changing needs or to the requirements for getting the maximum economic effect with the minimum consumption of labor. Under this system, the state monopolizes the formulation of all plans, or purchase and marketing, or assignment and allocation of labor and of the use of income and the arrangement of expenditure. All this inevitably requires an integrated management system that is highly centralized, with administrative means as its dominant factor. It even refuses to use economic means to manage the economy. Under this management system or method, it is impossible to rapidly develop the socialist commodity economy. The situation in which our present economy is not brisk and economic results are bad is closely related to the drawbacks of our present economic system.

The reason why we have implemented this economic management system for a long period of time is the lack of understanding of the character of our socialist economy. Specifically speaking, in the past, we did not regard the socialist economy as a planned commodity economy, but actually as a natural or semi-natural economy. Now if we want to reform our economic system, we must have a correct understanding of the character of our socialist economy. This is the prerequisite for correctly solving the questions of orientation, principles, policies and methods for reforming the economic system.

How should we understand the character of our country's socialist economy? There are still different views on this question. A comparatively unanimous view is that China's socialist economy at the present stage is a planned commodity economy. Of course, there are persons who do not agree to this view. The central issue is whether the means of production exchanged under the socialist system of ownership by the whole people are commodities. Some comrades think that they are not commodities. Therefore they hold that the socialist economy is not a commodity economy. In the past, this viewpoint occupied a dominant position. There are persons who still hold on to this viewpoint.

In my view, China's economy is a planned commodity economy. Of course, this commodity economy is different in nature from the commodity economy of a capitalist society. The capitalist commodity economy is based on the capitalist system of private ownership and it is unplanned. The system of public ownership occupies an absolutely dominant position in the socialist commodity economy, which is a planned economy.

Accepting the viewpoint that the socialist economy is a planned commodity economy constitutes great progress and a leap in theory. We know that the question of socialist commodity production has been under discussion for more than 100 years and that there has been much argument on this question among Marxists. In "Critique of the Gotha Program," Marx said that socialism is the early stage of communism and that it still retains traces of the old society. The traces of the old society Marx talked about are mainly meant that "bourgeois rights" are still retained in the principle of distribution according to work. At that time, the socialism Marx envisaged was based on highly developed capitalism. Under such socialism, there was no relation between commodities and currency. Marx failed to foresee that socialist revolution could win and socialism could be built in countries where capitalism was only moderately developed and even in a country like ours where capitalism was in its early stages and the natural economy still occupied a dominant position. To build socialism in a country like ours where the economy is so underdeveloped, it is necessary to fully utilize the relations between commodities and currency. In other words, the socialist economy at the present stage is a planned commodity economy.

We can also consider such a question as this: In the highly developed capitalist countries, when the working class has seized political power and built the socialist system, may commodity production and money be abolished immediately? Quite a number of Marxists are now considering this problem. In these few years, I have had the opportunity to go to Japan, the United States and several developed capitalist countries in West Europe on a fact finding mission. The comrades who took part in the mission had a common viewpoint that the economy of these countries is much more developed than what was described by Marx. Things are different from what they were 100 years ago. Marx did not foresee that 100 years later the capitalist economy would have developed to such a high degree. One hundred and five years after Marx wrote "Critique of the Gotha Program," there has been greater development in the productive forces of the developed capitalist countries than the period in which Marx lived. Even though the economy has developed to such a stage at present, can the proletariat abolish the commodity economy and currency immediately after seizing political power in these countries without bringing chaos to the economic life of the society? It seems it is not possible. If the term "currency" is changed to "labor coupon," which still plays the role of currency, what significance does it have? Many problems will certainly emerge, if currency, that is the commodity economy, is really abolished. The Mitsukoshi Department Store in Tokyo, Japan, deals with 500,000 types of commodities, while our country's biggest department store, the First Department Store in Shanghai, deals with more than 40,00 types of commodities and the Beijing department store deals with 24,000 types. There are 14,000 types of foodstuffs in a supermarket in a small city with a population of nearly 200,000 people on the outskirts of San Francisco. If the relations between commodities and currency are abolished, how would we effectively allocate these products? Human beings invented currency after long years of innumerable practice in life. Currency has given great impetus to the development of the economy of mankind. If we want to abolish it, we must have something more rational to replace it. This is no simple matter. It seems that when the productive forces have not reached a highly developed stage, when labor has not become people's primary necessity, it is not so practical to abolish the commodity economy or to abolish currency. This viewpoint is a supposition, which must be proved in practice.

In his book "The State and Revolution" written before the October Revolution, Lenin quoted Marx's words and explained Marx's viewpoints in "Critique of the Gotha Program," which also advocated the abolution of the commodity economy and currency. After the October Revolution, the Soviet Union once implemented the communist economic system of the war period, mainly due to the imperialists' armed interventions and the civil war. But is does not mean that it was not related to the theory of the abolition of the relations between commodities and currency. The attempt to abolish the relations between commodities and currency under communism of the war period failed. Lenin summed up the experience and lessons and put forward new economic policies according to five economic components the Soviet Union had at that time and especially according to the situation in which a small commodity economy and small production were widely found. Under the new economic policies, they were to use the relations between commodities and currency to develop commerce and promote the rehabilitation and development of the socialist economy. Unfortunately, Lenin died too early, so he was unable to see the completion of socialist transformation. After the completion of socialist transformation, the Soviet Union did not have five economic components any more, but only a unitary socialist economy. Under such conditions, was the commodity economy still needed? It was too late for Lenin to answer this question, which Stalin had to tackle. Socialist transformation in the Soviet Union was completed under the leadership of Stalin. After the completion of agricultural collectivization, Stalin once pointed out that there were two systems of ownership, namely, the system of ownership by the whole people and the collective ownership system, two classes, the working class and the peasant class and that exchange was needed. But for a very long period after agricultural collectivization, Stalin did not explain or expound clearly whether the exchange between the two systems of public ownership was commodity exchange and whether the law of value could still be used. In this period, arguments about the above question kept going on in the Soviet Union. Until the latter years of Stalin, that is in 1952, he began to accept, in his book "On the Question of the Socialist Economy of the Soviet Union," that there were relations of exchange between commodity production and commodities in the two systems of ownership, and held that the law of value must be used. This was a conclusion after over 20 years of argument in the Soviet Union. In over 20 years prior to this, they did not fully use the relations between commodities and currency or the law of value, when handling the relations between the two systems of ownership.

In "On the Question of the Socialist Economy of the Soviet Union," although Stalin accepted that there were relations between commodities and currency in the two systems of ownership, at the same time he maintained that the means of production exchanged among state enterprises were not commodities. He further said that the law of value did not play a regulatory role even in the production of raw materials in agriculture. Stalin emphasized time and again that commodity production and the role of the law of value must be restricted. Therefore, we can say that Stalin never regarded or did not completely regard the socialist economy as a commodity economy, but to a very large extent, as a seminatural economy. According to this theory and understanding, the economic management system planned and carried out in the Stalin era did not comply with the requirements of the commodity economy but to the requirements of the natural or seminatural economy; Stalin did not regard products as commodities and did not carry out exchange at equal value, but unified regulation by planning mechanism while refusing to carry out regulation by market mechanism. He adopted highly centralized management methods with administrative means as the dominant factor. This unified regulation by planning mechanism regarded the whole national economy as a factory. Lenin also said such things as changing the whole society into a factory. But now this problem seems very complicated. Changing the whole society into a factory will bring forth many problems. The purpose of our carrying out the highly centralized economic management system and of our abolishing the relative independence of enterprises is to make the whole society a factory. Under such a system, have many problems not emerged?

Stalin's theory and practice have affected China's socialist construction tremendously. The pattern of the economic management system designed and implemented under his leadership has also affected China tremendously. If we want to change this pattern, we must first break away from the theoretical foundation of this pattern, that is to break away from some erroneous and outmoded conventions. Now we have already had a breakthrough in theory. We should say it is an important result of emancipating the mind. Without this theoretical breakthrough, we would not have been able to propose and implement the reform of our present system. Many comrades have realized that not only the means of existence, but also the means of production are commodities; that not only exchange between the sytem of ownership by the whole people and the collective ownership system, but also the exchange within the system of ownership by the whole people itself is a commodity exchange.

Due to theoretical progress, not only the means of existence but also the means of production may enter the market. For instance, the Anshan Steel Works has opened a store that sells steel. This has never happened before. The mechanical and electrical products that entered the market through this outlet in 1979 accounted for nearly 20 percent of its total output. It has been estimated that the percentage will be higher in 1980. Some factories' mechanical and electrical products that have entered the market even account for 70 to 80 percent. Some people do not agree with the practice of bringing the means of production into the market. But viewed from practical results, it has actively promoted the development of the economy. This also shows that the economic system must be reformed.

II. The Orientation and Requirements of the Reform of the Economic Management System

The reform of the economic management system must be based on our country's actual condition, that is to say it must be based on our country's special characteristics. What are these special characteristics? The most basic characteristic is: China is a large country with a population of 1 billion people, among which 800 million are peasants. A series of problems have emerged herefrom. First, China has a very poor foundation to start with, due to the long domination by feudalism and imperialism. Although there has been great development in China's economy since liberation, the national per capita income is just more than $200 on average. The average gross national product per capita in our country ranks lower than 120th among more than 140 countries and regions in the world. This is very low. Take the agricultural population as an example. In 1979, the average income from the collective was only 83.4 yuan per person. In 27 percent of the production teams, the average income for each person was less than 50 yuan. Although the urban people earn a little more than the people in the rural areas, they are not well-off. A large population has large consumption and accumulation is confined within strict limitations. During the 30 years since the founding of the People's Republic of China, the average net increase of people has been 14 million per year. The average net increase of the agricultural population has been 11.6 million people per year. Even if family planning is implemented and the natural growth rate drops, there will be an increase of 12 million people per year in the future. Calculated according to the present consumption level, there will need to be an increase of consumption funds of 3 billion yuan, 6 billion jin of grain and 300 million meters of piece goods per year. Only when we have met the basic demands of the newly increased population with the yearly increased products, can we talk about improving the livelihood of the original population and can we talk about new investments. Second, China's commodity economy is not well developed. Although collectivization has been realized and the collective ownership system was established in the countryside long ago, its economy is fundamentally still a natural economy, its labor productivity and the commodity rate of its agricultural products are very low. China's main agricultural products are grain and 80 percent of the grain is consumed by the peasants themselves. After deducting the part of the grain resold by the state, the average commodity rate throughout the country is only about 15 percent. Of course, different regions have different rates. For instance, the commodity rates in the grain producing regions and the commodity grain bases are a bit higher. Commodity rates in the regions of industrial crops are also a little higher. But the surplus agricultural products yearly provided by each agricultural laborer are not worth more than 80 yuan, even though the prices of agricultural products have been raised. China's urban commodity economy is not well developed either. Because of the influence of the natural economy, we have not carried out well cooperation among specialized units, instead we have been keen on being "large and complete," or "small and complete." Therefore, the original production of socialization has become a natural economy that is self-sufficient or semiself-sufficient. Another point is that the development of China's economy in uneven. There are many large cities in China in which the economy is comparatively developed. Shanghai is such a city, which is about the same as New York, Paris and Tokyo. Of course, it is not as modernized as they are. Most of the regions in China are not highly developed. There are a few backward regions which still adopt slash-and-burn cultivation. If the world is divided into developed regions, developing regions and underdeveloped regions, then according to the level of development of the economy, our country can also be divided into comparatively developed regions, developing regions and comparatively backward regions. One more point is that the technological structure in production is multistratified. There is automation, semi-automation, mechanization and semi-mechanization. But most of the work is done by hand. The social economic structure is also multistratified. There is the system of ownership by the whole people, the collective ownership system, the individual ownership system, the combination of the system of ownership by the whole people and the collective ownership system and the state capitalist system of ownership of joint ventures. Have we not said that we must not deal with things indiscriminately? It is true, we must not, because various regions and various economic situations differ in a thousand and one ways.

To have a correct understanding of the country's situation is very important. We must solve this problem not only in the reform of the economic system but also in the whole socialist construction. Comrade Chen Yun recently said: "Our country has a population of 1 billion people, among which 800 million are peasants. We are carrying out construction in such a country." We must understand this and pay attention to this difficulty. But there are not many people who soberly understand this. The most fundamental reason why we have met with so many setbacks and committee left deviationist mistakes in our socialist construction is that we lack a sober understanding of our country's basic condition.

Starting from this actual condition, the principles and orientation of the reform of our economic management system are, by holding on to the condition that the system of public ownership of the means of production occupies a dominant position and in accordance with the requirements of developing the commodity economy and promoting large-scale socialized production, to conscientiously use the law governing the economy, to break away from the administrative conventions and the ideological trammels of the natural economy and change the highly centralized state policy system into a combined policy system of the state, the economic units and the individual laborers with the state as the main component part; to change the unified planned regulation into correctly bringing into play the role of regulation by market mechanism under planned guidance; to change the economic management that mainly relies on administrative institutions and administrative methods into economic management that mainly relies on economic organizations, economic methods and economic laws and regulations in order to bring the initiative in various sides into play, rationally organize various economic activities and accelerate the building of socialist modernization with minimum consumption of labor and maximum economic effect.

First, we must change the highly centralized state policy system into a combined policy system of the state, the economic units and the individual laborers with the state as the main component part.

Our present economic system is basically worked out by the state. Enterprises have little decisionmaking power, and the powers of individual laborers are also limited. The purpose of expanding enterprise, autonomy is to let the enterprises have the necessary decisionmaking power. In addition, individual laborers should also have the necessary decisionmaking power.

Individual decisionmaking power generally includes two aspects. One is allocation, that is how to use salaries and rewards. This should not be controlled by the state. They should be allowed to buy what they like to buy (what is meant here is mainly consumer goods). But under our present economic system, individual laborers' decisionmaking power is also limited to a certain extent. For instance, some of our products are available only by coupons or tickets, even if you have money, it does not mean that you can buy what you like. Recently, we conducted an investigation in Guangxi. The peasants of Nanning, Liuzhou, Guilin and Wuzhou want to buy bicycles and sewing machines made in Shanghai, but they are not available. In many places, people have to draw lots or use coupons to buy bicycles or sewing machines. To use coupons shows that our commodities are not abundant and are in short supply. Under such circumstances, we have to adopt methods that can guarantee the most fundamental needs of everybody. This is not the characteristic of socialism nor the method that must be adopted in socialism. Under this method, the individual laborers' right to allocate their income is limited. Only when the economy has really developed and is really brisk and there is sufficient supply of commodities, will there be room for personal choice in the purchase of commodities. Therefore, we must develop the commodity economy, enliven the economy and make the individual laborers fully realize their right to make decisions in this respect.

The other aspect of individual decisionmaking power is personal choice of occupation. Our constitution stipulates that each citizen has the right to work. But in the choice of occupation, each individual has little right to decide. In our present labor management, the state carries out unified arrangement and allocation. If you go to the labor bureau for a job, assignment, you will be required to work in whatever place is assigned by the labor bureau. It is no easy matter to find a job and it is even more difficult to choose a suitable one. The socialist principle is from each according to his ability, to each according to his work. From each according to his ability means to bring into play everyone's talents and given them the most suitable work to do and to that end, to let everyone have the right to choose the occupation they like. In the past, it was out of the question for us to talk about decisionmaking power. In the reform of the economic system, the grip on the above problem is rather loose. In other words, cadres and workers are allowed to make their choice or change their work within certain limits. This is beneficial to our economic development. Of comrse, our country has a large agricultural population and there is a great difference between the cities and the countryside. Therefore the state has to exercise the necessary control over the allocation of the labor force. But being the orientation of reform, individual laborers should have a certain right to decide in the above two aspects.

The enterprises should also have the necessary decisionmaking powers. The reason for expanding enterprise autonomy is that the enterprises are in need of the necessary decisionmaking powers. The trial-point enterprises that are now carrying out expansion of autonomy have obtained some rights in respect of retaining profits. But there are many irrational limitations as to how to allocate the retained profits. In production and marketing, personnel matters, the arrangement of work and planning, the enterprises still do not have enough autonomy. Within the limits permitted by state decrees and under the planned guidance of the state, the above various right limitations should be expanded step by step so as to give the enterprises the necessary decisionmaking powers.

The power for macroeconomic planning should be kept in the hands of the state. That includes the orientation for developing the national economy, the main proportions, the scale of capital contruction, the orientation of investment, major construction projects and the rising range of the people's livelihood. For instance, the state should decide how much of the increase of the national economy should be used for accumulation and consumption, how much of the accumulation should be used for capital construction and on what scale the capital construction should be carried out. In the first 5-year plan, the proportion of accumulation in the national income was less than 25 percent and the proportion of consumption was a little more than 75 percent. Life at that time was good. During the "great leap forward," the accumulation rate was as high as over 40 percent. In 1978, the accumulation rate was also very high. It was over 36 percent. Because the accumulation rate was excessively high for a long time, more and more problems emerged in the livelihood of the people. In the 20 years from 1958 to 1978, there was little improvement in the people's livelihood. This was because of the wrong handling of the relations between consumption and accumulation. If we had made accumulation a little less and consumption a little more, there would have been improvement in the people's livelihood. The correct policy of the state in macroeconomics is very important. Summing up past experience and lessons, we know we must correctly handle the relations between accumulation and consumption and the relations between construction and livelihood. For instance, we must have an accurate calculation on the increase of major products, revenue and expenditure, salaries, on the scale of capital construction and on how many coupons are to be issued. We must carry out well an overall balance in finance, credit, material, foreign remittance and accumulation and consumption. Otherwise, it will have an advanser effect on the development of the economy or it may even make a mess of the economy.

Second, we must change the unified planned regulation into fully bringing into play the role of regulation by market mechanism under the planned guidance of the state.

Since we have admitted that the socialist economy is a planned commodity economy, we must correctly bring into play the role of regulation by market mechanism under the planned guidance of the state.

Because the socialist system of public ownership occupies an absolutely dominant position and because the state's political power is in the hands of the workers, peasants and the representatives of the laboring intellectuals, the basic social needs can be controlled. This is why there is the objective possibility of carrying out planned guidance in the national economy. For instance, the state can control the proportion between accumulation and consumption in the national income, the scale of the country's construction and the rising range of the people's livelihood.

Of course, when carrying out regulation by planning mechanism, the state should not interfere in the enterprises' activities too excessively by administrative means. Instead it should pay attention to using economic levers such as taxation, prices and profits to carry out regulation. Under the prerequisite of holding on to the principle of carrying out the planned economy, we should correctly bring into play the role of regulation by market mechanism. This will help the national economy maintain its equilibrium persistently and conscientiously and avoid serious disproportion.

In view of the present situation in our country, the state's compulsory plan is indispensable. There must be compulsory indices for the production and allocation of some major products that are related to the national economy and the people's livelihood, such as grain, piece goods, coal, electricity, oil, steel and full sets of equipment. But at the same time the necessary economic means must be used as a supplement. The items, sizes and designs and colors of these products should be decided by the producers and the buyers. Production must be decided according to demand.

For most of the products, the state may set guiding indices instead of compulsory ones so as to let the enterprises have direct contact with the consumers and sign supply and sales contracts with them. On this basis, plans will be worked out and submitted to the department concerned for approval. In this respect, the state's responsibility is to provide the enterprises with market information and reference indices, given them instructions that they should correctly fix the development orientation of production and lead them by means of economic levers.

Third, we must change the economic management that mainly relies on administrative institutions and administrative methods into the economic management that mainly relies on economic organizations, economic methods and economic laws and regulations.

Only in this way, can the enterprises become relatively independent economic units that are no longer subordinate to the departments or the administrative institutions of the localities, and can they change the situation of "big and complete" and "small and complete." Only when we organize the enterprises according to the principle of cooperation among specialized units and of economic rationality, can we change the situation in which the national economy is divided into administrative departments and can we form a unified national economy in a planned and proportionate way. Only in this way, can we organize various economic activities in accordance with the requirements of the objective law governing the economy in order to achieve the best economic results.

It should be pointed out that, by criticizing the past economic management that mainly relied on administrative methods, this does not mean we should not adopt administrative means and methods any more. Under any circumstances, administrative methods are necessary to lead the national economy. The problem is administrative methods must be correct. In other words, they must comply with the requirements of the objective law governing the economy and at the same time be combined with economic methods. Especially at the present readjustment stage, it is all the more important to pay attention to the role and significance of administrative methods, because the national economy is seriously disproportioned and the role of many economic measures and levers has not been brought into full play. During the process of reform legislation cannot keep pace with the demands immediately and no complete set of economic means can be realized immediately. In addition, there is a distinct element of time involved in the readjustment period, so administrative methods are more effective than economic methods insofar as solving some problems is concerned. For instance, it is necessary to adopt administrative means in order to effectively prevent the tendency of blind construction and duplicate construction and resolutely carry out closing, suspending, merging and shifting in the enterprises that have incurred losses for a long time and consumed raw materials and energy to excess. Therefore, it will take time to change from economic management that mainly relies on administrative methods into economic management that mainly relies on economic methods. We must resolutely further enliven the economy, but we must also pay attention to administrative methods. The state must interfere in problems that are of great importance. We must combine well these two aspects and guarantee the smooth realization of the task of readjustment.

By carrying out such a reform, does it not mean that we are changing the socialist system of public ownership into the capitalist system of private ownership? No. Not only will such a reform not change the socialist system of public ownership, but it is beneficial to the consolidation and development of the system of public ownership. There is a fundamental difference beteen the capitalist commodity economy and the socialist commodity economy, that is, whether or not the labor force is a commodity. In the economy of the socialist system of public ownership, the labor force is not a commodity. At the present stage, we permit the existence and the limited development of the individual economy, because it is a subordinate and a necessary supplement to the socialist economy. It is also permissible to employ some apprentices in the individual economy. From the Marxist point of view, to employ a limited number of apprentices cannot be branded as capitalism. In his "Das Kaptial," Marx did some calculation. According to the situation at that time, to be a capitalist, one had to employ eight workers so that one did not need to take part in labor and could live by exploiting the surplus value of the workers. Now when we consider this question, we must base ourselves on the present situation. But to allow handicraftsmen to employ several apprentices does not after all mean that the labor force has become a commodity. Another difference between the socialist economy and the capitalist economy is whether money has become capital. In our socialist economy, money does not become capital. In joint-venture enterprises, foreign capital is allowed in China for the purpose of accelerating China's socialist construction. However, the socialist economy still occupies a dominant position in the whole national economy. The above shows that what we uphold are the Marxist line and the socialist orientation.

III. Some Thinking on the Pattern of a Chinese-style Socialist Economic System

After having been reformed, the pattern of our country's economic system is a Chinese-style socialist economic management system that is based on our country's actual condition. The general outline of this system mainly includes the following five points. First, expansion of enterprise autonomy, second, is carrying out various forms of economic integration, third, set up trade organizations, fourth, take developing the economy as the center, fifth, change the functions of administrative management institutions.

First, separate government from enterprises, delegate power to the lower levels and expand enterprise autonomy. This is the foundation of the reform of our whole economic system. On the whole it includes three requirements:

(1) Economically, under the condition that the enterprises have fulfilled the tasks put forward by the state, they may carry out independent accounting and adhere to the principle of responsibility for their own profits and losses so as to become relatively independent economic units that have internal motivation, external pressure and great vitality.

Enterprise autonomy must be expanded to the extent that they can carry out independent management and activities and so that they have independent accounting and responsibility for their own profits and losses, after having fulfilled the tasks put forward by the state. China's present socialist economy is still a commodity economy and enterprises are commodity producers and are the basic units that can directly give play to the role of production and exchange. Under the unified leadership of the state, the enterprises should have independent management and relatively independent economic interests. In this way, the enterprises can become dynamic organisms, can become economic cells that are full of vitality and can become the source of strength of the national economy.

By carrying out the principle of independent accounting and responsibility for their own profits and losses, will the nature of the system of ownership by the whole people be changed? I do not think it will. In the past, the fixed assets and circulating funds of the system of ownership by the whole people belonged to the state and were used gratuitously by the enterprises. Now the enterprises have become relatively independent management units, so the fixed assets and circulation funds are used with repayment liabilities but still belong to the state. The enterprises only possesses and use them and the nature of the system of ownership by the people has not changed. The right to use and the right to own can be separated under certain conditions. After the October Revolution, Lenin said that the land belonged to the state and could be possessed by those who cultivated it. He said it was not the transfer of ownership rights but the transfer of allocation relations. Lenin once proposed to rent some of the state factories to foreign capitalists, which was to be called state capitalism. This is the separation of the right to own and the right to use.

When the enterprises under the system of ownership by the whole people carry out the principle of independent accounting and of responsibility for their own profits and losses, do the new fixed assets formed by self-accumulated funds belong to the system of ownership by the whole people? This problem merits deeper study. In my opinion, the new fixed assets formed by self-accumulated funds of the state enterprises should still belong to the system of ownership by the whole people. But to encourage the enterprises to tap their potential, renovate, restructure and expand reproduction by means of self-accumulated funds, the state should not charge them for the use of the new investments for a given period. After a given period of 3 to 5 years, the state may reduce the cost. In this respect, the fixed assets are treated in a different way from those of the original system of ownership by the whole people. If the enterprises are required to pay the same cost as that paid for the use of the fixed assets of the original system of ownership by the whole people, then the enterprises' initiative for exapnding reproduction will be affected.

In addition, the self-accumulated funds of the enterprises under the system of ownership by the whole people may be used for tapping their own potential, renovating, restructuring and expanding construction. If they have some funds left, they can use them for investment in other enterprises (whether they be enterprises under the system of ownership by the whole people or enterprises under the collective ownership system) and carry out joint management with them, on a voluntary basis and under the principle of mutual benfits. We should make a study of the nature of the ownership of investments in enterprises under the system of ownership by the whole people should belong to the system of ownership by the whole people. The case is different with investments in enterprises under the collective ownership system. This is the combination of the self-accumulated funds of the enterprises under the system of ownership by the whole people with those of the enterprises under the collective ownership system. It is a new economic form. The state should also give economic encouragement to such investments, besides giving planned instructions. The state may reduce the tax on the income from the investments of the enterprises under the system of ownership by the whole people within a given period of say 3 to 5 years. Otherwise, the enterprises will lose their initiative for investment. Besides, if all of the income earned by the enterprises under the system of ownership by the whole people from the investments in other enterprises is used for the development of production, the initiative of the staff and workers will be affected. It seems that it is necessary to use some of the income for the enterprises' welfare. We should know that the form of the socialist system of public ownership may change. Socialist production relations are based on the system of public ownership of the means of production. This definitely cannot be changed. But there are various forms of public ownership systems and we must not be rigid in our attitude towards them. For instance, now we have a new economic form in which the system of onwership by the whole people is combined with the collective ownership system.

This combination has brought good economic results. Can you say this is irrational? Or can you say this is not the socialist economic form? We must further study which form of public ownership system is more suitable for the development of the economy.

(2) Politically, the staff and workers have become masters of their own house and can carry out democratic management, so they love their factories like their own homes and a "community of destiny" has emerged in which the staff and workers maintain flesh-and-blood relations with the enterprises. This is like what was described by Engels as the combined body of free and equal producers.

The expansion of enterprise autonomy must be combined with the expansion of the workers' rights to become masters of their own house. This is one of the fundamental differences between our system and the one-man leadership system of the Soviet Union. We emphasize that the factory director exercises the right to direct production, but major problems of the factories and enterprises must be decided by the workers themselves. Only in this way, can the workers become the masters of the enterprises.

If we want our enterprises to resolutely take the socialist road, we must fully develop the socialist democratic style of work in the management of enterprises so as to make the laborers really become the masters of the means of production. Marx once made the following prediction as regards socialism in future: "The nationwide centralization of the means of production will become the nationwide social foundation formed by the combined body of free and equal producers, who will conscientiously undertake social labor in accordance with the common and rational plan." (Marx: Collected Works of Marx and Engels, "On the Nationalization of the Land," vol 18, p 67) What we want to build step by step is such a society. The system of ownership of the means of production is not just a question of who possesses, but also a question of who allocates. Only by transferring the allocation right to the producers on the production front (including management cadres, technicians and workers), can we better utilize the means of production of the system of ownership by the whole people for developing production, in order to make various measures practical, bring into play the initiative of the direct producers, emancipate the productive forces and give full play to the superiority of socialism. Therefore, to set up staff and workers' congresses and their standing institutions that have sufficient power is of great significance and is an important reform in the leadership system of enterprises.

The staff and workers' congresses should have the following power in respect of the enterprises' production, and management activities: Under the state's planned instruction, the congresses will work out the enterprises' long-term and short-term plans, determine the plan on major technological reforms, examine and approve the budget and finalize accounts and adopt important rules and regulations after the enterprises pay the tax to the state, the congress will decide on the allocation of the results of the work, that is expansion of reproduction, collective welfare, wages and rewards and the allocation of reserved funds according to the state's policies and decrees; the congress can decide on the appointment and dismissal of the enterprises' main cadres, according to the state's policies and decrees. If the staff and workers want to really become the masters of the enterprises, they should have the power to decide on the above major problems. That is to say that the staff and workers' conference and congress should not be regarded as merely organizations to absorb the workers to "participate" in management, or at most as organizations for inquiries and inspection. Starting from the prerequisite that the staff and workers should be the masters of enterprises, we should make staff and workers' conferences and congresses play the role of the organ of power. As members of the working class, the staff and workers are not only the masters of enterprises, but also the masters of the state and society; they will not only manage the enterprises, but also take charge of the state's political, economic and other social affairs. For the staff and workers to manage the enterprises is the foundation for taking charge of the state's political, economic and other social affairs.

(3) In the leadership and management system, we should adhere to the responsibility system of the factory director being in charge based on democratic management. Opinions are not yet completely identical as to what the responsibility system of the factory director being in charge is. Some comrades propose carrying out the responsibility system of the factory director being in charge under the leadership of the staff and workers' congress, others propose carrying out the responsibility system of the factory director being in charge under the leadership of the management committee of the enterprises, and still others propose carrying out the responsibility system of the factory head being in charge under the leadership of the party committee, except for a few trial-point enterprises and until the party Central Committee makes new decisions.

In reviewing out history over the past 30 years, there have been three great reforms in the leadership and management system of our industrial enterprises. In the beginning it was called the party committee system. The method adopted by the revolutionary base areas in 1942 whereby the party, the government, the army, the civilians and the students should be unified under the party leadership was introduced in the management of enterprises. Recently, some comrades pointed out that the decision on unified leadership was quite necessary for winning a revolutionary war during a war period and that it was correct. But our practice in the past 20-odd years has proved that it is not appropriate for the method to be applied without any change in the four modernizations drive, especially to be applied in factories. For a period of time after liberation, we used this method and later changed it to the responsibility system of the factory director being in charge because we felt it was not so suitable for modern large-scale production. During the implementation of the responsibility system of the factory directors of some enterprises had excessive power and that the party committee and mass organizations could not play their role well. In order to overcome these shortcomings, the system was criticized in 1956, that is, the one-man leadership system was criticized and changed into the responsibility system of the factory head being in charge under the leadership of the party committee. This system has been implemented for 24 years. Practice has proved that this system has a lot of shortcomings and it has even changed into the one-man leadership system of the party committee secretary, under which the party committee decides on everything. The factory director, the staff and workers' congress and engineers have lost their functions. Of course, when the socialist transformation of the means of production had not been completed and when the contradictions between the proletariat and the bourgeoisie were still the main contradictions, the responsibility system of the factory director being in charge under the leadership of the party committee was specifically suited to the situation and tasks at that time. It once played a positive role. But following the shift of the stress of the party's work to socialist modernization and following the unfolding of the reform of the economic management system, many problems have emerged. This system must be reformed step by step and in a planned way, but the responsibility system of the factory head being in charge under the leadership of the party committee has to be implemented until trial points are carried out, experience is ripe and the party Central Committee makes new decisions.

The party committee system, the responsibility system of the factory director being in charge and the responsibility system of the factory director being in charge under the leadership of the party committee have common shortcomings, namely, the staff and workers (including production workers, cadres and technicians) have not really become the masters of enterprises and have not developed the democratic style of work. This is an important reason why the leadership system of the enterprises must be improved.

No matter what method is adopted in the reform of the leadership and management systems of industrial enterprises, the following targets must be achieved: First of all, we must overcome the disadvantages of mixing the party, the government and the enterprises toegether and really intensify and improve political and ideological leadership exercised by the party over the enterprises. Second, we must exercise democratic centralism in the management of enterprises so as to make the broad masses of staff and workers really become the masters of enterprises and work hard for running the socialist enterprises well with a full sense of responsibility. In addition, on the basis of democratic management, we must form a centralized and unified system headed by the factory director (manager) and a responsibility system of the factory director being in charge that carries out production technology and management, in order to meet the objective demands in modern large-scale socialized production and achieve good economic results.

In order to realize the above-mentioned economic and political demands, enterprises should carry out the following six changes in their economic management:

(1) They should change the enterprises from being appendages of the departments and the administrative institutions of the localities into economic units which are responsible for their own profits and losses and which can form an independent production and economic management system and be fully responsible for their management results. The separation of enterprises from administrative organs means the changing of the profits turned over to the state into taxation. In taxation, the center and the localities can carry out appropriate allocation to prevent each from being unwilling to let go of the enterprises.

(2) They should change the enterprises from organizations which are in need of vitality into economic units which have internal motivation and external pressure and in which how the enterprises are run is directly connected with the interests of the staff and workers. When the enterprises carry out democratic management, the personal interests of the staff and workers are directly connected with the management results of the enterprises. In this way, the enterprises can have internal motivation. The enterprises are to carry out competition so as to have external pressures. With motivation and pressure, the enterprises can advance in a better way.

(3) They should change the enterprises from units which simply carry out orders into units which can make their own decisions. Except for some necessary planned

guidance, the state's plans should be worked out in such a way that they will gradually become of a guiding nature instead of compulsory. Our country is so large and our enterprises are so many. How should concrete and meticulous arrangements be carried out in every enterprise under the state's plans? Of course, the state's interference and guidance are necessary. But the enterprises should be allowed to make their own decisions according to the market situation under the state's planned guidance.

(4) They should change the enterprises from being "large and complete" or "small and complete" economic organizations into economic organizations in which specialization is combined with cooperation.

(5) They should change the enterprises' pattern of just being engaged in production into that of being able to manage production. The enterprises should pay attention not only to production but also to marketing, not only to management but also to the way of doing business and not only to their plans but also to the market. So new requirements are constantly set to the enterprises' management personnel, and they are impelled to adopt new attitudes toward production and new methods to organize production and pay attention to the market situation. They should learn how to engage in competition.

(6) They should make the enterprises responsible not only to the higher authorities but also mainly to the consumer.

The above are the changes the enterprises themselves will undergo after they have expanded their autonomy. In 1981, the enterprises will formally carry out the principle of independent accounting and responsibility for their own profits and losses in their trial points, but these trial points should not be carried out on a large scale. As to the retention of profits, some comrades think that only the enterprises which have a lot of profits can retain them and that the enterprises which have little profits or which in our losses cannot do that. This viewpoint merits careful consideration. From Sichuan's experience we know that the enterprises which have little profits or which incur losses can improve their management by carrying out the principle of retaining the profits or of being responsible for their own losses. Experience in some other districts has also proved this. Recently, I went to Liuzhou in Guangxi for investigation. From 1966 to 1979. tke Liuzhou iron and steel works incurred a loss of 180 million yuan. In 1978, it incurred a loss of 15 million yuan and in 1979 8.73 million yuan. In 1980, the party committee of the Guangxi autonomous region adopted a financial method of being "responsible for their own losses, no replacement for serious losses and of retaining what they have when losses are small." As a result, this works soon overcame its losses. From January to October, it neeted a profit of 2.85 million yuan. It is obvious that this method brought very good results.

Of course, trial points should not be carried out in an isolated way. The planning units, statistics units, material units, taxation units, banking credit units, pricing units, commercial units, foreign trade units, labor and salary units, organization departments and personnel departments should all take part in them. Because the reform of a system involves many problems, without the participation of various units concerned, these problems cannot be solved well or cannot be solved at all. The trial pints of paying "substituting taxes for profits and of being responsible for one's own profits and losses" are carried out in some places only by relying on the financial bureau and the tax bureau. How can they carry out the trial points well? Many enterprises have complained that they are in need of the right to use and transfer personnel. It seems that the organization department and personnel department of the party committee should also take part in the trial-point expansion of autonomy.

Second, on the basis of expanding enterprise autonomy, it is necessary to organize tens of thousands of scattered enterprises to form economic integration of various forms and to set up economic integrated bodies and all kinds of companies. Economic integration should be carried out on a voluntary basis and under the principle of mutual benefits. We should combine the method of from bottom to top with that of from top to bottom. There are various forms of integration, namely, the integration among enterprises under the system of ownership by the whole people, the integration among enterprises under the collective ownership system, the integration between enterprises under the system of ownership by the whole people and enterprises under the collective ownership system, integration among provinces, integration between China's enterprises and foreign enterprises, integration of production processes, integration of circulation processes, integration between raw materials and technology, integration of funds, integration of transport, integration among enterprises and integration between one economic integrated body and another. Various forms of integration are beneficial to the horizontal relations of the economy and will enliven our economy.

It is necessary to conscientiously study the major problem of how the socialist enterprises should rationally get organized, give full play to their potentials and superiority. Two years ago we had an idea of establishing nationwide or regional specialized companies and comprehensive companies from top to bottom, in order to unify various enterprises under the leadership of such companies. Now it seems that it is difficult to establish in a very short time. The form of economic organization is determined by the level of development of the productive forces. China's present production has not reached a high degree of socialization and the development of production in various regions, various departments and various enterprises is not even. Under such circumstances, it is not suitable to organize in a short time all the enterprises under the leadership of specialized or comprehensive companies in which manpower, financial resources, material resources, production, supply and marketing are highly centralized. If we do not start from practice or consider the demands of the development of production and the ecnomic effect, but indiscriminately adopt the method of centralizing all the enterprises under the leadership of such companies from top to bottom, it will inevitably mean "the same old stuff with a different label," and the companies will become administrative organizations in a covert form. Thus the administrative structure will be made more complicated, bureaucratism will be fostered and the target of promoting economic development will not be achieved. Practice has proved that this method has many drawbacks. First, such companies are highly centralized, so monopoly and suffocation of competition will easily emerge; second, power is liable to be centralized by the companies, the enterprises will be deprived of their recently earned autonomy and their initiative will be seriously affected; third, the orginal horizontal economic relations among enterprises are liable to be cut off, and if enterprises want to carry out cooperation, they have to go through the companies of a higher level to get in touch with each other, even though the enterprises are close at hand; fourth, economic results are liable to be ignored. An example is the northeast agricultural machinery company which was set up in March, 1978. It consisted of 144 factories which carried out cooperation over a wide area of 3.3 million square kilometers. The farthest distance was thousands of kilometers away and 20 percent of the factories were not along the railroad line. As a result, the cost of each tractor was as high as 15,000 yuan, while the cost of a similar product of the Tianjin tractory factory was only 9,000 yuan.

Practice has once again proved that forming economic integration by means of various forms, forming various economic integrated bodies and carrying out rational cooperation among specialized units on a voluntary basis and under the principle of mutual benefit are beneficial to giving full play to the enterprises' superiority, unfolding competition and accelerating economic development. Since 1980, enterprises in Sichuan and other provinces have taken the road of forming integration of their own accord and carrying out various forms of economic integration. There have been many advantages. First, the superiority of various economic units can be brought into full play and the economic results promoted. Second, they are helpful to linking up the horizontal economic relations and breaking through regional blockade and partial separation. Third, they are beneficial to the realization of cooperation among specialized units and to avoiding unnecessary duplicate construction and blind production. Fourth, they are beneficial to attracting the financial resources of enterprises into the urgent demands in economic construction. Fifth, this economic integrated body does not exercise monopoly but competition towards the enterprises outside this body; it does not deprive the various enterprises under this integrated body of their autonomy but respects their independent accounting and their power to carry out the principle of responsibility for their own profits and losses. Therefore this integrated body has internal motivation and external pressure. On the whole it has great vitality. It is just because the integrated body has many advantages that joint enterprises in various places have emerged and developed one after another after the central authorities put forward such a suggestion. In the first half of 1980, in Shanghai alone, 140 joint enterprises of different types were set up in 3 undertakings of light industry, textiles and handicrafts. Notable economic results were achieved. For instance, the joint enterprises run by Shanghai's handicrafts generally can start production 2 or 3 months after the signing of a contract. Production capacity is formed half a year later and they can recoup capital outlay within a year. Joint enterprises are run mainly by using production capacity now available. No new capital construction projects are carried out. This is an important experience.

The carrying out of economic integration should be based on the whole economic situation and social demands. We should combine administrative means with economic means. We should combine the method of making decisions from bottom to top with that of making decisions from top to bottom in order to achieve the target of increasing production and promoting economic results.

Third, set up a nationwide or regional trade organization, which may be called an association or federation. In the past there were the so-called 72 trades, meaning all sorts of trades. Take the textile industry as an example. There are the cotton textile industry, silk textile industry and woolen textile industry. In order to get them organized, we may form a federation or association for the textile industry. If we want to go into further details, we may divide the cotton textile industry and the silk textile industry. Trade organizations should be civilian organizations or semigovernmental organizations under the guidance of the government. They should not be administrative organizations, which interfere in the internal affairs of the enterprises. They should cooperate with the enterprises in solving the problems that emerge among trades of the same type. The main tasks of the trade organizations are to handle the affairs of individual enterprises and companies which they are unable to handle, and serve the trades and enterprises themselves, according to the government's policies, decrees, laws and plans and according to the needs in the technological and economic activities of the enterprises when organizing production. The main functions of these organizations are (1) to carry out investigation among enterprises and market analysis, and according to the state's development plans for the economy, work out medium and long-term development plans and annual plans for the enterprises themselves. (2) To collect, arrange and provide information concerning domestic and foreign technological development and market demands to improve the enterprises' management. (3) To link up the connections and relations among enterprises in the same line of business, organize and coordinate cooperation within the enterprises themselves and organize competition and public appraisals in the enterprises. (4) To work out the standards of enterprises and products. (5) To coordinate the quality of products for export and their prices. (6) To give instructions to the management of the enterprises. (7) To help the enterprises train management personnel and technicians. (8) To reflect to the government in a timely manner how the enterprises' production is operated and put forward the requirements and suggestions for the development of the enterprises.

Trade organizations are quite in vogue in capitalist countries. This organizational method is adopted even in Yugoslavia and Romania. According to the investigation by a Chinese delegation on Japan's trade management, we know that in 1978, the number of various trade organizations set up by medium and small enterprises in Japan was 55,000. These organizations have been pushing forward the cause of trades in the same line of business. The enterprises may join or withdraw of their own accord. Those which join the organizations are still enterprises which can run business independently. Generally speaking, trade organizations in Japan exercise their functions of making connections, giving instruction and providing service information on the basis of running the enterprises independently and on their own. It seems that the method of giving instruction to enterprises' activities through trade organizations is better than that of exercising leadership over enterprises by simply relying on administrative organizations. The civilian and semicivilian organizations which are composed of trade experts who join the trade federation or association, can undoubtedly play a very positive role in developing the economy. They can serve not only every enterprise of the same line, but in the first place the economic integrated bodies. They can promote the development of the economic integrated bodies and push forward the reorganization of enterprises according to the principle of combining specialization with cooperation. This is beneficial to the readjustment work now being carrried out. We may choose some trades for trial.

Fourth, develop economic centers which have the backing of industrially and commercially developed large cities. Guangzhou is a large economic center. Economic centers have not emerged accidentally, they are the results of a long historical process of economic development. In return, they play a very important role in pushing forward the development of the economy. They are often the centers of industrial production, the trade centers where commodities are purchased and sold, the communications and transportation centers, financial centers and scientific, technological, cultural and educational centers. All large cities in the world play the role of economic centers. Economic centers do not form or disappear according to man's will, but according to economic laws. Therefore, we should pay attention to the role of economic centers.

The problem of how to bring into full play the role of economic centers is worth studying. Some comrades have the following ideas: In order to bring into full play the role of economic centers, it is necessary to form several economic centers throughout the country with the support of industrially and commercially developed large cities according to the requirements of the economic laws. Every economic center may have several medium or small economic centers with medium or small cities as their main component part. They are to be connected with medium or small towns and the countryside. Economic centers must not be under the restrictions of the administrative region. They should unfold economic activities according to the natural economic relations and under the principle of achieving the best economic results. The activities of various economic centers may be interwoven and interrelated in order to gradually form a flexible organism which has a network structure. We must develop medium and small towns in a planned way. If only large and medium cities exist and small towns are not developed, the countryside will have no legs. If the commodity economy of the countryside is cut off from small towns, it is hard to develop in an isolated way, and the development of the economy of small towns will in return promote the development of the diversified economy in the countryside. The proportion of population between the cities and rural areas is 20 percent to 80 percent. When the economy has developed 20 to 30 years later, the proportion of population between the cities and rural areas may be 30 percent to 70 percent or 40 percent to 60 percent. Suppose it is 30 percent to 70 percent, more than 100 million people will have to leave the countryside. Where will arrangements be made for them? We must be able to predict that the arrangement will be made for them in small towns.

Economic centers themselves also have the problem of how they should be constructed well. Only when economic centers are run well, will people join. If they are run in a bad way, people will not come. In order to bring into full play the role of economic centers, we must do a good job in supply, communications, harbor service and equipment, transportation, hotel service and equipment, information service and telephone and telegraphic service. When people come to your place for economic activities, they will know the situation once they inquire. Because the cities are short of inquiry services, it is hard to find out about the market situation. When foreigners come to Beijing on business, they are beset with difficulties. After staying in Beijing for 20 days or a month, they still do not know whom to get in touch with for a business interview. If only there were an inquiry service. In Sichuan, an inquiry service has been set up by several youths who are awaiting employment. The service is very lively. There is also such a service in Shenyang. If we want to give full play to the role of economic centers, we must set up inquiry services, which will be aimed at knowing about not only the econmic situation in our own region, but the economic situation in other regions as well. People in Guangdong should at least know about the situation in Hong Kong and Macau. The year before last, when I visited Hong Kong, I saw an inquiry company which had immediate access to knowledge of the gold prices in London, New York and other places through electronic monitoring. Every day it sent out to its customers reports on the commercial situation of various places in the world, such as the prices and marketing of cotton, grain, piece goods and other commodities. It also knew very well the changes of exchange rates of various currencies. Our economic centers must gradually set up inquiry services and economic information institutions.

Fifth, the functions of administrative management organs must be changed. After the expansion of enterprise autonomy, economic integrated bodies and trade organizations are formed and the role of economic centers is brought into full play, what kind of change will be responsibilities of the economic administrative departments undergo? Some people worry that after such a reform, the administrative management departments will have nothing to do any more. In fact, nothing of the sort will take place. Our administrative management departments will have more, not less, to do, will have heavier, not lighter, tasks to shoulder and will have higher, not lower, requirements for the level of leadership. In future, governments at all levels will guide and manage the economy by means of laws, policies, planning, plans and economic levers, instead of directly interfering in the internal affairs of the economic units, as is done now. For instance, we will guide the development orientation of the enterprises through planning, support the enterprises in carrying out urgent undertakings of the state through bank credit, encourage or restrict the development of some enterprises, readjust production and marketing through prices and taxation and readjust the profits and disparity between suffering and happiness among the enterprises. We are unfamiliar with the above work and are short or such experience and knowledge. For instance, we also pay taxes, but the tax rates have not played their appropriate role. Of course, we cannot say that it does not play its role at all. It plays a very positive role in the national revenue. But it has not played enough of a role in pushing the economy forward. Do we not want to substitute taxes for profits? We have no experience in carrying it out. In the past we did not have income tax, now trial points are being carried out in some places in which one enterprises has one tax rate. China has more than 370,000 industrial enterprises, does this not mean that there should be 370,000 tax rates? Obviously that is impossible. This problem must be studied and solved. Another example is the bank giving instructions to the enterprises. The state bank of Japan calls it "window instructions," that is giving instructions to the enterprises on how they should use the loans. When an enterprise borrows money from the bank, the bank will ask the reason and make suggestions as to what to do and what not to do. The interest rates for loans are different. If the loans are used for doing what is encouraged by the government, the interest is low, otherwise, the interest is high. In the past our banks became the treasury of the Financial Ministry. They did not give enough guidance to the enterprises' economic activities. Therefore, the government's economic administrative departments have a lot to do in the reform of the management system, which can be summed up as follows: It is necessary to carry out overall planning, coordination, service, statistics and supervision and constantly solve new problems. Here we must emphasize that appropriate regulation by planning mechanism must be combined with regulation by market mechanism and that the planning, statistics, banking, commercial, material and foreign trade systems should cooperate with the departments in charge in unfolding market investigation and economic analysis work and in giving instructions to the enterprises' economic activities. This is a very important task to fulfill. Recently, many enterprises in many places rushed headlong into mass action to produce electric fans, washing machines and refrigerators. Now there are more than 1,000 electric fan producing factories throughout the country, and it has caused the stockpiling of electric fans.

How has it happened? The main reason is that they did not have a thorough knowledge of the market situation nor did they carry out scientific market analysis.

After the reform of the economic system is realized, the party committees at all levels can get away from daily affairs and concentrate their efforts on ideological and organizational building. They can play a better leadership role in the orientation, line and policies of economic construction. They can intensify the study of and instructions on the principles, policies and planning of the economy in order to enhance the level of economic management.

The present economic system must be reformed. On this problem we must be resolute. But the reform should not be too fast. Because the reform of the economic system is a new thing to us, we may be confronted with new situations and new problems. We must study these new situations and solve these new problems promptly. In the process of the reform, we may meet with difficulties. When confronted with difficulties, some comrades often want to backtrack. This is not a good attitude. According to the spirit of the Central Party Committee, the reform must be carried through and no one is to backtrack. But the pace must be stable. The reform must be carried out in the process of readjustment so as to make it beneficial to readjustment. Only in this way, can we handle well the relations between readjustment and reform and guarantee the smooth realization of these two tasks.

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ECONOMIC PLANNING

BRIEFS

HUBEI QUALITY CONTROL CONGRESS--From 1 to 3 September, the first Hubei provincial quality control groups congress was held in Yichang Municipality. At the congress, there was a slide show to demonstrate the work done by 22 quality control groups. Four outstanding quality control groups were nominated to be representatives to the national quality control congress. The congress also gave awards to 55 outstanding quality control groups in the province. Representatives attending the congress put forward the following proposals: 1. Do a good job in propagandizing the importance of overall quality control and in holding various study classes for different personnel. 2. All districts, departments and enterprises must control pilot quality control work and should make plans to carry out overall quality control. 3. Promote quality control work by the masses. 4. Conduct a series of activities to shift the focus of quality control work on to prompting new products and techniques. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 4 Sep 81 HK]

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ROLE OF BANK OF CHINA FOREIGN EXCHANGE LOANS DESCRIBED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 7, 4 Jul 81 pp 45-46

[Article by Wang Chenggui (3769 2052 6311) and An Baocai (1344 0202 2088): "Foreign Exchange Loans Have Promoted the Readjustment of the National Economy"]

[Text] In keeping with the requirements of economic development and readjustment, the Bank of China has issued a certain amount of short-term foreign exchange loans over the past several years. These loans are mainly used to import advanced technology, to purchase and import key equipment and goods and materials in short supply domestically, and to refurbish old enterprises. In general there have been high yields with low expenditures of money and rapid recoupment of the loans. The foreign exchange loans have played a relatively good role in supporting the development of the following departments and trades.

One, they have bolstered the China Ocean Shipping Company in developing an ocean fishing fleet.

For a long time, China's ocean shipping capability has been seriously inadequate. In order to spare large sums of rent for foreign bottoms, we must self-reliantly develop our own ocean shipping fleet. Foreign exchange loans issued by the Bank of China over the past several years have played a very useful role in bolstering domestic shipbuilding and in purchasing vessels from abroad. By now a Chinese ocean fleet has begun to take shape. In 1980 the volume of freight commissioned to Chinese vessels reached 71 percent of the total. This was but 13 percent in 1965. We have thus basically carried out the directive of Premier Zhou when he was alive and changed from the passive situation where we relied on renting foreign ships for ocean shipping.

Two,they have bolstered the refurbishing of light and textile industry at critical points and filled in the gaps.

The local short-term foreign exchange loans issued to the light and textile industries by the Bank of China constitutes over half of this type of loan. These funds have played a great role in filling in gaps in these industries and in unearthing the latent potential in existing enterprises. For example, the light industrial and textile products of Jiangsu Province enjoy a favorable reputation on domestic and foreign markets, but the antiquated equipment and the simple and crude factory buildings have placed limitations on increasing product variety and quality. The Nanjing branch of the Bank of China has taken light and textile industry as a critical point for added support. Over the past several years it issued approximately 80 percent of the province's total foreign exchange loans to the light and textile industry. This is equivalent to approximately 50 percent of the state's investment in Jiangsu's light and textile industries. They utilized these foreign exchange loans to import some advanced key equipment which has filled in gaps in existing enterprises and formed complete sets. Most of this equipment is already in operation and showing good results. It is estimated that when all of the $80 million in loans is showing results, output value will reach 1.3 billion yuan per annum. Of this, foreign sales will increase by 900 million yuan and domestic marketing by 400 million yuan. Taxes and profits will increase by 350 million yuan, foreign exchange from exports will increase by $400 million and net foreign exchange earned will be $320 million.

Three, they bolster the production and export of agricultural, sideline, local and aquatic products.

At present a considerable amount of China's exports are agricultural, rural sideline, local and aquatic products. The support of the production and export of these products is an important task of local foreign exchange loans. These loans have constituted approximately 20 percent of the total over the past several years and have generally achieved good results. For example, $2.2 million in foreign exchange loans were issued to the aquatic departments of the Zhoushan Archipelago to help them import principal materials in short supply for building large motorized sailing ships and cold-storage facilities. On their own they built 40 large motorized sailing ships and 3 cold-storage facilities. The ships have already yielded over 1.09 million dan [54,500 metric tons] of fish. Of this, 132,000 dan were sold for export, the fishers retained 88,000 dan and the remainder supplied the domestic markets. In addition, over 900,000 yuan in various taxes were remitted to higher authorities. By April of this year both principal and interest on the foreign exchange loans had been paid off. Basically, the state, the collective, the individuals and the bank have all been satisfied.

Four, they bolster the development of contracting engineering tasks abroad and increasing foreign exchange income.

Over the past several years China has set up some independently operated foreign engineering contracting companies. With the aid of funds and credit of the Bank of China, they have already entered the international engineering contracting market and have undertaken various contracting activities. Some have already gotten a firm foothold and contracted or completed some projects, gaining an initial reputation on the international markets. This has built a sound foundation for further entering into the international markets. The advantages of developing foreign contracting are numerous: it can increase the number of people employed, it allows us to study the advanced foreign technology in the same trades, it allows us to increase our exports of some technical and construction implements and equipment, and it can earn foreign exchange income. There is a bright future for these enterprises and the Bank of China must continue to support their development forcefully.

In sum, the foreign exchange loans managed by the Bank of China have been successful and have played a positive role in China's economic development and readjustment. At present we are still in the process of carrying out economic readjustment, so we must also make further efforts to improve and raise the standards of our foreign exchange loan work. We feel that future foreign exchange loan work should be even more tightly centered around the policy of economic readjustment. We should pay attention to further enlivening and improving our work, taking the following two aspects as our starting points.

The first is to concentrate on bolstering the refurbishing of existing enterprises and to strictly control new capital construction projects. China has 400,000 old enterprises, among which many have produced famous brand export products for a number of years. Some of these only need a slight change, to carry out some necessary filling-in of gaps or to solve the problem of some key equipment for their production to increase. At present the focus of foreign exchange loan support is on the refurbishing of old enterprises. We cannot just talk of support and want new construction and big loans. According to the spirit of readjustment and the stipulations of the state, any capital construction items which require foreign exchange loans to import advanced technology or equipment or goods and materials in short supply domestically must be carried out firmly and strictly according to the stipulated order (including the sequences of capital construction, import and loans). We must strictly prevent the mistaken method of first importing then building and thereby lengthening the capital construction front. We must also strictly prevent the unhealthy activity of first ordering goods and then applying for a loan so as to coerce the bank into issuing the loan.

The second is to give prominence to the focus of support and open up the paths of production. The total number of items of China's departments and districts which need foreign exchange loan support is quite numerous. The bank must act according to the state plan and the needs of the international market, program things in a unified manner and give prominence to the foci of support, that is: geographically, focus on China's core cities along the coast; in enterprises, focus on the refurbishing of old enterprises; among trades, focus on light industry, textiles and transportation; in product variety, focus on "famous brand" and "leading" commodities; and in the area of economic results, focus on items which spend little money, produce large benefits, create much foreign exchange and have quick paybacks. At the same time that we give prominence to the key points we should also open up the paths of production. According to the readjustment policy, the banks must pay attention to supporting the changeover of part of heavy industry and the military industry to the production of goods for civil use or for export; to supporting items for carrying out technical reform by trade; to supporting the production of electromechanical products which have export potential, to gradually transform China's export commodity structure; and to supporting the development of service trades which match the loan conditions. To sum up, only by giving active support to all those things which correspond to the readjustment policy and which have the conditions for a foreign currency loan can the bank enliven and improve such loans and promote the readjustment of the national economy.

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BRIEFS

HEILONGJIANG EXPERIENCE-EXCHANGE CONFERENCE--From 26 August to 2 September the Heilongjiang Provincial Economic Commission and Financial Department held a joint experience-exchange conference in Mudanjiang Municipality to disseminate model experiences gained by the provincial industrial and communications front in the work to enact economic responsibility systems and conduct economic accounting. During the conference participants heard the report relaying the spirit of the national work conference on supply and marketing, summed up the model experiences gained by 19 units throughout the province, reviewed the work in this regard done in the past 2 years and discussed and worked out measures to thoroughly enforce and improve economic responsibility systems. Chen Jianfei, secretary of the provincial CCP committee and deputy governor of the provincial people's government, delivered a summing-up speech at the conference. In his speech he put forward some concrete principles for dealing with problems arising in the work to enforce economic responsibility systems. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 9 Sep 81 SK]

NATIONAL CREDIT COMPANY CONFERENCE--The third national conference on the work of trust and credit companies opened in Harbin 20 August. The main task of this conference is to exchange experiences in purchase, marketing, storing and transporting goods on a commission basis. Attending the opening ceremony were 91 delegates from 12 provinces and municipalities, including Beijing, Shanghai, Tianjin, Guangdong, Fujian, Guangzhou, Fuzhou, Chongqing, Xian, Wuhan, Shenyang and Harbin. [SK210724 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 20 Aug 81]

ANHUI ECONOMIC DISCIPLINE--To combat unhealthy tendencies in economic work, the Anhui Provincial Party Committee and People's Government have decided to inspect discipline in finance and economic work in the province in the near future. On 20 August groups charged with inspecting discipline in finance and economic work among organs directly under the province held a meeting of leaders of provincial-level departments, commissions, offices and bureaus in charge of financial matters. Over 200 people from some 100 provincial-level organs attended the meeting. The meeting urged all finance and accounting personnel to boldly expose problems existing in their respective units. [OW011301 Hefei Anhui Provincial Service in Mandarin 1100 GMT 30 Aug 81]

CSO: 4006/493

JIANGSU COMPLIES WITH STATE COUNCIL'S RULING ON POWER CONSERVATION

Nanjing XINHUA RIBAO in Chinese 10 Jun 81 p 1

[Article by Wang Zhisan [3769 2784 0005]: "Overall Planning and Arrangements Made for Conserving Power During Peak of Farm Irrigation"]

[Text] With the arrival of the peak of farm irrigation, the Provisional Economic Committee and the Provisional Bureau of Electric Power have studied measures and arranged consumption of electric power for industrial and agricultural production and for the domestic needs of the people.

The Provincial Economic Committee and the Provincial Bureau of Electric Power, analyzing the situation of power generation and supply in the whole province, found it to be favorable. But as the weather was dry, consumption of electricity went up 23 percent in January-May compared with the same period last year and is expected to increase further from now on. With a view to narrowing down the gap between supply and demand, the Provincial Economic Committee and the Provincial Bureau of Electric Power have worked out five measures on the basis of the State Council's ruling on power conservation and made arrangements at a symposium of the chairmen of prefecture and municipal economic committees at the end of May:

1. Ensure safe generation of power. Power generation is the base of power supply. Steady generation of power means normal supply of power. In conjunction with the areas concerned the Provincial Bureau of Electric Power should concentrate on the four power plants in Jianbi, Xuzhou, Nanshu, and Nantong and strive for safe and full generation, more generation and more consumption.

2. Basing themselves on the electric power distributed by the provincial authorities, all localities should ensure focal-point supply and make overall arrangements. In supplying power, priority should be given to irrigation and threshing, to aid-agriculture industries, light industry, textile industry, energy industry, and construction materials industry, to railway stations and wharves, and to the domestic needs of urban and rural residents. For purposes other than those mentioned above, measures for restricting power supply and making way for others should be taken so as to ensure rational use of power.

3. Organize plants to overhaul engines and equipment according to plan. Having discussed with the areas concerned, the Provincial Bureau of Electric Power has

decided that during the period of farm irrigation, production of power-intensive calcium carbide, yellow phosphorus, silicon iron, electric furnace steel, and energy shall be regulated, restricted or stopped.

4. Commune-brigade industries should make way for aid-agriculture industries, and give aid to major industries. At the moment the power load is comparatively large for commune-brigade industries; during the period of farm irrigation, supply of power may be ensured for some commune-brigade industries and stopped for others, and some of the commune-brigade industries may switch to night production and save electric power to aid agriculture and major industries.

5. In the case of power consumption for farm irrigation and threshing purposes, rotation irrigation, night irrigation, and alternate consumption of power should be encouraged. By raising the power load rate from 88 percent to 92 percent, there will be 100,000 load more available for the whole province.

9780
CSO: 4006/400

SUZHOU TEXTILE MILL CONSERVES POWER

Nanjing XINHUA RIBAO in Chinese 10 Jun 81 p 1

[Article by Zhang Huiming [1728 1920 2494]: "Suzhou Textile Mill Conserves Power, Saves 600,000 Yuan for the State"]

[Text] With the help of the municipal power supply department, the Suzhou Cotton Cloth Printing and Dyeing Mill has saved 600,000 yuan for the state by implementing a new power supply scheme.

The mill is a specialized one for finishing cotton cloth and chemical fibers in Suzhou municipality. In order to increase production of new varieties of medium and long fabrics in urgent market demand, the mill has added a set of equipment this year for sorting out medium and long fabrics. With this plant equipment put into operation, consumption of power will be doubled. According to the original plan, the mill is expected to build a 35,000-volt transformer station with 400,000 yuan in investment in about a year. So as to put the new plant equipment into operation at an early date, deputy chief Zhang Guijin [1728 2710 6855] of the equipment section and engineer Xue Hongsheng [5641 7703 3932] of the Municipal Textile Industry Co, having ascertained the condition of power supply in the whole mill, decided to take the road to tapping the potential. They put forward a power-supply scheme: instead of constructing a transformer station, exchange the two 560-kv tranformers at the existing transformer station for two 1,000-kv transformers, and rebuild and utilize the existing 10,000-volt circuit to ensure the volume of power supply for the whole mill. The new scheme won immediate support from the leading comrades assigned to the mill by the municipal government. The municipal power supply department gave a green light [to the plan], adjusted the power consumption plans, gave priority to consturction work, installed the circuit, and tested the performance of electrical appliances. Simultaneously with this, the mill leadership organized shock work to install equipment. It took only 4 1/2 days from the start of construction 27 April to formal test of the switch. The new equipment is now put into operation. In two or three years the mill will have solved all its problems of power supply.

The Suzhou Cotton Cloth Printing and Dyeing Mill has transferred their two 560-kv transformers to the Cotton Cloth Printing and Dyeing Mill No 3 which is speeding up preparations for operation. This has enabled the latter to give up their plan to construct a new 35,000-volt transformer station. Thus, by spending only 60,000 yuan the Suzhou Cotton Cloth Printing and Dyeing Mill has killed two birds with one stone, saving 600,000 yuan for the state.

9780
CSO: 4006/400

ENERGY

PARTY, STATE ORGANS INITIATE OIL RATIONING SCHEME

Beijing RENMIN RIBAO in Chinese 15 Jun 81 p 1

[Text] The State Energy Commission, the CCP Central Committee Bureau of Government Office Administration, the State Council Bureau of Government Office Administration, the Ministry of Finance, and the Ministry of Commerce have jointly issued a "Circular on Oil Conservation Measures To Be Taken by Party Central Committee and State Organs," urging Party Central Committee and state organs to set an example, take the lead in carrying forward the revolutionary tradition of plain living and hard struggle, and play an exemplary role in conserving gasoline.

On the basis of the CCP Central Committee and State Council decision to initiate oil conservation among Party Central Committee and state organs, the five units including the State Energy Commission have recently studied and worked out "Provisional Measures for Distributing Motor Vehicles and Rationing Oil among Party Central Committee and State Organs."

The Provisional Measures require Party Central Committee and state organs to check up on their motor vehicles and work out fixed complement of vehicles according to the vehicle distribution standards. All types of motor vehicles bought through any channel with any funds should be carefully categorized and reported to the higher authorities, surplus vehicles should be delivered to the higher authorities, and deficiency will be made up in succession. The Provisional Measures set concrete standards for distribution of cars, buses, and trucks among Party Central Committee and state organs.

The Provisional Measures set oil supply standards for various types of vehicles and demand strict implementation of the rationing and conservation systems. Beginning 1 July 1981, the amount of oil consumed by various units shall be checked and decided respectively by the Party Central Committee of Government Office Administration, the State Council Bureau of Government Office Administration, the Ministry of Finance, and the Beijing Municipal Petroleum Company and supplied against coupons. Oil will be rationed; oil saved will be kept for further use; overconsumption will not be made up. All units are not permitted to obtain oil "through the back door" over and above the fixed amount, and those violating the provisions will be sternly dealt with. Oil consumed by various units when holding meetings is included in the standard amount of supply and will not be supplied separately. The Provisional Measures call upon Party Central Committee and state organs to carry out conscientiously the Provisional Measures for Collecting Fees on the Use of Cars for Private Business. Organs are not allowed to provide their staff and workers with cars for weddings and outings.

9780
CSO: 4006/400

SHANXI EXCEEDS SEMIANNUAL RAW COAL PRODUCTION PLAN

Taiyuan SHANXI RIBAO in Chinese 20 Jun 81 p 1

[Article: "Our Province Completed Raw Coal Production Plan for First Half of Year 13 Days Early"]

[Text] XINHUA, Taiyuan, 18 June: Shanxi Province completed the state's raw coal production plan for the first half of the year 13 days early. Exploitation efforts progressed and by the last 10 days of May [sic], the state plan had already been completed.

From January to 17 June, Shanxi Province produced a total of 54.96 million tons of raw coal, 4.41 million tons over the state plan for the first half of the year and 103 percent of the same period last year.

Shanxi Province's coal frontline workers were enthusiastic and worked hard. At the beginning of this year, they proposed to welcome the 60th anniversary of the Chinese Communist Party by completing the state plan for the first half of the year early. Each coal mine exerted efforts to catch up with the others, and the yield of coal throughout the province increased steadily. Since January of this year, the Jingcheng Mining Bureau and the Luan Mining Bureau basically realized overfulfillment of the production plan every day, every 10 days, every month, and they completed the production plan for raw coal for the first half of the year 16 and 15 days early, respectively, becoming the first two mining bureaus to complete the state plan for unified distribution of coal in Shanxi Province.

The local coal mines, which bear the burden of fulfilling nearly half of the province's raw coal production plan in Shanxi, completed the raw coal production plan for the first half of the year early, on 7 June, and they contributed importantly to the completion of the raw coal production plan for the first half of this year in the entire province. From January to 17 June this year, a total of over 27.3 million tons of raw coal was produced, more than 3.5 million tons over the state plan.

9296
CSO: 4006/433

CATALYTIC CRACKER USES CARBON MONOXIDE COMBUSTION SUPPORTER

Beijing BEIJING RIBAO in Chinese 5 Jul 81 p 1

[Article by Zhao Jupeng [6392 1565 7720]: "Dongfanghong Catalytic Cracking Unit Uses New Technology to Conserve Energy and Eliminate Pollution; Investment of Less Than 500 Yuan Realizes Over 10 Million Yuan of Benefits a Year"]

[Text] The Dongfanghong Refinery catalytic cracking unit of the Yanshan Petrochemical Company has successfully utilized the new technology of adding a carbon monoxide combustion supporter. For an investment of less than 500 yuan, many good results were achieved: conserving energy, eliminating, pollution, stabilizing production, and increasing the retrieval rate. The two items of conserving energy and increasing the retrieval rate alone realized an economic benefit of over 11.7 million yuan a year.

During production, the catalytic cracking unit produces a lot of chimney gases containing a certain amount of carbon monoxide. In the past, part of the carbon monoxide was used, but the rest was released into the atmosphere, thus wasting energy sources and seriously polluting the atmosphere. At the same time, because the carbon monoxide in the catalytic regenerator did not burn fully, the consumption of catalysts increased. Last year, workers in this unit went to a brother plant to learn the new technique of using a carbon monoxide combusion supporter. Under the leadership of the plant and the support of workers of other units, they quickly completed the technical measures to use the carbon monoxide combustion supporter. After over 6 months of production practice, it was proven that it produced visible economic results.

First, it conserved a lot of energy. In the past, the catalytic cracking unit produced carbon monoxide with precious chemical energy in the regeneration of catalysts, but a lot was released in the exhaust. With the use of the carbon monoxide combustion supporter, the unit achieved complete combustion of the carbon monoxide; 13,930,000 kilocalories of heat were retrieved per hour; the sprayed light diesel oil in the regenerator of the past was not used, and so 6,400 tons of light diesel oil were conserved throughout the year at a value of 1.53 million yuan.

Second, it eliminated pollution. The catalytic cracking unit released about 80,000 cubic meters of chimney gases into the atmosphere per hour in the past and the exhaust contained about 7 percent carbon monoxide, seriously polluting the environment. After using the carbon monoxide combustion supporter, the content of carbon monoxide in the chimney gases dropped to 0.6 percent.

Third, it increased the rate of retrieval of light oils. After using the carbon monoxide combustion supporter, the retrieval rate of light oil increased over the past. In 1980, 69,200 tons more gasoline and diesel oil were produced than in 1979; aside from the value of heavy diesel oil that is produced in lesser amounts, each year the retrieval of light oil alone increased the accumulation of over 10 million yuan for the state.

9296
CSO: 4006/433

NEW WATER-TYPE LUBRICATING OIL BL-60 DEVELOPED

Beijing BEIJING RIBAO in Chinese 5 Jul 81 p 1

[Article by Chen Lei [7115 7191]: "BL-60 Oil Containing Water-Type Lubricating Oil Has Been Successfully Developed; Compared to the Use of No 50 Motor Oil, It Can Conserve 50 Percent of Oil Consumption and Environmental Pollution Is Reduced"]

[Text] The Beijing Exploitation Institute of the Coal Sciences Research Academy has successfully developed a type of new oil-conserving material--BL-60 oil containing water-type lubricating oil that is difficult to burn and is not poisonous--in technical cooperation with the Beijing City Scientific Coordination Group. It can replace No 50 motor oil as a lubricant and thus conserve 50 percent of oil consumption.

BL-60 lubricating oil is made by emulsification using about 40 percent mineral oil with water added and additives. The lubricating results are good. Concerned departments carried out industrial experiments at the Beijing Zinc Wire Plating Plant to use it as a lubricant to produce 2,100 tons of plated zinc wire, and the quality met all requirements. Using No 50 motor oil, pollution of the environment was greater. Using BL-60 lubricating oil, the production of harmful substances such as carbon monoxide can be reduced by three-fourths.

After determination by concerned departments, the use of BL-60 lubricating oil has been recognized as a new way to conserve oil.

9296
CSO: 4006/433

ENERGY

SHANXI SETS RECORD IN POWER GENERATION FOR FIRST HALF OF YEAR

Taiyuan SHANXI RIBAO in Chinese 8 Jul 81 p 1

[Article by Kong Zhijun [1313 1807 0193]: "Shanxi Power Generation Sets Record High in First Half"]

[Text] The electric power industry of Shanxi has been advancing steadily during the readjustment, fulfilling the quota of the first half of the year by 25 June, 5 days ahead of schedule. The amount of power generated is up by 150,000,000 KWH over that of the same period a year ago, setting a historic high.

Guided by the line laid down by the Third Plenum of the Central Committee, the provincial Bureau of Electric Power Industry has had some initial successes in overcoming power shortages and reversing the passive situation. It installed new generating units and exploited the potential of the existing facilities as it implemented the readjustment program. This year has seen more improvements in generation of power, and, basing power generation on consumption instead of limiting consumption by generation, they have produced ample power for industrial production.

As the power supply increases, the electric power department is turning its attention to selling more power to more consumers. During its province-wide survey of power, the Bureau of Electric Power Industry combined the drive for new consumers and the survey of power consumption to provide the customers with voluntary services. Its people went to the villages to assist the consumers and production teams to erect power lines, install equipment and train electrical workers so as to make power accessible to village consumers. As a result, power consumption in the villages during the first half of the year rose by 10.3 percent over that of the same period a year ago.

While working to provide more power to more customers, the department also tries to tackle such crucial problems as the removal of "bottlenecks" in the transmission and transformation of power. Due to inadequate power transmission and tranformation facilities, the consumers in certain localities and units still face the problem of blackouts even though there is plenty of electricity at the power plants. To improve the situation, 33 percent instead of 15 percent of this year's total investment will be set aside for the installation of transmission and transformation facilities. Moreover, the funds for renewal and renovation are to be spent as much as possible for power transmission and transformation so as to exploit all potential and increase transmission capacity.

As for the day to day management of production, the leadership of the provincial department of electric power industry requires a meeting on production every morning to seek prompt solutions to problems concerning the generation and supply of power and coordinate the relationship between its generation and consumption. The key cadres of the department went to the power stations at Shentou, Datong, Niangziguan and to the Xinxian region to conduct surveys and research, summarize experience, and solicit the opinions of the masses on how to generate and sell more power, all with a fair measure of success.

5360
CSO: 4006/450

BRIEFS

SICHUAN SMALL HYDROELECTRIC STATIONS--Extensive construction of small-scale hydroelectric power stations in the Dabashan region, Sichuan, has been going on fervently in recent years. Over 540 stations with an installed capacity of more than 73,900 kilowatt have already been built. The Dabashan region, a reservoir of hydropower resources, has abundance of rainfall and is crisscrossed by rivers and streams and drained mainly by the tributaries of Jialingjiang, including Qujiang, Bajiang and Zhouhe. According to the findings of a general survey, the installed capacity of the power stations which could be built may reach over 1,000,000 kilowatt. Since the liberation, especially in most recent years, the people's government has been working to develop hydroelectric power. It has been building large numbers of small-scale hydroelectric power stations as it constructs large and medium power stations and the state electric power networks. The capacity of the generators installed in both 1979 and 1980 was over 10,000 kilowatt each year. The capacity of those installed in the current year has already exceeded the total of the preceding two years. Now the entire Dabashan region, studded with small-scale power stations, has over 21,000 kilometers of transmission and transformation cables. All the towns and 95 percent of village people's communes of the region have become the end-users of electricity. The development of electric power promotes local industrial and agricultural gorwth. The local industries now include metallurgy, mining, coal, electronics, machine-building, electric power, chemical fertilizers, food, chemical industry, building materials and textile. The gross industrial output value of 1980 was 26 times that of the years immediately after the liberation. [Text] [Hong Kong ZHONGGUO XINWEN in Chinese 18 Jul 81 p 2] 5360

CSO: 4006/450

INDUSTRY

BRIEFS

SHANDONG INDUSTRIAL OUTPUT--Shandong provincial industrial and transport enterprise increased August output value and profits 4 percent over the July figures. Light and textile products markedly increased of the 30 major products, 20 increased in output. The output of bicycles in August increased by 19.7 percent; sewing machines, 22.3 percent; and wristwatches, 42,2 percent over July. Output of plastic articles, cotton yarn and cotton cloth also slightly increase. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 5 Sep 81 SK]

JILIN MUNICIPAL-LEVEL INDUSTRY--In the past 32 years since the founding of the PRC, industrial production has advanced by leaps and bounds in Changchun Municipality, Jilin Province. The 1980 municipal industrial output was valued at 3,878,100,000 yuan, a 107-fold increase over 1949, or showing a yearly average increase of 16.3 percent. In addition, vehicle production in Changchun Municipality accounts for one third of the total output in our country. Its output of passenger trains makes up over 50 percent of the total national output. [SK241120 Changchun Jilin Provincial Service in Mandarin 2200 GMT 21 Aug 81]

GUANGZHOU MECHANICAL, ELECTRICAL INDUSTRY--The Guangzhou municipal and mechanical and electrical industry has readjusted its production structure and orientation and subsequently increased production. It has fulfilled a total production value of 269 million yuan in the first half of this year, showing an increase of 3.4 percent over the corresponding period last year. The municipal mechanical and electrical industry has seriously implemented the readjustment principles and has vigorously aided the development of light industry. The number of factories engaging in production of mechanical and electrical products for daily use has increased from 12 to 23 this year. The total fulfilled export output has increased by 40 percent in the first half of this year over the corresponding period of last year. In addition, the processing trade has also vigorously developed. [HK219741 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 12 Aug 81]

SHANDONG TECHNOLOGICAL INNOVATIONS--Industrial and communications departments in Shandong Province has completed 410 projects for tapping industrial potential and creating new technologies in the first 8 months of 1981. These projects can help increase the annual industrial output by 783 million yuan and annual taxes and profits by 181 million yuan. The province has invested heavily to promote consumer goods production. [SK130014 Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Sep 81]

NORTHWEST INDUSTRIAL COOPERATION--Yinchuan, 2 Sep (XINHUA)--A technical and economic cooperation network among the second light industrial departments of Shaanxi, Gansu, Ningxia, Qinghai and Xinjiang was formally set up at a conference of technical and economic cooperation among the second light industrial departments of northwest China held recently in Yinchuan. The conference decided that initially these five provinces and autonomous regions will carry out cooperation in the manufacture of leather goods, plastic wares, metalware, garments, foot and headgear and handicraft goods. Cooperation projects will include evaluation of the quality of major products, scientific research, study and exchange of new technology, training of technicians, setting up of an information center, marketing of industrial goods and so forth. [OW081307 Beijing XINHUA Domestic Service in Chinese 0115 GMT 2 Sep 81]

JILIN FIRST LIGHT INDUSTRY--The Jilin provincial second light industrial department had fulfilled 70.7 percent of the annual output plan by the end of August, an increase of 10.4 percent over the corresponding 1980 period. [SK061046 Changchun Jilin Provincial Service in Mandarin 2200 GMT 5 Sep 81]

HENAN INDUSTRIAL PRODUCTION--The Henan provincial CCP Committee and the provincial government have organized directors of all committee, offices, bureaus and departments at provincial level, scientific and technological personnel and cadres, totaling some 150 people, into 10 work groups, which went to Zhengzhou, Kaifeng, Luoyang, Pingdingshan, Xinxiang, Anyang, Jiaozuo and Hebi municipalities and Zhoukou and Shangqiu prefectures on 25 August to help them increased industrial production. The main task of these work groups included mobilizing the workers to increase industrial production from September to December this year. Before the work groups left, Li Qingwei and Yue Xiaoxia had held a meeting of work groups' leaders. [HK040455 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 26 Aug 81]

SHANDONG LIGHT INDUSTRY--Jinan Municipality, Shandong Province, has shifted the emphasis of its investments from heavy industry to the light and textile industries. Since last year, investments in light and textile industries have accounted for over 90 percent of Jinan's industrial investments. The city's light and textile industrial output in the first 7 months of 1981 increased 12.1 percent over the corresponding 1980 period. Profits handed over to the state increased 27 percent. Compared with the corresponding 1980 period, production of washing machines increased 1,300 percent in the first 7 months of 1981; silk nearly 200 percent; and wristwaches, chemical fibers, wool products and steel furniture, over 30 percent. [SK010333 Jinan Shandong Provincial Service in Mandarin 2330 GMT 31 Aug 81]

LIAONING ELECTRONIC PRODUCTION--Through a 2-year readjustment, Liaoning electronic industrial enterprises have scored remarkable achievements. The output value has surpassed the figure of 1979 by 47 percent. In the first 6 months of 1981, it surpassed that of the corresponding 1980 period by 23 percent. Meanwhile, provincial products enjoy brisk sales across the country because of their fine quality. [SK211230 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 21 Aug 81]

CEMENT QUALITY--Beijing, 29 Aug (XINHUA)--The State Council recently approved a report submitted by the Ministry of Building Materials, the State Economic Commission and the Ministry of Agriculture on the quality of domestically produced cement. It distributed the report to all localities concerned calling for improving the quality of cement produced by small cement plants. According to the report, more than 3 million dun of cement waste products was turned out by cement plants throughout the country in 1980 and that some 9 million dun of cement produced by small cement plants was not subjected to quality tests based on standards set by the state. As cement greatly influences the quality of projects, it is of great importance that the quality of cement produced by small cement plants be improved, the report said. [OW301123 Beijing XINHUA Domestic Service in Chinese 0740 GMT 29 Aug 81]

SYMPOSIUM ON STEELMAKING--Beijing, 7 Sep (XINHUA)--The first Sino-Japanese symposium on steelmaking, sponsored by the Chinese Society of Metals and the Iron and Steel Institute of Japan, opened today in Beijing. More than 80 Chinese and Japanese specialists, noted professors and engineers are attending the current symposium in order to exchange information on new technological developments in steel and iron industry and deepen mutual understanding and friendship. At this symposium, 30 academic papers will be read, of which 14 are Chinese and 16 are Japanese, on physical chemistry of steelmaking, pretreatment of hot metal and vacuum metallurgy, steelmaking processes and solidification processes. Under the agreement concluded by the Chinese Society of Metals and the Iron and Steel Institute of Japan in 1979, the symposium on science and technology of iron and steel will be held every three years either in China or in Japan. [Text] [OW091649 Beijing XINHUA in English 1237 GMT 7 Sep 81]

CSO: 4006/492

BRIEFS

LHASA CAPITAL CONSTRUCTION--Buduoji, vice chairman of the Xizang Autonomous Regional People's Government, spoke at the regional work conference on capital construction. He said: the major task of capital construction in the coming years is: to further implement the policy of readjusting the national economy and eliminate the influence of leftist ideology. At the same time, we must speed up the construction of public facilities, such as electricity supply and transport. The regional work conference on capital construction was held in Lhasa from 10 to 20 August. Guo Xilan, secretary of the autonomous regional CCP Committee and Yang Zhongxin, vice chairman of the regional people's government attended the meeting. The meeting summed up the experience in capital construction in the past 2 years and planned the major tasks in the years to come. [HK260329 Lhasa Xizang Regional Service in Mandarin 1130 GMT 24 Aug 81]

LIAONING SCHOOL CONSTRUCTION--By the end of August, Liaoning Province had commissioned new schools totaling 200,000 square meters in floor space at higher education institutions, an increase of 50,000 square meters over the corresponding 1980 period. [SK061046 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 5 Sep 81]

GUANGZHOU SATELLITE TOWNS--From 18 to 22 August, the Guangzhou municipal revolutionary committee held a forum on town planning and rural housing. The forum decided that within this year, Panyu, Hua, Conghua, Zengcheng, Longmen and Xinfeng counties and Shahe, (Wushan), (Jianggao) and (Dagang) townships be built into satellite towns of Guangzhou Municipality. Representatives from all counties, districts and bureaus who were attending the forum inspected the town planning situation of (Dagang) township in Panyu County. [HK040455 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 23 Aug 81]

FUJIAN ECONOMIC CONSTRUCTION--The Fujian Provincial Party Committee and people's government recently made a decision to step up economic construction in Fujian's old revolutionary bases and called on various departments to support the project with manpower, material and funds. The decision stressed the construction of roads, water conservancy projects and powerplants and the development of cultural, educational and public health projects in these areas. [OW070622 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 5 Sep 81]

CSO: 4006/493

LABOR AND WAGES

BRIEFS

HUNAN YOUTH EMPLOYMENT--Since 1980, more than 13 prefectures and counties in Hunan have established farms and plants in suburban and nearby rural areas to provide employment for young people. These farms and plants offer salaries like other farms and plants. The 19 August HUNAN RIBAO carries this piece of news on the front page with an editorial note. The editorial note said: This is a very good practice for it not only provides more job opportunities for young people, but also strengthens the production bases for daily commodities. Such a practice solves population problems in urban areas; it differs from the past practice whereby youths had to go and work in the countryside and mountain areas, for it is not a temporary measure and the youths are receiving good salaries and other benefits. [HK260315 Changsha Hunan Provincial Service in Mandarin 2300 GMT 18 Aug 81]

GUANGDONG UNEMPLOYED YOUTHS--Guangzhou Municipality has taken measures to encourage unemployed youths to seek employment by themselves and to develop individual undertakings. In the first half of this year, the municipality had some 15,000 licensed individual undertakings, 46 percent of which were operated by unemployed youths. Over the past 1 year or so, the municipality has set up an additional 16,000 commerical points and stalls, of which some 4,000 are in the catering trade, some 6,000 are in the commercial trade, some 2,000 are in the repair and assembly trade and some 400 are in the garment trade. [HK240932 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 19 Aug 81]

YOUTH EMPLOYMENT--Over 2.81 million jobless youths were provided employment throughout China in the first half of this year, an increase of 320,000 compared with the corresponding period of last year. Since the beginning of this year the number of collective enterprises and individual businesses has increased. According to statistics, the number of individual businesses has risen by 111,000. The number of labor service companies has also increased. There are now over 1,500 labor service companies throughout the country. [Beijing Domestic Service in Mandarin 2230 GMT 28 Aug 81 OW]

CSO: 4006/484

HENAN ON BAD WORK STYLE OF BUS STATION

HK030552 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 1 Sep 81

[Text] According to a GONGREN RIBAO report, (Wang Shuhe) of the Zhengyang County CCP Committee Propaganda Department wrote a letter to the editorial board of GONGREN RIBAO which it ran under the title of "The Zhengyang County Bus Station Practices Bad Work Style." The letter said: The service of the Zhengyang County bus station is very poor. Some drivers and conductors often willfully beat up passengers under the pretext that they are traveling without paying for tickets. On the afternoon of 21 October last year, a conductor was riding on the bus to (Xiyandian) commune. When the bus arrived at the terminus, the conductor forcibly dragged a laborer who works on a public road repairing project who had left the bus back onto it and asked him to produce his ticket due to his own negligence in checking the tickets earlier in the trip. The laborer replied: You already checked my ticket before I got off the bus and since I am not going to use it to claim reimbursement, I threw it away after I got off the bus. The conductor insisted that the laborer buy another ticket and told the driver to start the engine and taken this laborer back to town. Seeing that the bus was moving, the laborer tried to get off the bus. Then, the conductor slapped him in the face and beat him up, and attempted to strangle him. While striking the laborer, the conductor asked: Are you afraid of me now? The laborer answered yes. However, the conductor kept on striking him up until there was blood all over the laborer's face. One of the passengers could not put up with this any longer and gave the conductor 2.2 yuan for a ticket for this laborer. But as a result of this, this passenger was rudely scolded by this conductor, and the conductor continued to strike the laborer until the bus was at (Baima) bridge which was about 2 miles from (Xiyandian) commune and let him get off the bus there.

The passengers traveling on the same bus also reflected: It is very difficult to buy a ticket to get a seat in Zhengyang bus station, or even if people can buy tickets, they still cannot get seats. Cases in which those without tickets can ride on a bus while those with tickets are badly treated are often seen. In addition, the drivers and conductors often make use of the buses to take care of personal business without any thought to delaying passengers. On 4 November last year, when the Zhengyang County public security bureau published the order to detain, according to law, the conductor who beat passengers without a cause, the head of the bus station, accompanied by some people, went to the public security bureau and tried to settle the case with the persons in charge. In addition, he also allowed some 30 works and staff members of the bus station to drive their buses to the public security bureau and after threatened to strike. The wrong deeds of the head of the station encouraged the drivers and conductors of the station to practice a bad work style. It is impossible for people to put up with the serious problems of the Zhengyang County bus station. We call on the departments concerned to practically strengthen leadership and seriously rectify the bad work style in order to bring about a new appearance of the bus station.

CSO: 4006/493

TRANSPORTATION

BRIEFS

JIANGXI GOVERNOR, VICE GOVERNOR--Nanchang, 4 Sep (XINHUA)--Traffic congestion was a serious problem on an east suburb highway in Nanchang city. The congestion was caused by heavy traffic on the highway and a railroad crossing running across the road. Recently, however, the congestion has been alleviated. Bai Dongcai, permanent secretary of the Jiangxi Provincial CCP Committee and governor of Jiangxi, issued instructions on the solution of the problem. Measures for alleviating the congestion were adopted at a recent meeting presided over by Fu Yutian, secretary of the provincial party committee and vice governor. [OW070622 Beijing XINHUA Domestic Service in Chinese 0028 GMT 4 Sep 81]

CSO: 4006/493

BRIEFS

GANSU ENTERPRISE MANAGEMENT CONFERENCE--The Gansu Provincial CCP Committee recently convened a conference on the democratic management of enterprises. Ziao Jianguang, secretary of the provincial CCP committee, attended. The conference called for stepping up the party leadership in enterprises, establishing workers' congresses and pushing the democratic management of enterprises onto a new stage. According to a survey of 642 enterprises, 389 of them had convened workers' congresses as of the end of July. Many units have elected team, section and workshop leaders through democratic processes. The conference called on industrial, communications and capital construction enterprises under the jurisdiction of county-level authorities or higher which have not established workers' congresses to establish them before the end of the year. Units whose workers' congresses do not function well should analyze the causes and take effective steps to correct them. [SK131125 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 12 Sep 81]

HUBEI COMMODITIES CIRCULAR--Recently, the Hubei Provincial People's Government issued a circular demanding that all localities in the province seriously implement the regulations of the State Council's circular on curbing unhealthy trends in commodities circulation. The circular of the provincial people's government demanded that all departments in charge of economics in all industrial, commercial and collective enterprises in cities and towns as well as commune- and brigade-run enterprises should study the State Council's circular and curb unhealthy trends. The circular stressed that any unit which continues in promoting unhealthy trends will be investigated and held liable for any losses. Serious cases will be tried according to state laws. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 28 Aug 81 HK]

HUNAN ILLEGAL GOLD TRANSACTION--(Liu Wanyun), commune member of (Longxing) brigade, (Xiadong) commune in Chaling County; and (Tan Wei) of (Dalong) brigade in (Zichun) commune illegally bought up gold to engage in speculation and profiteering. They were recently tracked down and handled by the Longhui County Industrial and Commercial Administrative Bureau. On 8 March this year, on the production of the certificate of the (Zichun) commune agricultural machiner plant in Chaling County, (Liu Wanyun) and (Tan Wei) assumed the names of (Tan Jielian) and (Liu Qingyun) and went to (Liugouzhai) and (Jinshan) in Longhui County, which are gold production places, to illegally buy up 313 grams at 20.50 per gram. They were tracked down by the (Liu gouzhai) industrial and commercial office on 11 March. When they were being investigated, they took the opportunity to sieze ill-gotten money and goods and fled. They were later arrested by students of Longhui County No 2 Middle School and 313 grams of gold which they had illegally bought up with 6,416.50 yuan, 505 yuan in cash and 2 watches were seized from them. Investigation revealed that (Liu Wanyun), (Tan Wei) and other people at large sneaked into gold production places in Longhui County to illegally buy up gold on many occasions. They then sold it in Guangzhou to reap staggering profits. They violated the state regulations on financial administration. [HK040455 Changsha Hunan Provincial Service in Mandarin 2300 GMT 23 Aug 81]

HEILONGJIANG COUNTRY DIVERSIFIED ECONOMY--Linkou County, Heilongjiang Province, has developed a diversified economy since 1979. It earned 19 million yuan from the diversified economy in 1980 and is expecting to earn 27 million yuan in 1981. It has afforested 1.4 million mu of land in 1981, planted 30,000 mu of flue-cured tobacco, raised 54,000 sheep and 24,000 cattle and maintained 12,000 beehives. This county has specialized teams composed of 15,000 persons, 4,000 technicians, 5,000 specialized households and 2,200 diversified economic bases. [SK050654 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 3 Sep 81]

CSO: 4006/493

PUBLICATIONS

BRIEFS

BOOK ON FINANCE--CHINA's FINANCIAL ISSUES, a collection of essays compiled by the Institute of Financial Science under the Ministry of Finance will be published soon in Tianjin Municipality. The book consists of 44 essays contributed by noted experts on financial and economic issues in China since the 3d plenary session of the 11th party Central Committee. [Beijing Domestic Service in Mandarin 0900 GMT 2 Sep 81 OW]

CSO: 4006/493

ECONOMIC PLANNING

HONG PAPER ON POSSIBLE SHANGHAI ECONOMIC ZONE

HK290405 Hong Kong WEN WEI PO in Chinese 29 Aug 81 p 3

[Dispatch from Shanghai: "Economists Are now Launching a Discussion on Whether Shanghai Should Set up a Special Zone"]

[Text] Economists in Shanghia are now launching a discussion on how to develop the economy there. There are two different views; one holds that Shanghai should adopt flexible and special policies, take advantage of its superior features and gear itself to the world market. The other holds that Shanghai should act like Guangdong and Fujian and set up a special economic zone.

In the first half of this year eight economic experts including municipal CPPCC members Li Lixia and Sheng Muuie proposed to the Shanghai City CPPCC that Shanghai should draw in foreign investment and set up a special economic zone, so as to develop the city's economy. This proposal attracted much interest among Shanghai economists, who came out with different ideas on whether the city could set up a special economic zone.

Those who do not agree to setting up a special zone hold that since Shanghai has a strong industrial foundation, a powerful science and technology force, talented people, and a century of accumulated technical experience, the city should develop its export trade, gear itself to the world market, and use its technology and skills to compete with foreign countries. At the same time it should import advanced foreign technology to an appropriate degree in order to tap potentials and carry out innovations and improvements in the existing enterprises. What Shanghai needs is not a special economic zone but a relatively flexible special policy that will help to take advantage of its superior features.

Those who agree to setting up a special economic zone hold that there will be many advantages and few disadvantages in doing so. To open up an international market in Shanghai is better than the foreign trade method practiced at the Guangzhou trade fairs, and by setting up a special zone "a hundred flowers can bloom" and many experiments can be carried out.

There are also differences of opinion on the question of opening up Pudong. Some hold that Pudong could be a special economic zone, and foreign capital could be used to open it up. Others do not agree, saying that Pudong is the only valuable piece of land in Shanghai's long-term planning, and it must not be used in an indiscriminate way. If in the future the two banks of the Huangpu river are joined up, land values at Pudong will be comparable to those on the Bund and Nanjing Road, and even to those in Tokyo's Shinjuku and Ginze districts. It is extremely improper to develop this valuable land into a special economic zone.

CSO: 4006/484

FINANCE AND BANKING

CHINA TO RAISE FUNDS THROUGH BANKING SYSTEM

HK100600 Hong Kong WEN WEI PO in Chinese 9 Sep 81 p 8

[Report from Beijing correspondent Cheng Xiang [4453 5046]: "China Stresses Speed of Economic Development; Banking System To Bring Into Play its Functions in Raising Funds"]

[Text] In regard to the problem of the strategy of economic development, China recently renewed its emphasis on speed and holds that despite the readjustment, a certain speed should be maintained in its economic development. This is different from its former emphasis on adequate retreat, on resolutely making an adequate retreat--"to die first and revive later" as China put it. It shows a remarkable change in China's policy of economic development.

As the rate of increase of development during the first half of this year was only 0.8 percent and this reflected a situation of stagnation in its national economy, the Chinese Government put forward a new viewpoint that during the period of readjustment the rate of increase cannot be high, but there should not be a zero rate of increase. Otherwise, the whole economy will be depressed. The Chinese Government realizes that this readjustment differs greatly from the one in 1962. During the readjustment in 1962, a large number of small local enterprises closed down and many projects were canceled. As a result, a large number of workers were dismissed and returned to the countryside and stopped receiving wages from the state. Therefore, though the rate of increase was low or even negative, the burden on the state was lightened. Although there has also been "closing down, suspension, consolidation and shifting to other production" during this readjustment, there has been no fall in the number of workers and wages have been paid as before. Meanwhile, there is still the problem of youths awaiting jobs. Under such conditions, there cannot be high rate of increase in economic development, but there should not be a zero rate of increase; otherwise, it will be impossible to maintain economic stability.

Having renewed its attention to speed, China is faced with the outstanding problem of how to achieve speed, or to be more specific, how to raise funds for increasing the speed. As there are already heavy financial burdens on the state, no funds can be drawn from state finances to increase the speed. Therefore, the funds can only be supplied by the banking departments. Under such circumstances, the recently-ended meeting of the Chinese People's Bank held in Chengde and the meeting of the Bank of China held in Taiyuan became very important.

Our correspondent learned from the two banks that at the Chengde meeting the following measures were put forward to raise funds at home: 1. Development of diversified forms of deposits to draw funds from the general public, including special deposits such as housing deposits and building material deposits; 2. The issue of negotiable bonds and simultaneous commissions to sell and purchase the debentures issued by enterprises so as to raise long-term funds; 3. The introduction of trust business in its branches in major cities; 4. The development of the insurance business in the country; 5. The strengthening of credit management so as to speed up the turnover of floating capital and reduce the amount of idle funds; 6. The popularization of middle-term and short-term equipment loans to help some factories and mines expand and renew their equipment, thus giving rise to new productive capacity.

The Chengde meeting concentrated its discussions on the problems in raising funds in the country, while the Taiyuan meeting of the Bank of China discussed how to raise funds from abroad. The meeting affirmed the experience gained in the past 2 years in developing banking activities abroad and held that the banking business should keep developing, specifically by the following three methods: 1. The 14 banks in Hong Kong and Macao (13 in Hong Kong and 1 in Macao) should coordinate and form a banking group to intensify their competitive capacity. 2. Joint venture banking enterprises should be set up abroad and it has been considered whether branches of these enterprises should be set up abroad. Meanwhile 14 banks were allowed to set up branches abroad according to the needs of their business. 3. The three insurance companies in Hong Kong should strengthen their coordination with the banking system in the future. Regarding the banks' business in the future, they should make efforts to attract deposits and do their best to combine their business with the export trade such as by providing remittance securities. They should also renew trust services. The meeting expressed the hope that every means should be resorted to mobilize foreign funds for raising the speed of economic development.

What was common in the two meetings was that both were for "raising, accumulating and using funds" to guarantee that during the readjustment period a certain speed could be achieved in the development of our national economy.

CSO: 4006/493

'WEN WEI PO' CITES PRC'S SECOND QUARTERLY FIGURES

HK081256 Hong Kong WEN WEI PO in Chinese 5 Sep 81 p 3

[Report: "China's Second Quarter Financial Statistics for 1981"]

[Text] ZHONGGUO JINRONG [CHINA'S FINANCE] (vol 9, 1981) published today carries China's second quarter financial statistics for 1981.

1. Condition of state credit, loans, revenue and expenditure

Items	Unit: 100 million yuan 1981 Balance at end of second quarter
Total of various deposits	1,753.17
Enterprises' deposits	561.89
Financial deposits	267.46
Capital construction deposits	188.00
Departments and organizations' deposits	260.13
Urban savings deposits	323.36
Rural deposits	152.34
International financial organizations' deposits	53.81
Currency notes in circulation	306.39
Bank capital	504.52
Profit for the year	16.43
Other items	9.89
Total source of funds	2,644.31
Total of various loans	2,394.44
Loans to industrial production enterprises	438.48
Loans to industries, supply and marketing enterprises and material departments	239.05
Commercial loans	1,352.20
Loans to short and medium term installations	58.60
Loans to urban collectives and individual businesses	83.36
Loans to forward-purchasing down payments	18.34
Loans to state-run farms	13.18
Loans to rural communes and production brigades	191.23
Amount of gold	12.16

Items	1981 Balance at end of second quarter
Amount of foreign currencies	32.53
Assets in international monetary organizations	34.83
Financial loans	170.23
Total funds utilized	2,844.31

2. Condition of rural credit and cooperatives' deposits and loans

Unit: 100 million yuan

Items	1981 Balance at the end of second quarter
Total of various deposits	231.54
Deposits from communes and brigade collectives	49.39
Deposits from commun and brigade enterprises	19.27
Deposits from individual commune members	144.46
Other deposits	18.42
Total of various loans	129.37
Agricultural loans to communes & brigades	66.27
Loans to commune and brigade enterprises	38.50
Loans to individual commune members	24.60

3. Condition of exchange rate, gold and foreign exchange reserves.

Items	1981		
Exchange rate:	April	May	June
Special drawing right units converted into yuan (end period figure)	2.0184	2.0402	2.0098
$ converted into yuan (end period figure)	1.6840	1.7436	1.7467
$ converted into yuan (average figure)	1.6620	1.7227	1.7605
Gold and foreign exchange reservers foreign exchange (in $100 million)	25.59	32.04	38.10
Gold (in 10,000 oz)	1,280	1,280	1,280

CSO: 4006/493

BRIEFS

INDUSTRIAL PROJECTS TENDERS INVITED--Beijing, 7 Sep (ZHONGGUO XINWEN SHE)--The Chinese National Technical Import Corporation has issued an international circular inviting tenders for the supply of essential equipment and materials for three extension projects at Shijiusuo port, Yanzhou-Shijiusuo railway and Qinhuangdao port. The main equipment and materials required in this international tender include crawler excavators, crawler rock drillers, mobile air compressors, wheeled loaders, dump trucks for rocks, diesel caterpillar pile drivers, cross-country wheeled cranes, hydraulic truck cranes with stretchable arms, geological drills, irregular corrugation shapers and rolled steel. In accordance with the agreement between the Chinese Foreign Investment Control Commission and the Japanese Overseas Cooperation Fund, the total cost of the above-mentioned equipment and materials will be charged against the loan extended to China by Japan. The Chinese National Technical Import Corporation invited citizens of all qualified supplying countries and experienced and renowned manufacturers and trading companies which are organized and registered in these qualified supplying countries to submit tenders. The period for submitting tenders runs from 23 September 1981 to 10 October 1981, and the sealed tenders will be opened on the afternoon of 11 October 1981. [Text] [HK090203 Hong Kong WEN WEI PO in Chinese 8 Sep 81 p 1]

CSO: 4006/493

LABOR AND WAGES

'WEN WEI PO' ON REFORMING WAGE SYSTEM IN CHINA

HK311125 Hong Kong WEN WEI PO in Chinese 30 Aug 81 p 1

[Dispatch from Beijing: "Wages and Bonus Systems Are Being Reformed"]

[Text] China's enterprises are attempting to reform their bonus system as well as to practice the piece-rate wage system and the system of giving awards by scoring work points in order to change the old situation of "eating out of a big pot." The remuneration to enterprises can differ: the highest remuneration may be 150 percent higher than the lowest.

According to the No 16 issue of BAN YU TAN, one of the major reasons why the industrial situation is not as good as the agricultural situation is that there is no strict responsibility system in industrial production and egalitarianism among the workers and staff has not yet been overcome. There are two "big pots" in the industrial front: the "big pot" of the state for enterprises and the "big pot" of enterprises for workers and staff.

At present, as the wage system has not yet been reformed, it is necessary to find out some method for distributing the profits among the enterprises (or distributing the gains due to a reduction of losses) and in giving bonuses to workers, so as to remedy the defects in the present wage system. First, there must be differences between the enterprises. The workers and staff in the enterprises that have a better economic effect (regardless of whether they are state-owned or collective enterprises) must receive a better income than others. Second, the piece-rate wage system should be put into practice in the groups (or among individuals) which are able to practice this system. For those groups or individuals whose conditions still do not allow this system to be practiced, the system of giving bonuses by scoring work points may be practiced. This is to ensure that the bonuses are distributed according to one's work and that the skillful and hardworking workers get more than others. According to our experience and lessons in the past few years, on the question of wages and bonuses, we must adhere to the following two principles: 1. The increase of both the production of the enterprises and the income of the state must be guaranteed. This means that an increase of production and income should be reflected in profits that are really made or in really useful wealth. The enterprises which do not help the state in increasing income cannot retain more funds for themselves; therefore, the workers and staff in these enterprises can get no more than others. 2. In distribution, we must conscientiously carry out the principle of "more work more pay and less work less pay." Those who overfulfill the production quota should get more and those who do not fulfill the task should get less. Thus, due to differences in the accomplishment of tasks, the highest remuneration may be 150 percent higher than the lowest.

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END

JPRS 79056

24 September 1981

China Report

ECONOMIC AFFAIRS

No. 174

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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24 September 1981

CHINA REPORT

ECONOMIC AFFAIRS

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LOTTERY SAVINGS PROGRAMS EXPANDED

Beijing SHICHANG in Chinese 20 Jul 81 p 1

[Article by Li Shan [2621 2619]: "21 Provincial Banks Set Up Lottery Savings"]

[Text] According to the findings of the authorities concerned, the people's banks of 21 provinces, municipalities and autonomous regions have launched lottery savings campaigns. There are several other provinces and municipalities still awaiting deposit slips to be printed before launching the drive. Lottery savings is a kind of banking operation which sets aside some or all of the interest to be awarded as prizes to the winners, who may win a few up to several hundred yuan, based on their rankings.

Although the lottery savings programs of the different localities differ in details, they are, generally speaking, fixed amount, fixed period lottery savings; fixed period deposit/lump-sum withdrawal lottery savings; current deposit lottery savings; and combined fixed and current deposit lottery savings. The prizes are drawn once a month, semi-annually or annually. The banks in those areas where the lottery savings program is in operation are already realizing a tremendous increase in deposits. The day the program began in Guangzhou, more than 100,000 people bought savings certificates and some 500,000 depositors brought a total of 5 million yuan to the banks. The 8 million yuan worth of savings certificates issued last April in Wuhan were bought by the masses in a few days. According to statistics, all the cities and towns of the whole country reached, during the first 4 months of 1981, an average of 40.7 percent of their savings targets for the year. Since the introduction of the lottery savings program, however, Guangzhou has reached 74.56 percent of its target, Fujian 68.07 percent and Xinjiang 63 percent. The people's banks in many areas which are in favor of savings with both interest and prizes and many small prizes for more people have been able to extend the benefits to a large number of participants of the program. When the prizes were drawn in Zhejiang last January, over 27,000 people were winners and 260 of them won grand prizes. The prefectures of Huimin, Linyi and Liaocheng of Shandong even provided 1300 "Golden Deer" bicycles for the winners of the first and second prizes to buy. Assured of the advantages of savings, the masses have expressed their willingness to practice austerity and step up their savings. Some depositors who won prizes spent their prize money to buy more savings certificates.

5360
CSO: 4006/447

ENERGY

DEVELOPMENT IN COAL MINE CONSTRUCTION, PRODUCTION OUTLINED

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 6, Jun 81 pp 2-4

[Paper presented by the China National Mining Committee at the 48th Session of the Organizing Committee of the World Mining Congress: "The Development of China's Coal Industry"]

[Text] China is a country endowed with extremely rich resources of energy. Coal is the chief energy source of our country, and accounts for approximately 70 percent of the overall consumption of various nonrenewable energy sources, while petroleum and natural gas account for approximately 26 percent, and hydropower accounts for almost 4 percent.

Following the founding of New China, the coal industry has developed tremendously. In 1949, the raw coal output in this country (excluding Taiwan) was merely 32.4 million tons; in 1980, it rose to 620.13 million tons, which was more than 19 times that of the 1949 output at the average growth rate of approximately 10 percent per annum, i.e., an annual mean net growth of 19 million tons. Of the total coal output, approximately 55 percent was produced by mines run by the Ministry of Coal Industry, about 10 percent was produced by provincial mines, and approximately 35 percent came from local mines. Most of the provincial and local coal mines were medium and small pits widely distributed over some 1,100 counties across the country. Twenty of the mining districts under the direct jurisdiction of the Ministry of Coal output over 5 million tons per annum, and there are 10 large mining districts which have the capacity to produce over 10 million tons of coal each year: Datong, Kailuan, Fengfeng, Yangquan, Fuxin, Jixi, Hegang, Xuhou, Huibei, and Pingding Mountain. In 1980, their total coal output amounted to 143 million tons, which accounted for approximately 42 percent of the total output of Ministry-run mines. About 95 percent of the coal produced by Ministry-run mines were recovered by miners. Now, there are 543 pairs of pits and 13 open cast mines. On the average, the mining pits have 2,096 coal faces, and the greatest mining depth has reached 1,000 meters. Following are the distribution of coal outputs from coal seams of different dip and thickness measurements:

Seam Dip (Percent)		Seam Thickness (Percent)	
gently inclined	82.2	thin	12.7
inclined	12.2	medium	43.3
steep	5.6	thick	44.0

1. Coal Resources

Our country not only has rich coal resources, but also a long mining history. According to the annals, the Chinese people were already familiar with the use of coal as far back as 475-221 B.C. By the 1st Century A.D., coal mining had reached a fairly large scale, and coal was used for iron smelting. Since the liberation of China, a great deal of geological surveying work has been carried out. Up to now, the total proven reserves throughout the whole country have reached 640 billion tons. The coal formation ages in our country are early geological periods, and there are numerous coal forming epochs. There are stone-like coal deposits which had formed from algae in the early Palaeozoic era. The formation of the coal resources occurred primarily from the Early Carboniferous epoch to the Tertiary period. The richest formations are Jurassic, Permian and Carboniferous, the total coal volume of which account for over 95 percent of the overall coal reserves. The coal resources are widely distributed all over the country. The total area of coal-bearing strata amounts to some 500 thousand square kilometers, which is approximately one-eighteenth of the land area. With the exception of Shanghai, all thirty provinces, cities and autonomous regions (including Taiwan Province) throughout the whole country have coal resources. Roughly, there are five coal-bearing areas: the Northeast, North China, South China, the Northwest, and Yunnan-Xizang Coal Regions. The North China Coal Region has the greatest reserves, accounting for approximately 40 percent; the Northwest has approximately 32 percent, and the Northeast accounts for about 21 percent.

China has a complete assortment of coal varieties; lignitic coal accounts for 8 percent of the total reserves, non-caking and weak-caking coals account for 28 percent, low-metamorphosed bituminous coal 31 percent, medium metamorphosed bituminous coal 8 percent, highly metamorphosed bituminous coal 6 percent, anthracitic coal 9 percent, and 10 percent is composed of assorted coals. Our country has fairly rich resources of coking coal, over half of which is gas goal. In terms of coal rank, Jurassic coal is generally regarded as fairly good as it has relatively low ash and sulphur contents; in North China, Carboniferous coal has relatively high sulphur contents, Permian coal has relatively low sulphur contents, but their ash contents are rather high. The geological conditions of China's coalfields are diversified; the thick coal seams are characterized by great specific gravity, and most of them are coal measures with fairly short interlayer distances. In some mining areas, the hydrogeological conditions and geological structures are comparatively complex. The methane gas contents are rather high.

2. Coal Mine Construction

After the founding of New China, tremendous efforts have been made to expand the productive capacity of mines, and technological improvements were carried out in some old mining districts, thus greatly enhancing their productive capacity, e.g. Datong, Kailuan, etc. Meanwhile, a number of new coal bases have been built, including Pingdingshan, Huaibei, Xuzhou, etc., which can produce over 10 million tons of raw coal per annum; Xishan, the Two Huais [i.e., Huainan and Huaibei in Anhui Province), Shitanjin, Liupanshui, etc., which can output over 5 million tons of raw coal annually. It takes approximately 6-8 years to build a pair of large size mines, and 5-6 for medium size mines.

Owing to the complex geological conditions, many different kinds of special tunnelling techniques are employed in the construction of mines. In the construction of 330 vertical shafts, such special tunnelling methods as freezing, boring, drop-shaft, injector, curtain, etc., were employed. The freezing method, in particular, was used to build 187 shafts; the largest shaft diameter is 8 meters, and the maximum freezing depth is 345 meters. The boring method was used to build 24 shafts, the diameter being 7.9 meters, and the maximum 308.6 meters. In recent years, such rigging equipment as 0.6 cubic meters rock machines, umbrella drilling rigs, 3 cubic meters buckets, winders, high-head suspended pumps, etc., have been employed in ordinary vertical shaft tunnelling operations. The highest monthly record ever attained in shaft construction has reached 120 meters.

Over the past few years, the construction scale of mining shafts (including open cast mining shafts) is about 100 million tons. In order to ensure coal output increases, it will be necessary to step up and expand the current scale of construction. In view of such factors as coal reserves, coal demands, traffic conditions, and investment results, Shanxi, North China, the Northeast and Henan will be the keypoint areas of construction for a period of time. Shanxi Province abounds in coal resources, and its proven reserves is 200 billion tons, accounting for one-third of the nation's total reserves. Moreover, this province has a complete assortment of coal varieties, which can be recovered from fairly shallow deposits. As the geological structure is simple, it is possible to develop vertical shafts, inclined shafts, adits, and open cast pits, which require little investment but can produce quick turnovers, and will enable the entire province's coal output to reach over 200 million tons per annum. Dadong, Shuoxian, Yangquan, Lu'an, Pucheng, Xishan, Gujiao, Xiangning will become the province's chief coal bases. East China is the most economically developed area in our country. It has vast coal reserves in the Two Huais, Yanzhou and Xuzhou Mining Districts. These mining districts are close to sea ports and railways which makes transportation quite convenient. These areas are to be energetically developed. The Northeast is a major industrial base which consumes large quantities of coal. It has bountiful coal resources in Liaoning, Heilongjiang, Nei Monggol provinces and regions. The coal seams are fairly shallow in such areas as Yiminhe, Huolinhe, and Yuanbaoshan, which is suitable for open cast mining. The coalfields in the central and western parts of Henan Province are ideally situated in terms of geographical location, and await further exploitation. Such mining districts as Pingingshan will be further developed.

The policy of simultaneously developing large, medium and small mines will continue to be the guideline for the construction of coal mines. While large-scale coal mines, medium and small pits will also be built in accordance with resources conditions, large numbers of local small coal pits will also undergo gradual technical innovations.

3. Coal Production

Among the various coal mines run by China's Ministry of Coal Industry, the longwall coal-mining method is chiefly used for recovering coal from gently inclined and inclined coal seams. The inclined top-slicing caving method and flushing/ ascending method are used for coal seams that are especially thick. In pitch mining, the following methods are employed: yielding shield support method, overhand method, and horizontal slicing method. The hydraulic mining method is applied in coal mining areas with suitable conditions. Following is a comparison of the current recovery rates resulting from several major coal mining methods:

single longwall	46.8 percent
flushing	3.4 percent
room-and-pillar/abandoned pillar	5.2 percent
horizontal slicing	0.6 percent
inclined slicing	31.7 percent
tool-pillar (?)	4.9 percent
hydraulic coal mining	2.3 percent
others	5.1 percent

At present, the following kinds of support/shields are used in coal faces: longwall coal faces generally employ single frictional metal props, a small number of work faces use single powered supports; approximately 100 coal faces use hydraulic powered supports; and some work faces employ wooden props. The chief kind of frictional metal props are microbearing series. The external and internal injection single powered props have also become a series of their own; their initial supporting power is 7-11.8 tons; the working resistance is 25-30 tons; the pillar height is 0.6-2.5 meters. Today, our country uses three kinds of powered supports in production, i.e., the prop type, the prop/shield type, and the shield type, the working resistance is 2 x 75 to 4 x 150 tons, the height of the supports amount to 0.92-3.5 meters.

The chief kinds of coal mining machines employed are 80, 100 kW single-ended coal winning machines and 150, 170 kW double-ended machines, 80 kW planing machines. The general means of conveyance are 80, 150, 250 kW double-chain scraper conveyors, and 180 kW single-chain scraper conveyors, which can convey 150, 250, 500 and 600 tons of coal per hour respectively. Generally, the mechanized working face of coal mining machines are powered by 660 volts electricity. A small number of coal faces are using 1,140 volts explosion preventive electric equipment on trial basis.

In coal production, steps are also being taken to gradually increase the mechanization level of coal mining. In 1980, the coal mining mechanization level of Ministry-owned coal mines was 36.8 percent. This included combined mechanization level, which was 13.1 percent; the average monthly combined work face output amounted to 33,680 tons; the mean work face efficiency was 13.3 tons per manshift; the highest annual output reached 925,000 tons. As a whole, the mechanization level, technical equipment, and work efficiency of China's coal mines are still comparatively low and require further improvement.

4. Coal Utilization

In China, the consumption of coal by common industries, thermal power stations, civilians, coking industry and railway transportation are as follows: 46.6 percent, 20.3 percent, 18.1 percent, 10.6 percent and 4.4 percent respectively.

At present, in our country, approximately 100 million tons of raw coal are sent to the washery each year, producing more than 50 million tons of prepared coal annually. Here, coking coal is the chief kind of raw coal which undergoes preparation. This includes difficult coal and extremely difficult coal. Jigging and flotation are the chief methods employed in coal separation. In some coal mining districts the heavy medium separation method is employed for difficult coal. Our country can produce in batches complete sets of equipment for washeries with washing capacity below 2 million tons per annum. It has already begun to develop and manufacture the chief equipment for large washeries which can handle over 3 million tons per annum. Some washeries have set up centralized monitoring systems for total plant control. Some plants are using total automation systems on trial basis.

In our country, gas coal accounts for more than one-half of the caking coal as the proportion of cindery coal is comparatively low. At present, research efforts are under way to find suitable plans for coking mixed coal in various regions, and also to find coking techniques primarily for coal gas. Low calorific fuels are extensively used in the southern provinces of China and in the vicinity of some coal mining districts for boiling furnaces and manufacturing construction materials; chemical raw materials are extracted from stone-like coal and coal wasters (e.g., vanadium pentoxide, polymeric aluminum, etc.). In our country, approximately 250 million cubic meters of gas are produced each year and used for combustion as well as manufacturing such chemical products as carbon black. To properly utilize coal, facilitate transportation and reduce pollution, researchers are trying to develop highly efficient coal gasification and direct coal liquefaction techniques.

5. Mine Designing and Machinery Manufacturing

The coal industry in our country has set up its own designing organizations. At present, there are 29 designing institutes, 8 of which belong to the Ministry of Coal Industry. The designing contingent is composed of nearly ten thousand staff workers. Each designing institute has its own force of technical experts and engineers who possess rich experiences in designing work. Over the past three decades, some 1,500 pairs of mining shafts have been designed and constructed (open cast mining) and their overall projected capacity is 480 million tons; more than 150 washeries have been designed and built, and their total projected capacity is 100 million tons. China has also designed and constructed explosive plants, construction material plants, machinery repair and manufacturing plants, as well as special railways and highways. In addition, we have also helped other countries design mines and washeries.

China's coal industrial system has 34 key machinery manufacturers with 65,000 staff and workers plus 200,000 tons of annual processing and manufacturing capacity chiefly devoted to producing coal mining machinery, equipment and instruments, e.g., probe drilling, geophysical exploration, excavation, transportation, support/shield operation, safety, etc. The First Ministry of Machinery Building has factories which produce equipment for hoisting, ventilation, and drainage, as well as some of the equipment used in open cast mining and coal dressing. China is now capable of producing in batches all kinds of powered supports, single powered props, emulsion pump stations, double chain conveyors, transfer machines, belt conveyors, 80 and 100 kW single-ended coal winning machines, 150 and 170 kW double-ended coal winning machines, tunnelling machines, large vertical shaft construction equipment, various types of safety instruments, meters, etc. At present, we not only can satisfy domestic needs, but also exportation to other countries.

6. Coal Education and Research

Our country has colleges and schools which specialize in training people to work in the coal-mining industry. At present, there are 12 coal mining colleges with over 14,000 students; 36 polytechnic schools with some 18,000 students; and 100 technician training schools with 45,000 students. Besides, there are over 14,000 people taking coal mining courses in sparetime schools, telecourse colleges, university correspondence courses and all kinds of special training classes for cadres.

There are three types of research organizations in the coal science research system, i.e., the [Chinese] Academy of Coal Sciences which is subordinate to the Ministry of Coal Industry and covers the whole country, provincial (regional) coal research institutes which are concerned with major coal producing provinces (regions); and research institutes which belong to factories and mines.

The Academy of Coal Sciences focuses mainly on major technical problems in coal industrial production and construction as well as related techniques and basic theories. Established in Beijing in 1957, it now has 11 disciplinary research institutes, 3 of which are in Beijing, and the rest are located in Fushun, Taiyuan, Tangshan, Xi'an, Shanghai, Chongqing, Huaibei, and Changzhou. It also has a scientific research and development center in Changzhou. The Academy is staffed by some 5,000 personnel, approximately half of which are scientific and technical workers. At present, the main direction of its scientific research is to improve the precision and speed of exploration, reduce mine construction period, develop mechanization of tunnelling operation, perfect safety techniques which emphasize prevention, and properly utilize coal resources.

For over the past three decades, China's coal industry has developed tremendously. Adjustments are now underway to enable the coal industry to better adapt to the needs of the national economy, and advance steadily. By relying on our own resources, we must continue to develop international cooperation, enhance scientific and technical exchanges, and thus further develop coal industry and coal sciences and technology.

On the principle of mutual benefit, we are willing to adopt any form of joint exploitation venture with friendly countries and private enterprises. We are also prepared to provide all sorts of technical assistance to friendly nations and contribute our part to solving the overall energy problem.

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SCIENTIFIC MANAGEMENT OF COAL MINE POWER CONSUMPTION

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 6, Jun 81 pp 47-49

[Article by Zhang Shuangju [1728 7175 5112] of the Power Department, Production Division, Ministry of Coal Industry: "The Utilization of Electricity in Coal Mines and Ways of Economizing Electric Power"]

[Text] In modern coal mines, power consumption is the chief manifestation of energy consumption. Hence, the conservation of electricity constitutes a major proportion of coal mine energy conservation work. Due to different conditions of various coal resources, plus differences in technical equipment level and management level, there are great power consumption gaps between the various coal mines. Among coal mines under the unified distribution system, the consumption of electric power per ton of coal output can reach as high as 92 watts in some mines, while some merely consume 14 watts. Even within the same mine, the power consumption level is bound to rise as the working face grows continuously deeper and further away while the hoisting height and hauling distance increase, and the outflow volumes of gas and water become increasingly larger. To improve operational conditions and enhance work productivity, it is necessary to increase the degree of mechanization in mining work, which also leads to greater consumption of power. According to statistics of 1970-1979, the recovery depth of coal mines under the unified distribution system increases progressively by an average of 4.6 percent per annum; on the average, the combined power consumption per annum progressively increases by 2.5 percent for each ton of coal produced; the gross electric power consumption of all the mines progressively increases by an average of 8.2 percent each year. The ascent in power consumption level is determined by the characteristics of the mines. Without improper use of electricity, it would be quite reasonable to assume that the rising level of power consumption indicates the ever-growing depth of the coal face as well as the ever-upgrading level of coal mining technical equipment. When the coal output increases, it is quite normal to have increases in the overall power consumption of mines. But, there are also quite a few coal mines which waste power due to inadequate enterprise management, improper use of equipment and failure to replace old and inefficient equipment, which is not the proper way of using electricity. The aim of power conservation work is to put an end to improper power consumption and ensure proper use of electricity.

Every link in coal production is furnished with a certain amount of equipment; each equipment consumes power in the course of operation. Thus, the main way to save electricity is to enhance enterprise management, improve equipment conditions, properly centralize production, and operate equipment economically. Due to the many differences that exist among various coal mines, their potential capacities for conserving electricity also vary. Therefore, it is imperative to conduct surveys on power consumption, make necessary technical tests and evaluations, and find out the potentialities for power conservation before taking appropriate measures against the main obstacles and thus attain better results in power conservation work. In recent years, under the guiding principles underlying the readjustment of the national economy and guided by the policy of "stressing both the development and conservation" of energy sources, all the mines have put in a tremendous amount of effort into the drive to save electricity, and have achieved fairly good results. Based on the practical experiences of all the organizations, and in light of the current coal mining situation, here are some power conservation measures that are easy to achieve and worth popularizing.

1. Enhance Electric Power Control and Make Timely Load Adjustments

The power system links the electricity generator, power supply and electrical equipment into an integrate body. Thus, the stability of the load bears a certain amount of influence on the utilization of the power system's capacity and the economical use of the equipment. Actually, peak loads are bound to occur at certain times each day within a power network. The greater the peak load is, the greater impact the power grid comes under. Enhancing the power control by avoiding peaks, using off-peak hours, and increasing the load rate not only helps to utilize the capacity of the power system, but also helps the users to cut down on electricity bills, which is very important. The Benxi Mining Bureau has 30 power controllers in five of its production mines; their job is to properly fix the on/off hours of the equipment, make timely adjustments on the load, and determine the peak and off-peak hours in accordance with the load curves and production situation, thus maintaining the load rate of all the mines above 87 percent. In 1980, an average of 2,500 kW was taken off the maximum load, and the entire province managed to save 150,000 yuan from the maximum load power costs.

The practice of running zero load or half load equipment over a long period of time not only prevents full use of the equipment's capacity, but also increases power consumption. The timely readjustment of improperly used equipment produces striking results in power conservation. Since 1980 when Baotou's Changhangou Mine made proper load adjustments in accordance with its production situation by cutting down two 320 kVA transformers, replacing 75 kW and 100 kW water pumps with a single 115 kW pump, it has saved 150,000 watts of electric power each year, which represents 1.5 percent of the annual power consumption.

2. Add Power Efficiency, Reduce Useless Consumption

The power efficiency is an important technical/economic index in power supply management. It represents the effective use of electric energy. By raising the power efficiency, it is possible to enhance the effective power supply capacity of the power grid, reduce circuit losses, and cut down electricity bills. At present, of all the coal mines in the whole country, there are still 14 bureaus (mines) whose power efficiencies are under 0.85 and have to pay fines for [low] power efficiency to the Ministry of Electric Power Industry. To increase their power efficiencies to 0.9, these organizations will have to instal 150,000 kVAR capacitors, which costs approximately three million yuan but can reduce circuit losses and save about 30 million watts of power each year (which includes decrease of circuit losses both in the Ministry of Electric Power Industry and mines). On top of this, the coal mines will also receive over one million yuan's worth of power-efficiency bonuses each year, and obtain extremely remarkable economic results as well. Since 1979, the Shuangyashan Mining Bureau has increased its power efficiency from 0.81 to 0.91 by installing 7,000 kVAR capacitors, popularizing the synchronization of wound-rotor motors, adjusting loads and removing 400 kVA transformers. In the past, it had to pay more than 200,000 yuan of power efficiency fines; now, it receives bonuses of over 200,000 yuan each year, and the results are quite remarkable.

3. Improve/Renew Equipment, Enhance Operational Efficiency

Our country lacks frequent renewal of products or equipment; much of the equipment in our mines now were produced in the 1940's or 1950's, and the machines are of poor efficiency and consume a lot of power. Improvement or renewal of such equipment can increase operational efficiency and save electricity. The power consumption of water drainage equipment in coal mines of the unified distribution system account for approximately 25 percent of the total power consumption; over one-half of the drainage equipment in current use are old or outdated hardware. If such equipment could be renewed, and low-efficiency pumps could be replaced with high-efficiency ones, it would be possible to make up the equipment renewal expenses with the amount of money saved from the electricity bill within approximately one year. For example, by replacing an SSM200x7 type water pump with a newer 200 D43x7 model, it is possible to raise the efficiency by more than 10 percent and save approximately 170,000 watts of electricity each year; the amount of electricity bill saved in one year alone is almost enough to purchase two water pumps (excluding motors). At present, our coal mines are using quite a number of 70B-2 type axial-flow fans and 4-62 type, 9-57 type centrifugal-flow fans which all have fairly poor efficiency. It is possible to make technical innovations on the 70B-2 axial-flow fan by installing bent-blades, which helps to increase the efficiency by approximately 5 percent. With the help of paddle-wheels from 4-72 type centrifugal fans, it is possible to improve the 4-62 or 9-57 fans and increase their efficiency by 15-30 percent. Generally, the costs entailed in the technical innovation of the preceding equipment can be recovered in about half a year from power conservation, and the economic results are fairly good. According to preliminary calculations, if 3,000 low-efficiency pumps are renwed in unified-distribution coal mines, it is possible to save approximately 300 million watts of electricity per year. If 1,100 low-efficiency fans are innovated in these mines, approximately 140 million watts can be saved each year. The renewal and innovation of the two preceding kinds of equipment cost about 28.5 million yuan; approximately 31 million yuan can be saved from the electricity bill each year. The economic gains are quite evident.

Over the past two years, many coal mines have managed to save an enormous amount of electric power through equipment renewal and innovation. The Benxi Mining Bureau improved 31 SSM type pumps, adjusted 2,900 meters of pipelines, pumped water without bottom valves, and thus increased the drainage efficiency by 8 percent. Moreover, 2.5 million watts of electricity were saved in 1980, which amounted to 1 percent of the total power consumption. Based on variations in the underground ventilation system, the Liaoyuan Mining Bureau adjusted the working point of two fans by reducing the rotation speed, and improved the performance of two axial-flow fans by mounting bent blades, thus conserving 2.1 million watts of electricity annually, which amounts to 1.2 percent of the total power consumption. The Lu'an Mining Bureau equipped all of its 18 working faces with troughed belt conveyors, and replaced scraper conveyors with belt conveyors, thus reducing over one-half of the power consumption and saving 130,000 watts of electricity each month, which improved the conveyance capacity and reduced transportation casualties and maintenance crew. Thus, it is quite plain that equipment renewal and innovation not only help to improve efficiency and conserve electricity, but also help to improve working conditions and, to a certain extent, promote production.

4. Stop Leak Holes and Reduce Losses

Due to improper maintenance and management, quite a number of coal mines have leak problems in their ventilation systems, blower systems and drainage systems. In some cases, the leakages in the reversing doors of the main fans are as much as 15 percent; and in some blower pipelines, the losses incurred from air leakage reach 15-20 percent. An enormous amount of electricity can be saved by strengthening maintenance and management, promptly plugging up leak holes, stopping air and water leaks. Last May, the Gaokeng Mine of the Pingxiang Mining Bureau checked the consumption rates of blowers in all its mining and excavation areas; then, it made proper adjustments in the pipeline system, set up certain a schedule for turning on the blowers, fixed up 96 air leakage spots, and removed 1 km of useless pipes, thus succeeding in reducing 40 percent of the blower losses and saving 100,000 watts of electricity. The Pingxiang Mining Bureau popularized the experiences of Gaoheng Mine, enhanced management of the blower systems, and reduced losses. In the third quarter, 25 percent of the blower system's consumption rate was cut down as compared with the second quarter, and 107,000 watts of electricity was saved. In the Macun Mine of the Jiaozuo Mining Bureau, the drainage system had collected 6 mm of dirt on the pipe walls due to long period of use; after cleaning the pipes, the wall-friction losses dropped, and the drainage efficiency rose 5 percent.

Some coal mines fail to promptly fill up useless tunnels and drill holes. As a result, the drainage increases and more power is consumed. By plugging up useless tunnels and drill holes on time, striking results can be attained in cutting down drainage power consumption. Due to relatively large water-make in the mining pits, the drainage power consumption of the Jiaozuo Mining Bureau had accounted for approximately 60 percent of the total power consumption. The bureau built waterproof walls in the mines, injected slurry into the ground and sealed up drill holes. It also stopped the water gush in Tianmen Pit's Zone 2, Lifeng Mine's Zone 48, Zhucun Mine's Southeast Zone; as a result, a total of 29 tons/minute water-make was cut off, thus saving over 5 million watts of drainage power annually, and reducing the electricity bill by more than 300,000 yuan.

5. Strengthen Control over Use of Electricity in Living Quarters

Generally, the living quarters in mining districts account for 3 percent of the total power consumption. Although this portion of electricity consumption does not occupy a large proportion, it nonetheless represents quite a lot of untapped potential. Due to poor management and inadequate metering devices, some organizations have quite a few problems arising from improper use of electricity, such as large bulbs and 24-hour lighting. There are quite a number of organizations which have managed to enhance control over the use of electricity in living quarters, i.e., installing electric meters, charging electricity bills according to meter readings, abolishing the fixed billing rate system, and basically putting an end to improper use of electricity, such as large bulbs and 24-hour lighting, which helped to greatly reduce electricity consumption in living quarters. The Lu'an Mining Bureau intensified electricity management in living quarters by installing more than 1,600 electric meters in family dormitories, implemented the metered billing system, and cut down the entire bureau's lighting load from 870 kW to 659 kW, amounting to 24 percent.

It should be pointed out that besides the preceding power conservation measures, it is also very helpful to step up enterprise management, improve overall arrangement of production, implement proper centralization of production, start economic operation of equipment, popularize new power-saving technologies, such as far infrared drying, industrial resistance furnaces improved with aluminum-silicate refractory fibers, electric machines with power brakes, etc. As each mine varies in management level and natural conditions, it is imperative to combine power conservation with the specific conditions of each organization, adopt key measures that are right on target, and tap power-conservation potentialities. This way, greater results can be achieved.

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BRIEFS

ANHUI COAL DRESSING PLANT--Hefei, 17 Jul (XINHUA)--A coal dressing plant with an annual capacity of 1.8 million tons has gone into operation in Suxian County, Anhui Province, according to the Huaibei coalmining administration. The Luling coal dressing plant, built on the Tianjin-Pukou railway line, is a key project of Anhui's Huainan and Huaibei coal base. The direct flotation technology is being used for the first time with equipment made in China. The plant uses locally mined coal, which has a low level of ash and sulphur. The plant will help raise industrial production in East China. The Huainan and Huaibei coal base has proven deposits of well over 22,000 million tons. One mine has been completed and six other pairs of shafts are being built. [Text] [Beijing XINHUA in English 1217 GMT 17 Jul 81]

HEILONGJIANG PETROLEUM SUPPLY--The Heilongjiang Provincial Economic Commission, the Trade Union Council, the Scientific and Technological Association and the Commercial Bureau jointly issued a circular: Beginning 1 September, petroleum companies at all levels throughout the province will supply 50 percent of petroleum used in cleaning metals to industrial and communications departments and substitute the other 50 percent with metal detergent to conserve petroleum. This metal detergent is a valuable new product, and it is a proven metal cleaner and can prevent metal from becoming rusty, lower the costs, improve conditions and protect workers' health. [SK302322 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 28 Aug 81]

ANHUI COAL INDUSTRY--To accelerate development of energy sources, the Anhui provincial people's government recently decided to set up a provincial coal industry leading group. The leading group is composed of comrades (Kang Zhijie), (Jiang Derong) and (Zhang Jianyi) with (Kang Zhijie) as its leader. The group exercises unified leadership over coal production and capital construction in the province. [OW07622 Hefei Anhui Provincial Service in Mandarin 1100 GMT 5 Sep 81]

OIL FIELDS DISCOVERED--Oil and gas fields with 15 to 20 tons daily output per well have been discovered in the northern part of the Dongpu Depression in central China, according to Liu Songwei, geophysicist of the China Petroleum Exploration Development Company. Dongpu Depression, this hydrocarbon-bearing area near Zhengzhou, is in the southwestern part of the North China basin and covers an area of about 4,800 square kilometers. It is a sedimentary depression of the mesozoic-cenozoic group which is 7,500 meters thick, said Liu Songwei who is in Beijing attending a joint meeting of the Chinese Geophysical Society and the

Society of Exploration Geophysicists. The oil deposits are somewhere from 1,400 to 3,500 meters below the land surface. They are generally from 15 to 25 meters thick. Geophysical exploration of the Dongpu Depression began in 1955 and seismic exploration started in 1969. It is relatively easy to do field seismic work on the surface of the depression which is a cultivated plain, Liu said, however, there are difficulties in working in the river beds and banks of the Huanghe which runs across the whole area. Seismic exploration will be shifted to the western and southern parts of the depression in the future, he said. [Text] [HK100332 Hong Kong TA KUNG PAO in English 10-16 Sep 81 p 1]

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MEASURES TO MAINTAIN STEADY INDUSTRIAL GROWTH STUDIED

Shanghai JIEFANG RIBAO in Chinese 3 Aug 81 pp 1, 3

[Article by unidentified correspondent: "Measures To Maintain Steady Industrial Growth in Shanghai--Difficulties in Increasing Production Encountered Despite Fine Situation, According to Comments by People in Economic Circles of Industry and Communications During First 7 Months; Four Important Questions Raised"]

[Text] During the first 7 months of this year, the total output value of the industrial-communications sector was 0.3 percent below the same period of 1980, and the net production in heavy industry was more than the net increase in light industry. Furthermore, this trend may continue on an even larger scale. This will raise some thought-provoking questions: Is the present situation with regard to industrial production good or bad? How can a steady increase in production be maintained during the readjustment period?

Industrial Product Mix Tends To Be More Rational

Some people in local economic circles have felt that in juding the situation with regard to production, we should not confine our observations to figures; instead, we should see through the outer appearance of figures and study the essence of the problem. Basically, the present situation is good for production according to the present trend of development. Although the total output value for the first 7 months was below that of the same period in 1980, some striking changes have occurred in the makeup of output value. From January to June, for example, there was a marked increase in the production of key items of consumer goods for daily use. During this period, the output value of 22 different consumer goods that indicate consumption trends was above that of the same period last year by 16.9 percent. Apart from the reduced production of certain items that were not readily marketable, such as tape recorders and furniture, there was an increase in the production of many other items compared with the same period the previous year. The varieties and designs have also been increased. The administrative bureaus of the textile industry, light industry, and handicrafts have successfully trial-produced 329 different new products and more than 12,000 new designs. The ratio of new varieties and new designs in serial production was raised from 70 percent in 1980 to more than 85 percent in 1981. There was a sharp drop in the production of capital goods required for heavy industry and capital construction, but a large increase in the production of items in short supply in the market and of equipment and raw materials required for the light and textile industries. The output value of 106 short-supply items by the First Machinery and Power Bureau in the first half of this year showed an increase of 22 percent--including a 27-percent increase in light industrial machinery--over the same period last year. The ratio of light industrial products (including textile, handicraft, and electronic products for civilian use) to total industrial output in the municipality increased from 52.6 percent in 1980 to 54.8 percent in 1981. Because of greater attention to market needs in the organization of production and the constant readjustment of the product mix, goods are now more readily marketable, instead of being kept in warehouses over long periods as they were before. Thus the turnover of circulating capital has accelerated, with great economic benefits. All this shows that in the past 7 months, Shanghai's industry has been based on market demands, with priority being given to the production of consumer goods. The product mix has become more rational, and, in the course of readjustment, industrial production is now undergoing a healthy development in accordance with objective economic laws.

Great Enthusiasm of Broad Masses of Cadres and People

Some people in economic circles have also held that in judging the situation of production, we should not confine our observations to indexes; instead, we should also note the mental attitude of the broad masses of cadres and people. At present, morale is very high among the cadres and workers of all trades and professions, and they are making every possible effort to enliven the economy and produce better economic results. Although light, textile, and handicraft production has increased year after year by a wide margin, and productive capacity has basically reached the saturation point, they are still trying hard to tap the potential for further increases. Since the beginning of this year, the textile sector has on three occasions mobilized its personnel to make greater contributions to the state by increasing both production and revenue through the renovation of equipment, the readjusting of varieties, and the tapping of potential. The light industrial sector has constantly changed varieties and designs according to market demands in order to upgrade its products. Many forms of rewards have been tried out to increase the production of readily marketable goods. Acting in accordance with the principle of overall planning, the handicraft sector has broken through the barriers set up for the division of work among companies and has readjusted its product mix and enterprise management in order to produce more brand-name goods and goods in short supply. All departments of heavy industry have continued to reorient their service, to expand the scope of their activities, and to increase their avenues of production. The Metallurgical Bureau organized the enterprises under its jurisdiction to study market conditions and to work out plans and measures for producing the correct amounts and specifications of steel materials required to turn out the seven major light and textile items, including bicycles and textile machinery. The Chemical Industry Bureau has renovated and utilized some of its "sunlight exposure" items in order to increase the productive capacity for solar ion dyestuffs and other items in short supply. The First Bureau of Machine Building has taken the initiative to establish contact with 90 design institutes throughout the country and to cooperate with 141 machinery and power equipment companies in developing the sales of products by state-owned enterprises through private stores, or in undertaking production tasks for them. It also has formed 32 groups out of 70 plants for the production of machinery and power products in short supply. Commercial, foreign trade, financial, capital construction, and municipal administration departments have also done a great deal of work in supporting and encouraging plants and enterprises to implement the policy of readjustment by producing goods in short supply, bringing about a balanced supply and demand in the market, and boosting export trade. Thus the main feature of the present situation can be reflected from another angle by the high morale in various trades and professions.

Problems in Even a Fine Situation

Of course, a fine situation in production does not preclude the existence of problems. At present, the fairly serious difficulties encountered in Shanghai's industrial production is one of our main problems. Shanghai belongs to all the people in the country, and the rate of its industrial growth has an important bearing on the entire national economy and on the living conditions of the broad masses. We oppose the one-sided quest for output and output value regardless of the objectives of production; however, we hope for a higher rate of increase in the production of goods in short supply and easily marketable goods, including the raw materials and technical equipment required for producing these goods. This is only logical. The difficulties encountered in the industrial growth of the municipality are caused mainly by the change of certain elements during economic readjustment. Formerly, the production of steel was regarded as the key link of our national economy, and priority was given to heavy industry. The substitution of the development of consumer goods to satisfy people's material and cultural needs, in place of irrational cycle of the productive process within heavy industry, and the coordination of the production of capital goods with that of consumer goods in a healthy manner are important reforms, but during these [reforms] many new conditions and contradictions may emerge that temporarily affect production in certain departments. Furthermore, for many years within the industry itself, attention was paid only to production and to the tapping of potentials, but not to the improvement of production conditions or to facilities for daily living. Our neglect of the technical transformation of enterprises and the serious problems with the industrial layout and product mix have all contributed to the difficulties. This reflects on the arduous and complex nature of economic readjustment.

Four Problems To Be Solved in Maintaining a Steady Rate of Growth

In view of the real situation of industry in the municipality, how can we maintain a steady rate of growth during the readjustment period? Some well-informed people among economic circles have held that we should now pay particular attention to solving the following problems:

First, make greater efforts in technical transformation and equipment renovation so as to bring about expanded reproduction through the "intensive" method.

In the majority of industrial plants in Shanghai, particularly those plants engaged in light, textile, and handicraft industries, the workshops are too old and overcrowded. With their backward equipment being overused, their productive capacity has already reached the saturation point. During the present economic readjustment and reduction of the scale of capital construction, these enterprises, no longer able to expand their reproduction by the "extensive" method, can only resort to the "intensive" method. There should be specific measures for expanding reproduction by the "intensive" method; otherwise with the "extensive" method already ruled out and the "intensive" method only vaguely defined, nothing can be accomplished at all. A host of facts have proved that any units with specific measures for taking the "intensive" road and actively carrying out technical transformation and equipment renovation will be able to develop their production rapidly. The Shanghai Woolen Blanket Plant formerly produced acrylic fiber blankets. Output was low and quality was poor. The technicians at this plant studied the characteristics of acrylic fibers and renovated the production line. After the completion of the new production line, output increased by 80 percent and the up-to-standard rate was over 90 percent. Last year this plant produced 400,000 woolen blankets, and it expects to increase its output by a further 40 percent or more this year. The No 7 Woolen Textile Mill, formerly using outdated British machinery of the 1930's, operated at a slow speed and produced goods of inferior quality. The workers copied the features of the high-speed fine yarn machines used in woolen textile production and brought per-unit output up to the equivalent of 600 additional spindles, thus effectively tapping the potential for increased production. In the first half of this year, the total output value of the woolen textile trade in the municipality was increased by 5.5 percent over the same period of the previous year. The main reason for this increase was the renovation of equipment, which increased productive capacity. People in economic circles have held that greater efforts in technical transformation and equipment renovation will not only expand the productive capacity of the light, textile, and handicraft industrial enterprises but will also give impetus to machine industry production. Thus the input of heavy industry and the output of light industry will form a harmonious cycle. There are many industrial trades in Shanghai with very many old enterprises among them to be transformed. In order to renovate and transform these old enterprises in separate groups in a planned and systematic way, the relevant departments in charge have recently conducted investigations into three different trades--knitwear, food, and leather--and worked out plans for gradually popularizing the experiences of some typical examples. This action is very necessary.

Second, bring into play the strong points of Shanghai and expand export trade as a national concern.

Shanghai is located on the coast and has a long history of industrial development and a certain foundation of technology. Its export trade is very promising. The industrial goods of Shanghai must find their way into the world market. We should adopt the method of supporting exports with imports and using exports to draw in imports. With imported materials, we can produce high-grade products, promote our production, and expand our exports. We can also import advanced technology to raise our technological level in our production and to increase our competitive power abroad. We should try every possible way to enliven our exports and find a new road for our foreign trade. Because of the economic readjustment this year, plus the scarcity of domestic orders received, the shipyards of Shanghai for a while operated under capacity. Later, after studying the international market, they took timely action to direct their efforts in exports. To date, they have already received orders for 49 ships totaling 510,000 tons and worth more than 400 million dollars. When working out its production plans early this year, the Shanghai Machine Tool Company was confronted with many contradictions and difficulties. The company actively increased the production of goods in short supply and provided special standard equipment for the production of consumer goods in daily use. While widening its scope of service, it also expanded the export of its products in various forms. In addition to the small- and medium-size lathes and other traditional products which enjoy fairly good sales in the foreign market, it added many new varieties, in line with the requirements of foreign customers, and undertook the processing of customers' materials according to blueprints supplied. Thanks to these new export channels, lathe exports increased by more than 30 percent over last year's figure.

Third, conduct in-depth investigations to obtain a good knowledge of the market, and then organize production according to market demands.

In order for the products to sell well, it is necessary to step up investigations of the market and to have good market forecasts and various information feedbacks. We should be well informed of various market demands and keep abreast of market development. We should particularly bear in mind that the countryside, with a population of 800 million, is a vast market. Along with the continued development of agricultural production, the income of the peasants has been increased, and there is a change in the trend of spending in the countryside. This calls for systematic investigations and forecasts of the vast rural market. Having a clear knowledge of market conditions, after making thorough investigations, the work of readjusting our products will be easier and production will increase more quickly. The porcelainware produced in Shanghai for daily use was not well received in the market because of a lack of variety. After an investigation of the market, the Municipal Porcelain Vacuum Flask Company became aware of the excessive supply of plain color products in the market, whereas the great demand is for basins, large round plates, and other containers with floral designs. All the plants concerned accordingly produced porcelainware with many varieties and designs in addition to other goods in short supply. By the middle of May, various types of porcelainware for daily use had made their appearance in brand-new designs at the national goods-ordering meeting held in Changsha, and there was a spate of orders from customers from various localities. By now, the majority of plants and enterprises have shown great attention to market forecasts and investigations, but the scientific method of doing these jobs well still needs improvement through practice so that the investigations will result in correct guidance for the production enterprises.

Fourth, pay attention to the intermediate links in the economic chain and do a good job of solving various new problems that may affect the development of production.

Judged from the angle of reproduction, production, exchange, distribution, and consumption are all closely united to form a single entity. All of these links must be well coordinated so that they can be mutually supplementary; dislocation of any of these links may bring about serious consequences. Products should be readily marketable. Therefore, production plants must bear in mind not only the problem of sales but also the industrial-commercial and industrial-foreign trade relations, as well as the solution of problems of prices, profits, foreign exchange subsidies, and so forth arising out of these relations, in order to enlist support from the commercial and foreign trade departments. To increase production, the enthusiasm of the broad masses of workers must be counted on. Careful handling of the bonus question will serve to link the contribution of labor with material benefits and will further consolidate and raise the enthusiasm of the workers and staff members. Some machine tool companies that formerly operated under capacity are now, with the help of foreign trade departments, actively making contacts with foreign merchants and are processing foreign customers' materials according to the diagrams supplied. Now, the Fourth, Seventh, and Eighth Machine Tool Plants and the Shanghai Heavy Machinery Plant are also cooperating with foreign merchants in production. While increasing production and practicing economy, the porcelain vacuum flask trade has revised its bonus system and is now integrating profits with rewards in various forms, such as rewards for above-quota production in the form of piecework payments among the plants or workshops. Thus, rewards are combined with the various systems of responsibility to arouse the enthusiasm of the workers and staff members in production. These instances clearly indicate the urgent need for well-coordinated production, exchange, distribution, and consumption as a means of developing production.

More than half a year has passed already. Because of the difficulties encountered in the attempt to increase production during the first 7 months, the task for the remaining months will be ever more arduous. At present, all bureaus, companies, and on down to the basic-level units are actively carrying out readjustment. According to the requirements of the readjustment, many trades and professions are going through the process of industrial reorganization and integration of enterprises, with production of consumer goods as their central task. On the basis of reorganization and integration, they are also consolidating the enterprises, improving their business management, and carrying out technical transformation. To help resolve various contradictions more effectively and to further implement the policy of readjustment, the municipality has set up a three-level regulation system along with the restructuring of the economic management system around the task of readjustment. Various forms of economic integration--including integration between enterprises, between production, supply, and marketing, between industry and commerce, and between industry and foreign trade--will be actively and prudently carried out as long as these measures can be conducive to economic results. They will create favorable conditions for increased production in the next 5 months. The Sixth Plenum of the 11th Party Central Committee has in particular summed up the historical experiences following the founding of the People's Republic and has completed its historical mission of setting right the party's guiding ideology. The people's study and implementation of the spirit of this plenum will have an important bearing on production in the second half of the year. The leadership at various levels should clearly understand the current situation, take advantage of this excellent opportunity, fully mobilize the broad masses, and work fervently by making good use of the favorable conditions in order to boost production in the next 5 months and maintain a steady growth rate in this year's production.

9411
CSO: 4006/469

INDUSTRY

SHANGHAI PLANTS PLAN PETROCHEMICAL COMPLEX

Shanghai JIEFANG RIBAO in Chinese 24 Jul 81 p 1

[Article by Li Zhenghua [2621 2973 5478]: "Breaking Away From Departmental Ownership To Establish a Petrochemical Complex"]

[Text] Li Zhenghua, NCNA correspondent, reports that 7 factories and one research institute in the Gaoqiao Area, Shanghai, have been trying to break away from "departmental ownership" and get ready to consolidate as the Shanghai Joint Petrochemical Enterprise in order to make better use of petroleum resources, to exploit all the production potential and to increase economic efficiency.

According to the findings and estimates of the Shanghai Municipal Bureau of Chemical Industry and the Shanghai Financial Research Institute, if the state invests a little over 200 million yuan for necessary expansions after the merger of these petrochemical plants, the annual output value of the Shanghai Oil Refinery and the Gaoqiao Petrochemical Plant alone will jump from their current level of 1.3 billion yuan to as much as 2 billion yuan. The annual profit they surrender to the state will jump from the current level of about 300 million to more than 700 million yuan.

Having won the attention and backing of the leading cadres of the State Council, the project is now placed under the unified guidance of the appropriate ministries of the State Council and the Shanghai Municipal People's Government. Judged in the light of international data, the value of petroleum increases 10 times when it is processed into petrochemicals. The value will increase 10 more times when the petrochemicals are turned into end-products. That is to say, when crude oil is processed twice, the value of its end-products increases 100 times that of the raw material. According to the findings of the Shanghai Financial Research Institute, in 1980 the Gaoqiao Chemical Plant was able to turn 15,540,000 yuan worth of crude oil into 162,440,000 yuan worth of petrochemicals. This is 10.45 times the value of the crude oil. But the value of its end-products fell far short of the standard.

Today, the Gaoqiao area of Shanghai has 7 petrochemical plants and other enterprises which depend on petrochemicals as their major source of raw materials. They are: the Shanghai Oil Refinery, the Gaoqiao Chemical Plant, the Second Chemical Fibers Plant of Shanghai, the Second Synthetic Detergent Plant of Shanghai, the Shanghai Pesticide Plant, the 15th Dyestuff Factory of Shanghai and the Shanghai Petrochemical Research Institute. In addition, there is the Gaoqiao Thermoelectric Power Plant which supplies these plants with steam and power. These enterprises are severally controlled by the Ministry of Petroleum Industry, the Ministry of Chemical Industry, and the Shanghai municipal bureaus of chemical industry, textile, light industry and electric power. Although these enterprises have become interdependent petrochemical processing units after years of mutual supply of raw materials and power as well as technological integration, the fact they are controlled by different departments still poses problems in actual production. Even enterprises within one department often find cooperation difficult because each has its own production and profit quotas to fulfill. The lack of coordination and reckless use of petroleum resources have led to severe waste of energy, wanton neglect of production potentials and poor economic efficiency.

Take the Shanghai Oil Refinery and the Gaoqiao Chemical Plant for example. The Shanghai Oil Refinery refines more than 4 million tons of crude oil a year, turning out principally fuel and lubrication oil. It also produces as it refines the crude oil nearly 50,000 tons of petroleum gas which may be turned into various chemical products. Instead of putting it to proper use, the petroleum gas is burned as fuel. The Gaoqiao Chemical Plant, just a few li away from the refinery, needs large quantities of petroleum gas to produce such chemicals as polystyrene, ABS engineering plastics and low pressure polythylene. Due to lack of raw materials and equipment, the Gaoqiao Chemical Plant is unable to produce enough of these chemicals. As a result, the state has to spend large sums of foreign exchange to import these chemicals. The Second Chemical Fibers Plant and the Second Synthetic Detergent Plant, both in Shanghai, depend largely on the Gaoqiao Chemical Plant for raw materials. However, due to "departmental ownership," the supply is so undependable that their production has suffered setbacks. Such waste of petroleum resources has been widespread within the chemical industry in the Gaoqiao area. Consequently 30-40 percent of the chemical industrial facilities are not used efficiently.

The Shanghai Municipal Bureau of Chemical Industry and the Financial Research Institute had studied the situation both last year and this year. They recommend the formation of a joint petrochemical enterprise for the Gaoqiao area of Shanghai so as to coordinate the production operations of all the related plants.

According to their recommendation, the first step of the merger is to set up a central petrochemical plant consisting of the Shanghai Oil Refinery and the Gaoqiao Chemical Plant. This will serve as a base to bring together the remaining related factories to form an integrated system of specialization units conducive to greater productivity. The complex is expected to become the second petrochemical center of Shanghai, a match for the other petrochemical center at Jinshan.

5360
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BRIEFS

SHANGHAI PRODUCTION TARGETS--Shanghai, 5 Sep (XINHUA)--Shanghai will overfulfill annual production targets by 100,000 bicycles, 100,000 sewing machines and 300,000 wrist watches in the remaining four months of this year, a spokesman for the municipal light industrial bureau said. This means Shanghai will try to achieve a six percent increase in its light industrial production, instead of five percent as planned at the beginning of this year. Additional taxes and profits turned over to the state at the year end will come to 40 million yuan (RMB). This latest move taken by Shanghai, China's biggest industrial center, mirrors the current national effort to bolster state revenues by increasing production and improving industrial management. A national forum on industry and transport called by the State Council, which closed September 1, called for still bigger increases in China's consumer production in the last four months of this year. [Text] [OW070622 Beijing Xinhua in English 0755 GMT 5 Sep 81]

CSO: 4020/249

CONSTRUCTION

SHENZHEN TO BUILD INTERNATIONAL AIRPORT

HK100244 Hong Kong STANDARD BUSINESS SUPPLEMENT in English 10 Sep 81 p 1

[Text] The Shenzhen Special Economic Zone (SEZ) will soon build its own international airport as well as a deep water port to cater to its increasing passenger and cargo flow to and from the outside world.

The Shenzhen municipal vice party secretary Cao Xizhi yesterday said the State Council of Beijing has given approval to the SEZ to build an international airport, either on its own or in cooperation with foreign investors.

Mr Cao did not reveal when the construction of the new airport will commence or the amount of capital involved.

Shenzhen sources said that a number of foreign consortiums has already contacted the Shenzhen authorities to discuss the possibility of cooperation.

Speaking at an opening ceremony of Shenzhen's first housing estate, Mr Cao also revealed that the Hong Kong Government has not approached Shenzhen authorities on the possibility of jointly building an airport to serve mutual needs.

The government is currently thinking of building a new airport in the new territories to replace the Kaitak airport.

The government, has hired a consultancy firm to study the feasibility of setting up a new airport at Cheklapkok, Lantau, while it also recruited another firm to do a similar study in Yuenlong near Deep Bay about three months ago.

This raised speculation that the government wants to build a new airport near the border to convince the Shenzhen authorities to abandon its own airport plan and use the airport facilities in Hong Kong.

In this way, Shenzhen would come to rely more on Hong Kong, enhancing the colony's future status.

Mr Cao's council has also given the go-ahead to build a deep water port at Chiwan, about 2.3 kilometers west of the Shekou industrial district of the zone to act as a cargo transaction terminal for both Shenzhen and other parts of Guangdong.

The housing estate Tungwulaiyuen (Tungwu Garden), which was opened yesterday, is a joint venture between the Shenzhen Realty Development Corporation, the property arm of the Shenzhen government, and a local developer, Millie's Group.

According to a Millie spokesman, the first two phases of the estate already completed consist of 216 units of 650 square feet and are sold at a price of $17-190,000 [figure as published] each.

CSO: 4020/249

LABOR STRUCTURE OF CITIES, TOWNS CATEGORIZED, ANALYZED

Beijing DILI XUEBAO [ACTA GEOGRAPHICA SINICA] in Chinese No 2, 1981 pp 121-133

[Article by Wu Youren [0702 0645 0088], Geography Department, Nanjing University: "Preliminary Study of the Labor Structure of City and Town Population in China"]*

[Text] By the labor structure of city and town population is meant the proportional relationship of various population categories to the total population of cities and towns. This includes the proportion of the non-agricultural population to the agricultural population, the ratio of the working population (staff and workers) to the total city and town population (non-agricultural population), and the proportional relationship among all categories of the working population. A study of the labor structure of city and town populations is, therefore, a study of the equitable proportions of all categories of population in different kinds of cities and towns following the objective laws of city and town formation and development.

Study of the labor structure of city and town populations is a major ingredient in the study of the many disciplines of urban economics, urban geography, and population geography. It is a research problem to which many countries in the world devote serious attention.

It is generally known that in order to meet the needs of political, economic and cultural development, the formation and development of a city or town "must expend varying kinds of and a certain amount of its total social labor force," and in every sector of the national economy "to distribute social labor in definite proportions."[1] If this social labor is distributed in improper proportions in the various sectors, the production of goods by each sector cannot be coordinated and moved along. Production and life will not then be able to be built in an integrated way, and commensurate development will not be possible in communications and transportation, or in education and culture. Comprehensive economic benefits from investment in capital construction will not be able to find full play, and there will be no orderly, smooth development of political, economic, and cultural life in cities and towns. Therefore, study of the labor structure of city and town population possesses definite theoretical and practical significance.

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1. Categories of China's City and Town Population

Illucidation of the laws of development of the labor structure of city and town population in China requires, first of all, a rational categorization of city and town population.

Since Liberation, for purposes of urban planning in China, in order to make a sensible analysis of city and town population and project the scope of city and town population growth, city and town population has been divided on the basis of the growth of the "formation sector" and the "service sector" into basic population, service population, and the population that is being reared. By basic population is meant the staff and workers in the formation sector for the growth of cities and towns. This includes mostly staff and workers outside the city who are working in plants and mines, enterprises, government organizations, and schools. By the service sector is meant staff and workers in the service sector for the growth of the city, i.e. mostly those employees and workers in the city who are providing services to plants and mines, enterprises, government organizations, and schools. The population being reared means young people who have not yet reached working age, and children who have not yet reached school age; housewives engaged in labor at home, social youths, old people, and disabled people who have lost their capacity to work. Everybody has discussed these categories a great deal, and they merit further deep examination.

We believe that the classification of city and town populations must proceed from the fundamental premise of "distributing social labor into definite proportions," reflecting the objective laws of the formation and development of cities and towns, and the proportional relationships in distribution of the workforce. Generally speaking, the proportional relationships in the distribution of city and town workforces are manifested principally in the following several aspects:

1. The proportional relationships of the distribution of workforce between the production sector and the non-production sector. Cities and towns are an extraordinarily complex totality, involving the fields of politics, economics, and culture, and including all sectors of the national economy. They contain both industrial, agricultural, capital construction, and transportation, communications, and posts and telegraphs material production sectors, as well as the non-material production sectors of commerce, service trades, finance and trade, banking, municipal public utilities, culture and education, scientific research, medical treatment and hygiene, and administration and management. These are mutually restrictive and mutually supportive in their relationships to each other. Growth of the material production sector restrains the non-material production sector; however, the non-material production sector may also impair growth of the material production sector. Proportional relationships in the distribution of workforces between the two must be correctly handled.

2. Proportional relationships in the distribution of workforces between industry and other sectors. The material foundation on which socialist cities and towns depend for their growth is many sided, the major and most fundamental of which is industry. Therefore, the workforce requirements for city and town growth are determined principally by the level and scale of industrial growth, and these requirements are greatly affected by the growth of other sectors as well. In the distribution of city and town workforces, it is necessary, first of all, to take into consideration the needs of industrial development, and to correctly handle the proportional relationships in the distribution of workforces between industry and other sectors.

3. Proportional relationships in the distribution of some other workforces, such as the proportional relationship between heavy industry and light industry within industry itself; the proportional relationship among capital construction, communications and transportation, and the entire national economy; the proportional relationship among commercial services, public utilities, and the national economy; the proportional relationship between scientific research and building of the economy. All these are also major proportional relationships. If the proportional distribution of workforces among each of them is not coordinated, city and town production and life will be impaired.

4. Proportional relationship between the working population and the non-working population. Apart from the rural population that becomes the population of cities and towns, and apart from movement of population from one city or town to another, the principal source of the workforce in cities and towns is full tapping of the work potential existing within the cities and towns themselves. One way of doing this is to increase the labor productivity rate. Another way is to transform the non-working population into a working population. Within the population of cities and towns there is a constant shifting between the working and non-working population. This process is determined both by the level of production growth, and is also closely related to natural population increase. Therefore, it is necessary, on the basis of the natural laws of population increase in cities and towns, and on the basis of the laws of economic development, to accurately work out the proportional relationship between the working and non-working population to fully tap the work potential within cities and towns.

First we divided the population of the cities and towns of the country into the two broad categories of non-agricultural and agricultural population, after which we divided the population engaged in agricultural into the two categories of working population and non-working population. Then, depending on the nature of work of the working group, we divided the working population into nine categories, namely, industry, capital construction, agriculture-forestry-irrigation-meteorology, transportation - posts and telecommunications, commercial service - water supply, public utilities, science-culture-education-sanitation, banking, state organizations, and people's organizations. The first four of these have been designated as the productive working population (staff and workers), and the last five categories have been designated non-productive working population. (staff and workers)

(1) The Working Population (Labor Staff and Workers)

1. By productive working population is meant all the staff and workers involved in work in the sector that produces goods under a system of ownership by all the people or collective ownership. This includes the following several categories:

I. Industrial staff and workers including the workers, engineers and technicians, managers, service personnel and others working in various industrial sectors.

II. Staff and workers in capital construction including construction units, surveying and designing organizations, geological survey and construction planning organizations, and production preparation personnel.

III. Staff and workers in agriculture, forestry, irrigation, and meteorology including those working in units concerned with agriculture, forestry, animal husbandry, aquatic products, water conservancy, and meteorology, but not including suburban commune collective workers.

IV. Staff and workers involved in transportation and posts and telecommunications including all employees and workers on railroads, highways, water transportation, in port areas, in civil air transportation, and in posts and telecommunications.

2. By non-productive working population is meant all employees and workers in the non-material production sector. These include:

I. Commercial service and drinking water supply staff and workers, including all staff and workers in commercial, service, drinking water and food industries, and material supply and marketing units.

II. By urban public utility staff and workers is meant within-city staff and workers involved in public transportation, road maintenance, running water, coal gas, underground conduit care, orchard care, housing management, and environmental sanitation units. However, running water works and coal gas plants that are independent accounting units must be included under industrial units.

III. Science, culture, education, and hygiene employees and workers include staff and workers in units concerned with scientific research, culture, education, hygiene, broadcasting, physical education, and social welfare endeavors, as well as students in institutions of higher learning, middle schools, and technical schools.

IV. Staff and workers in banking units include those in the People's Bank and the Construction Bank system.

V. Staff and workers in state organizations and people's organizations are those in all echelons of state authority and administrative organizations, party organizations, and in supply and marketing cooperatives above the county level.

(2) The Non-Working Population (Non-working staff and workers, and people being reared)

1. Non-adults and old people beyond working age.

2. Women engaged in work at home, social youths, and others.

3. Those who have lost the capacity to work and are unable to engage in social collective labor.

We believe that the aforementioned categories of city and town population are fairly clear in conception and fairly accurately delineated. They are along the same lines as statistics on staff and workers in the city and town population of the country, are handy for statistical checking, and can fully reflect the proportional relationships of workforce distribution in cities and towns. They are helpful as a foundation for national economic planning, and for projecting the scale of city and town population growth. However, as a result of the direct application of statistical data, certain deficiencies also exist. For example, the productive working population contains a small amount of non-productive working population, and in the non-productive working population a small number of productive workers have been included etc. In addition, classifying scientific researchers as non-productive workers as well as the problem of how to handle students in institutions of higher learning and in middle and technical schools also merit further study.

2. Changes and Trends in the Growth of the Labor Structure of China's City and Town Population

With the building and consolidation of the socialist system in China since Liberation, and the flourishing development of socialist construction, which has changed consumer cities into producer cities, remarkable changes have taken place in the labor structure of the population of China's cities and towns. This has been manifested specifically as follows:

(1) Steady Increase in the Ratio of the Working Population

The proportional relationship between the working population and the non-working population is determined by the form of social production and the level of development of cities and towns, and is also affected by the natural increase in population and the age structure of the population. Establishment of the socialist system in China created the prerequisite conditions for full employment of city and town residents. As the socialist revolution and socialist construction burgeon, as consumer cities become producer cities, and as planned births are instituted, the ratio of the working age population continually increases.1) Thus the ratio of the working populace to the population of cities and towns steadily rises, and the proportion of the non-working population declines commensurately. In national terms, this means that during the period immediately following Liberation, the working population was in a ratio of almost 10 to 20 percent of the total population, or below 10 percent at minimum, and no more than 40 percent at maximum. Now, the ratio of the working population to the country's city and town population has risen to around 40 or 50 percent, or likely 50 percent but less than 60 percent.

(2) Industrial Staff and Workers, and Staff and Workers Engaged in Productive Labor as a Portion of Total Staff and Workers.

Following liberation of the country, an overwhelming majority of the more than 100 cities inherited from old China were consumer cities in which the ratio of industrial staff and workers and productive working staff and workers was very small,

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1) For example, before instituting planned births in Nanjing, the natural population increase in 1953 was 25 percent, and the working age population amounted to 47 percent of the city's total. Following institution of planned births, the rate of natural increase in 1974 was only 5 percent, and the working age population was more than 55 percent of the total.

the former amounting to only about 20 or 30 percent, and the latter amounting to less than 50 percent. Even though the proportion of urban industrial and productive working staff and workers in some cities was fairly large, that was also the result of the lopsided growth of cities. For example, industrial staff and workers in Anshan during 1949 numbered about 70 percent of the total number of staff and workers, and staff and workers engaged in productive labor amounted to more than 90 percent of the total. However, staff and workers in cultural, educational, and commercial service units were a very small ratio and far from being able to satisfy the needs of working people's lives.

Since the founding of the People's Republic, as a result of numerous reforms in the former cities and vigorous growth of industrial and productive endeavors, the cities have become producer cities in which industry is dominant. As a result of the establishment in numerous newly built cities and towns of production bases, transportation hubs, or port facilities, development has taken place. As a result, in the labor structure of China's cities and towns, staff and employees in industry amount to about 50 to 60 percent, and staff and workers engaged in productive labor amount to between 65 and 85 percent. As a result of steady readjustment of the proportion of staff and employees engaged in productive labor relative to staff and employees engaged in non-productive labor in the cities that had formerly developed lopsidedly, the labor structure of urban population is becoming more and more rational.

(3) Rational Changes Within the Internal Structure of Non-Productive Working Staff and Employees

Non-productive working staff and workers may be divided into two general categories: One is the administrative and management sector which "is not directly related to production," such as the staff and employees in state organizations and people's organizations. The other is the sector "used to satisfy society's common needs," such as staff and workers involved in commercial services, culture and education, scientific research, medical treatment and hygiene, and municipal public utilities. With the establishment and consolidation of the socialist system and the growth of socialist construction, the ratio of the former working staff and workers in cities and towns gradually decreased while the ratio and number of the latter staff and workers gradually has risen on the foundation of the development of production. For example, in Shijiazhuang the ratio of the former group of staff and employees fell from 13.2 percent in 1949 to 4.7 percent in 1974, while the ratio of the latter group of staff and workers rose from 14.1 percent to 18.2 percent. In the labor structure of China's city and town population, the ratio of these two groups of non-productive labor staff and employees has shown a fundamentally identical tendency toward increase and decrease in each city and town, only the extent of change varying when the nature and size of the cities and towns are different.

(4) Staff and Employees in the System of Ownership by All the People Increasingly Achieving a Dominant Position.

Under the conditions of China's socialist system where the two forms of ownership by all the people and collective ownership by the working masses exist, there is a difference between staff and workers in the system of ownership by all the people and workers and staff of the system of collective ownership among workers and staff of city and town labor. Accompanying the great victory since liberation in the socialist transformation of capitalist industry, commerce, individual handicrafts and agriculture, which has vigorously developed the state owned economy to a priority position, in the working staff and employees of cities and towns the staff and employees in the system of ownership by all the people has steadily taken a leading position until they now account for from 70 to 80 percent or more.

In the period since Liberation, however, in urban construction and workforce distribution, understanding has been inadequate about the objective laws governing proportional workforce distribution for the development of cities and towns. As a result of the disturbance and destruction caused by the ultra-leftist line of Lin Biao and the "gang of four," in particular, there still exist some inadequately coordinated and not entirely rational places in the labor structure of China's city and town population. This is manifested principally in the ratio of the working population in some cities and towns not being high and the labor potential fairly great.

In industrial cities that have developed a single industry mining or heavy industry economy, in particular, this is especially conspicuous. In numerous cities and towns, the proportion of staff and employees in commercial services, and in the cultural and educational system tends to be small, and vacancies in city and town construction ranks are fairly numerous, impairing the coherent building of production and livelihood and causing numerous inconveniences and effects on urban political, economic, and cultural life. All this awaits further improvements.

In order to thoroughly modernize industry, agriculture, national defense, and science and technology within this century, and to build China into a powerful, modernized socialist country, the impact on the labor structure of cities and towns in the country will be extremely deep.

First of all, with the modernization of industry, agriculture, transportation and communication, and capital construction, a great increase in the labor productivity rate will occur in individual sectors, and great changes will take place in proportional relationship of the workforces in individual sectors. At the same time, numerous new sectors and industries will emerge, creating more superior conditions for the employment of city and town dwellers. Although great development will take place in industrial and production units, because of the modernization of production, the decrease in labor quota requirements, and the rapid increase in staff and employees in the non-productive sector, the tendency will be toward a gradual decline in their ratio.

Secondly, in the process of realizing the "four modernizations," there will be need for "extremely increasing the scientific and technical levels of all peoples," and the vigorous development of cultural, educational, and research endeavors. Cities, particularly large cities and exceptionally large cities, are places in which institutions of higher learning and scientific research organizations are concentrated, and where staff and employees in the cultural, educational, and scientific research sector will greatly grow. Their ratio to the total number of staff and employees will strikingly increase.

Third, from the foundation of great growth in productivity, material and cultural living standards of city and town residents will vastly increase, and there will be gradual socializing of the lives of city and town residents, plus a strengthening of economic management work, with a very great development of those sectors that satisfy the common needs of society, particularly medical treatment and hygiene, social services, municipal public utilities and travel. The ratio of staff and workers engaged in non-productive labor will tend to rise gradually.

Fourth, with the modernization of the transportation and communications industries, particularly the development of modern communications in the vast expanse of rural villages, and with the gradual building of integrated agricultural, industrial, and commercial enterprises, there will be a further intimacy in the relationship between city and countryside and a strengthening of the bonds between industry and agriculture. As a result, cities and towns will expand development of staff and workers engaged in non-productive labor in an increase of service trades and the promotion of commerce and service industries in rural villages.

Finally, accompanying growth in productivity and extremely great increases in the scientific and cultural levels of all peoples, will come more conscious practice of planned births, thereby effecting planned control of the natural rate of increase in city and town population. Consequently, the age structure of city and town population will undergo new changes, the ratio of working age population generally rising, and a definite decline occurring in the ratio of youths and pre-school age children. The lifespan of old people will steadily lengthen. Additionally, the socializing of household work, and the state's creating of conditions for full employment of city and town residents will mean that the future ratio of the working population to the total population will be properly increased.

In some presently industrially advanced countries, industrial staff and employees make up only 30 or 40 percent of the working staff and employees of cities, while staff and employees engaged in commerce and service trades amount to from 40 to 60 percent, exceeding the ratio of those engaged in industry (See Table 1). Though there are many irrational aspects in these countries owing to private ownership of the means of production; nevertheless, they reflect the trend in development of the labor structure of city and town populations. Scientific researchers amount to between 2 and 5 percent of the total population in numerous countries, scientists and engineers accounting for between 1 and 2 percent of this. In large cities and especially large cities, the ratio of scientific researchers to the population is even greater.

Since the 1960's, as science and technology has advanced by leaps and bounds, and economic endeavors have burgeoned, many scholars abroad have done a great deal of forecasting about the trends of future world developments, including devoting a great deal of attention to an analysis of changes in the vocational structure. There is general agreement that "profound changes" will take place in the vocational structure of the population, and that "looked at over the long range, more people will be involved in service trade work." It is estimated that by the year 2000, those involved in the service trades will amount to 80 percent of the total number of people employed (those engaged in goods production and the agricultural sector amounting to 10 percent)." Moreover, "with expansion in the use of technology to spread the field of automation, greater requirements will be placed on vocational skills. The number of people directly involved in the production process will decline, while at the same time the requirements placed on those who organize technological progress will increase. This trend may be looked at both in terms of the proportional relationship between the numbers of workers and staff, and in terms of the requirement for greater numbers of personnel with higher educations to undertake the work."[2] Such a tendency is becoming increasingly manifest in the highly industrialized nations of the world. This prediction accords with the laws of development of scientific and technical progress. Naturally, by the year 2000, the actual proportion of the vocational structure and the labor structure of city and town population will require further study. Furthermore, because of different social systems, unequal levels of development of productivity and speeds of increase in labor productivity, and because of differing national circumstances, the vocational structure as well as the labor structure of cities and towns in individual countries have their own individual characteristics.

On the basis of the aforestated understanding, in the process of realizing the "four modernizations," China must constantly readjust the labor structure of its city and town population, gradually increase the ratio of staff and employees in commercial and service trades, in municipal public utilities, in culture and education, and in scientific research, commensurately reducing the proportion of staff and employees in industry and such goods producing sectors, opening new sectors and trades, and equitably increasing the employment rate of city and town population on the basis of requirements for a sensible combination of specialized and comprehensive development. In view of the present state and existing problems in the labor structure of China's city and urban population, and considering the huge effects of the "four modernizations" as well as the process of urbanization of the country, its vast size and huge population, we propose that during the near term (1985), that the ratio of the working population in the labor structure of city and town population be around 45 to 55 percent, that industrial staff and employees amount to between 40 and 60 percent of the total number of staff and employees, that staff and employees engaged in productive labor amount to 65 to 75 percent, and that staff and employees engaged in commerce and the service trades, and in science, education, culture, and hygiene amount to between 10 and 15 percent of total staff and employees. For the long term (the year 2000), the ratio between industrial staff and workers and staff and workers engaged in productive labor should decline by a suitable amount, while the proportion of staff and workers engaged in non-productive work, particularly staff and workers engaged in science, education, culture, and sanitation should increase commensurately. However, the labor structure of the population of different kinds of cities and towns should not be the same. This is elaborated below.

Table 1. Staff and Worker Labor Structure of Some Cities of the World*

	Number of Staff & Workers (thousands)	Staff & Worker Ratio (%)	Ratio of Staff & Workers in Commerce (%)	Ratio of Staff & Workers in Service Trades (%)
Tokyo	5,368	30.8	30.5	14.2
London	4,488	29.2	12.2	18.8
New York	3,208	26.3	23.4	23.9
Paris	1,309	37.9	18.0	12.7
Alexandria	277	58.8	20.1	11.9
Barcelona	657	33.8	15.2	12.0
West Berlin	827	41.6	17.5	15.6
Delhi	854	19.8	17.2	--
Tehran	755	26.3	18.2	--
Hamburg	1,006	31.8	19.8	11.1
Istanbul	649	27.2	11.4	11.4
Karachi	224	40.2	32.6	22.2
Lahore	162	44.5	32.7	19.2
Madras	1,464	26.9	2.9	40.0
Milan	754	56.6	22.3	2.9
Nagoya	1,145	32.1	28.1	14.1
Osaka	2,310	31.4	33.5	12.1
Rome	430	25.6	31.6	5.6

*Source of Data: Japan, YOMIURI SHIMBUN, 1974. Basic data for each city is for 1970.

3. Characteristics of the Present State and Equitable Proportions of the Labor Structure of Different Kinds of City and Town Population in China

There are general laws applying to the formation and evelopment of the labor structure of city and town population in China, but different cities and towns have their own individual characteristics. These are determined by the nature of the city and town, and are greatly influenced by the size of the city or town, its level of development, and its composition. Experience has shown that because of the different nature of cities and towns, their position and roles in the political, economic, and cultural life of the country and the region differ. The "various different kinds of and different amounts of society's total labor force," required for development also differ; thus the labor structure of the population of each city has its own characteristics. Cities and towns having the same nature, even though different in size, will show like characteristics in the labor structure of their populations. When cities and towns have identical natures but their sizes are different, their levels of development not identical, and their composition not the same, the population of cities and towns will show definite differences only in certain places in their internal labor structure. For example, Nanjing is an especially large city with a population of 1 million, while Jinan is only a large city with a population of 500,000. Inasmuch as both are the location of provincial capitals and are centers of politics, economics and culture for the entire province, the ratio of their working population to the total population of the city, the proportion of their productive working population and their non-productive working population, as well as the ratio of the number of staff and workers engaged in industry, in commerce, in service, in science, education, culture, and hygiene are virtually identical. As another example, Jixi and Shuangyashan are both cities where the coal mining industry is dominant. Though the former is a city of more than 500,000 people, and the latter has a population of less than 200,000, the labor structure of the urban population in both is virtually identical. Still another example is Yueyang and Zhenjiang, both of which are prefectural political, economic, and cultural centers, and major water and land transportation centers. The proportion of their populations engaged in productive labor to those engaged in non-productive labor is virtually the same. It is only because Yueyang is a city in the process of development that the ratio of staff and employees engaged in industry is lower than for Zhenjiang. (See Table 2 for details). Other kinds of cities and towns are similar. Therefore, in analyzing the labor structure of the population of different kinds of cities in China, it is most important to make an analysis on the basis of the city or town's nature and to consider the effects of its size, level of development, and composition.

In short, on the basis of their position and role in the political, economic, or cultural life of the country or of a region, China's cities may be divided into three basic categories: cities that are national or regional centers of one kind or another; cities that have a predominantly economic function of some kind, including cities in which industry or transportation and communications dominate; and cities in which some special function is dominant (such as revolutionary memorial sites, border defense, and sightseeing cities). However, numerous cities possess functions of several kinds, and thus the kinds of cities and towns are complex and varied. Here emphasis has been given only to analysis of the characteristics of the present labor structure of major kinds of city and town populations, with some preliminary proposals being put forward for future equitable proportions.

(1) Cities That Are National or Regional Centers of One Kind or Another

These include Beijing, Shanghai, and Tienjin, three cities directly subordinate to the central government, as well as all provincial capitals, and capitals of autonomous regions. Since these are political, economic, and cultural centers for the entire country, an entire province, or an entire prefecture, production and service facilities are fairly well developed, and conditions for the employment of urban residents are good. In addition planned birth work has been taken fairly firmly in hand; planned control has taken place in the natural rate of population increase; and the ratio of the working age population to the total population of these cities is generally more than 50 percent; consequently, the working population amounts to about 45 or 50 percent of the total urban population. The working population in government organizations, people's organizations, commerce and service trades, and science, education, culture, and sanitation is fairly large, while staff and workers in industry amount to only 45 to 50 percent or so. The population engaged in productive labor amounts to between 65 and 75 percent of the total working population. However, owing to differences in size as well as differences in the levels of development, the ratio of staff and workers in industry, of capital construction, commerce, service trades, and cultural, and education staff employees is somewhat different. (See Graph 1).

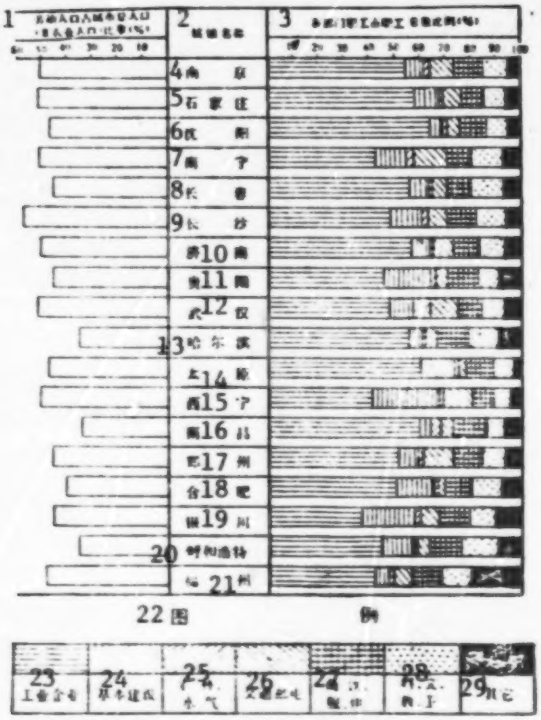
Table 2. Comparison of Labor Structure in Some of China's City and Town Populations

2 城市等级		5 特大城市	6 大城市		7 中等城市		8 小城市
3 城市名称		9 南京	10 济南	11 鸡西	12 双鸭山	13 镇江	14 岳阳
4 城市性质 1 人口劳动构成		15 省会城市	16 省会城市	17 煤业城市	18 煤业城市	地区中心，水、陆交通枢纽城市 19	地区中心，水、陆交通枢纽城市 20
21 劳动人口比重(%)		50.6	50.0	25.4	25.0	60.0	55.4
22 生产性劳动职工占职工总数比重(%)	24 小计	74.3	73.3	83.8	82.5	80.1	79.0
	工业职工	54.8	57.0	73.5	66.6	53.6	38.6
	基本建设	7.6	6.7	7.4	13.4	9.8	11.8
	农林水气	2.1	0.9	1.1	0.9	0.9	6.5
	交通邮电	9.8	8.7	1.8	1.6	15.8	23.9
23 非生产性劳动职工占职工总数比重(%)	25 小计	25.7	26.7	16.2	17.5	19.9	21.0
	商服饮供	11.5	10.1	8.6	9.3	10.6	9.1
	公用事业	2.1	2.2	0.6	0.5	1.4	0.2
	科文教卫	10.2	10.4	4.5	4.7	5.9	6.3
	金融	0.3	0.5	0.4	0.6	0.2	0.8
	机关团体	1.5	3.4	2.1	2.4	1.8	4.0
	其它	0.1	0.1	—	—	—	—

Small cities have less than 200,000 people; medium size cities have populations of from 200,000 to 500,000; large cities have populations of from 500,000 to 1 million; especially large cities have populations of more than 1 million.

Key:

1.	Labor Structure of population
2.	Class of city
3.	Name of city
4.	Nature of city
5.	Especially large city
6.	Large city
7.	Medium size city
8.	Small city
9.	Nanjing
10.	Jinan
11.	Jixi
12.	Shangyashan
13.	Zhenjiang
14.	Yuehyang
15.	Provincial capital
16.	Provincial capital
17.	Coal industry city
18.	Coal industry city
19.	Prefecture center and transportation hub.
20.	Prefecture center and transportation hub
21.	Ratio of working population (%)
22.	Staff and workers in productive labor as a proportion of total labor force (%)
23.	Staff and workers in non-productive labor as a proportion of total labor force (%)
24.	Sub-total. Industrial employees, capital construction, agriculture, forestry, irrigation and meteorology, transportation, posts and telegraphs.
25.	Sub-total. Commercial, clothing, drinking water supply personnel; scientific, and cultural, educational, and public health personnel; banking; governmental and public organizations; other.



Graph 1. Cities That Are National or Regional Centers of One Kind Or Another

Key:

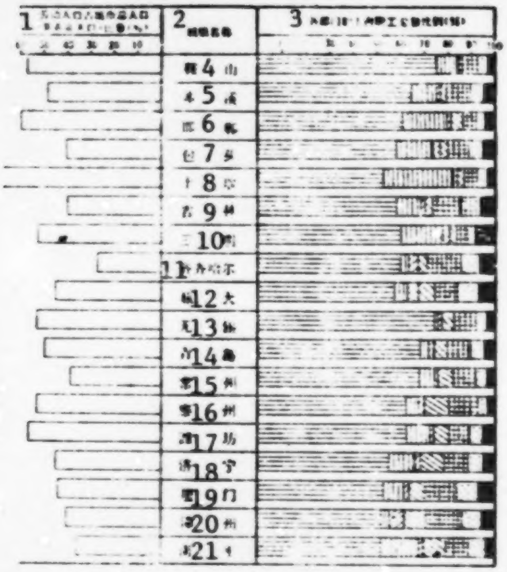
1. Working population as a ratio (%) of the total urban population (non-agricultural population)
2. Name of City
3. Staff and workers in each sector as a proportion (%) of the total number of staff and workers
4. Nanjing
5. Shijiazhuang
6. Shenyang
7. Nanning
8. Changchun
9. Changsha
10. Jinan
11. Guiyang
12. Wuhan
13. Haerbin
14. Taiyuan
15. Xining
16. Nanchang
17. Zhengzhou
18. Hefei
19. Yinchuan
20. Hehehaote
21. Fuzhou
22. Explanation of Graph
23. Industrial Enterprises
24. Capital Construction
25. Agriculture, Forestry, Irrigation, and Meteorology
26. Transportation, Posts and Telegraphs
27. Commercial, clothing, drinking water, and supply personnel
28. Scientific, cultural, educational, and public health personnel
29. Other

On the basis of representative sampling done in the cities of Nanjing, Shijiazhuang, and Nanning, in these kinds of cities when staff and workers doing productive labor exceed 70 percent, while staff and workers engaged in commerce and the service trades, and in science, culture, education, and hygiene number less than about 10 percent each, it is generally felt that the proportion of staff and workers engaged in productive labor is slightly high while the ratio of staff and workers in non-productive labor such as commerce and service trades, and in science, culture, education, and hygiene tends to be low. For example, in 1974, staff and workers engaged in productive labor in Nanjing numbered 74.3 percent, while staff and workers engaged in commercial service and in science, culture, education, and hygiene numbered 11.5 and 10.2 percent respectively; however, this proportion was felt to be somewhat low. In addition, commerce and service facilities were overly concentrated, causing numerous inconveniences for the material and cultural life of urban residents. On the basis of the aforestated situation, and in consideration of future growth, it is proposed that the ratio of staff and workers engaged in productive labor, in the short term, be 60 to 70 percent of all staff and workers, that industrial staff and workers amount to 40 to 45 percent; that commercial service staff and employees amount to between 10 and 15 percent, that staff and workers engaged in science, culture, education, and hygiene be more than 10 percent.

(2) Predominantly Industrial Cities

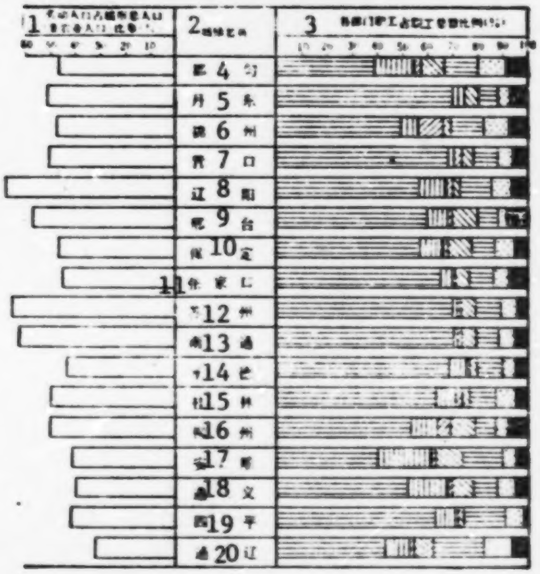
This category of city may be one of two kinds. The first is a city where processing industries are fairly well developed, and the second is a city in which extractive industries are dominant.

1. Cities in which processing industries are fairly well developed. This includes cities where metal smelting, petrochemical industries, machine manufacture, and processing of farm products predominate. According to statistics, employment is rather full in this kind of city (the working population being about 50 percent of total population); staff and workers in industry amounting to more than 55 percent of the total number of staff and workers; the population engaged in productive labor amounting to between about 75 and 85 percent, which is higher than that in the category of cities next above. However, as a result of differences in size, or differences in level of development, or different composition, some places in the labor structure of city and town population differ. In the case of the two developing cities of Baotou and Shiyan, the productive working population is 79.5 and 86.4 percent respectively, and staff and workers in industry number only 52.4 and 58 percent respectively. Meanwhile, staff and workers in capital construction number 30 and 15.3 percent respectively, higher than the ratio in similar types of cities in the country. As another example, Qiqihaer, though a city in which the machine manufacturing industry is dominant, since it is a city with three satellite towns, commerce and service trade staff and employees account for 14.8 percent, more than twice the percentage of other cities of the same kind (See Graphs 2 and 3).



Graph 2. Labor Structure of Industrial Urban Population (1)

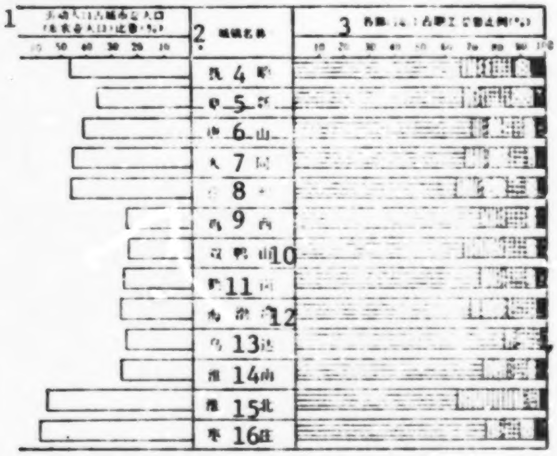
Key:
1. Working population as a ratio (%) of total urban population (non-agricultural population)
2. City
3. Staff and workers in each sector as a proportion (%) of the total number of staff and employees
4. Anshan
5. Bexi
6. Handan
7. Baotou
8. Shiyan
9. Jilin
10. Sanming
11. Qiqihaer
12. Lushun-Dalian
13. Wuxi
14. Qingdao
15. Changzhou
16. Qinzhou
17. Weifang
18. Jining
19. Xiamen
20. Zhangzhou
21. Nanping



Graph 3. Labor Structure of Industrial City and Town Population (2)

Key:
1. Working Population as a Ratio (%) of Total Population (Non-agricultural Population)
2. City
3. Staff and Workers in Each Sector as a Proportion (%) of Total Numbers of Staff and Workers
4. Duyun
5. Dandong
6. Jinzhou
7. Yingkou
8. Liaoyang
9. Xingtai
10. Baoding
11. Zhangjiakou
12. Suzhou
13. Nantong
14. Chengde
15. Guilin
16. Liuzhou
17. Anshun
18. Zunyi
19. Siping
20. Tongliao

Cities in which extractive industries predominate are characterized by having numerous sites distributed over an area, and this has a very great effect on the labor structure of the urban population. For example, in cities where extractive industries predominate, the employment rate for residents is only 35 to 45 percent, and in numerous cities it is only about 30 percent. However, industrial staff and workers number more than 65 percent, and the productive working population is about 75 to 80 percent. Of all city types, this is the one in which the proportion of industrial staff and workers and productive working population is the highest. (See Graph 4 for details).



Key:
1. Working Population as a Ratio (%) of Total Population (Non-agricultural Population)
2. City
3. Staff and Workers in Each Sector as a Proportion of Total
4. Fushun
5. Fuxin
6. Tangshan
7. Datong
8. Xuzhou
9. Jixi
10. Shuangyashan
11. Hegang
12. Haibowan
13. Wuda
14. Huainan
15. Huaibei
16. Zaozhuang

Graph 4. Labor Structure of Coal Mine City and Town Populations

In this sort of city, one of the main problems existing in the labor structure of the population is that the ratio of productive working staff and workers is fairly high. Whenever productive working staff and workers amount to more than 85 percent, and industrial staff and workers exceed 70 percent, production and life cannot develop in coordination. That numerous cities have busied themselves during the past several years in the readjustment of the proportions between industrial staff and workers and other staff and workers, and between staff and workers engaged in productive labor and staff and workers engaged in non-productive labor in order to meet the needs of urban development is a powerful testimony to this. For example, before Liberation as a result of lopsided development, the industrial staff and workers in Anshan amounted to 80 percent of the population, and the staff and workers engaged in productive labor amounted to 92.8 percent. Ever since liberation, readjustments have been made in these proportional relationships. By 1965, staff and employees engaged in industry numbered only 69 percent, and staff and employees engaged in productive work numbered 81.8 percent, substantially meeting the needs of urban production and life. Later, as a result of the disturbances and destruction caused by the ultraleftist line of Lin Biao and the "gang of four," the ratio between staff and workers engaged in industry and staff and workers engaged in productive work gradually rose (See Table 3), entailing great inconveniences for urban residents and the livelihood of staff and employees, and conversely impairing development of production.

Table 3. Changes Since Liberation In the Labor Structure of the Population of Anshan

1 年　代	2 劳动人口占总人口比重(%)	3 工业职工占职工总数比重(%)	4 生产性劳动职工占职工比重(%)
1949	46.6	83.0	92.8
1952	39.0	64.5	90.6
1957	33.0	58.0	84.7
1962	35.4	74.5	83.5
1965	35.0	69.0	81.8
1970	–	76.3	85.2
1973	51.5	74.9	85.4
1974	56.9	71.0	81.9

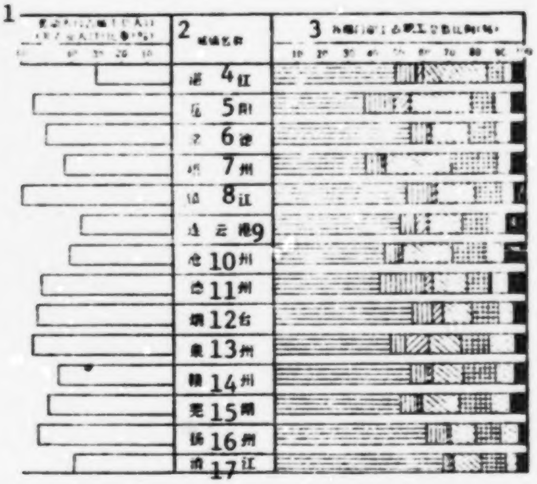
Key:
1. Year
2. Working Population As a Ratio (%) of Total Population
3. Industrial Staff and Workers As a Ratio (%) of Total Staff and Workers
4. Staff and Workers Engaged in Productive Labor As a Ratio (%) of Staff and Workers

Yet another problem in the labor structure of populations in this kind of city is the uncoordinated development of heavy and light industry. In cities where there is little other than heavy industry, and in mining cities, because production is pretty much of a single kind, employment opportunities for urban residents, and particularly for housewives, is rather scant, and the ratio of working population tends to be low. Statistics from nearly 159 cities and towns throughout the country show that in cities and towns where the working population is below 40 percent of the total population, about three-fourths of such cities were mining cities or cities in which there was little other than heavy industry. In numerous coal mining cities, the working population was only about 25 to 30 percent. This seriously hurt the economic income of the families of staff and workers and their real standards of living, brought about a relative gap between male and female staff and workers, made for difficulties in getting married, or because the coefficient of those with dependents tended to be low, staff and employees returned to the countryside for long periods to visit relatives to the great impairment of urban production.

In view of the above, in order to meet the needs of the "four modernizations," and over the short run, industrial staff and workers should be no more than 65 percent of staff and workers; workers and staff engaged in productive work should amount to 75 to 80 percent; staff and workers engaged in commerce and service trades should number 5 to 10 percent, and staff and workers engaged in science, education, culture, and sanitation should amount to about 5 percent. At the same time, attention should be given to coordinated development of light and heavy industry, and efforts made to increase the ratio of the working population.

(3) Cities in Which Communications and Transportation Are Dominant (specifically, cities that are regional centers or communications and transportation hubs).

These are characterized by having a high ratio of transportation, posts and telecommunications, and commerce and service staff and employees. In national terms, staff and workers engaged in transportation, posts and telecommunications amount to less than 10 percent, while in this category of city they are more than 10 percent, and in some cities greater than 15 to 20 percent. Therefore, the ratio of productive working population is the same as in industrial cities. Because the level of industrial development and the size of cities of this kind differ, the ratio of the working population in each differs greatly. For example, in Lianyungang, Zhanjiang, and Qinjiang, each of which is a developing city, the levels of industrial production are not high; therefore, the ratio of the working people is lower than the general level of this category of city. (See Graph 5).



Key:

1. Working population as a ratio (%) of Total Urban Population (Non-agricultural Population).
2. City
3. Workers and Staff in Each Sector as a Proportion (%) of Total Workers and Staff
4. Zhanjiang
5. Yuehyang
6. Changde
7. Wuzhou
8. Zhenjiang
9. Lianyungang
10. Cangzhou
11. Dezhou
12. Yantai
13. Quanzhou
14. Ganzhou
15. Wuhu
16. Yangzhou
17. Qingjiang

Graph 5. Labor Structure of Regional and Communication Center City Populations

In this category of city, the ratio of the transient population is fairly large. It is generally about 1/10 to 1/30 of the total population of the cities and towns. In addition, such cities are frequently prefecture (autonomous zhou, or league) political, economic, or cultural centers, and staff and workers engaged in nonproductive labor such as drinking water supply, science, culture, education, and hygiene are a fairly large ratio. Representative sampling done in Yantai, Yueyang, and Zhenjiang shows that whenever staff and workers engaged in productive labor exceed 80 percent, those engaged in commercial service and water supply are as low as 10 percent, and staff and employees engaged in science, education, culture, and hygiene are less than 6 percent, urban production and life seem out of kilter. For example, since liberation, as Yueyang City in Hunan Province has changed from a consumer city to a producer city, the ratio of staff and workers engaged in productive labor has increased year by year. However, when it exceeded 80 percent in 1972, there was a sense that production and livelihood were insufficiently coordinated, so a steady readjustment was begun. By 1976, it had declined to 79 percent;

however, it was still felt that the ratio of staff and workers in commerce and service trades, and in science, education, culture, and hygiene tended to be low (the former being 9.1 percent, and the latter being 6.3 percent) (See Table 4). Currently hotels and inns are fairly crowded, and about an average of 1,000 persons per day pass the night in the railroad station or at the pier. Because of a lack of commercial service facilities at Chenglingji, Yangtze River passenger ships have stopped docking there, causing great inconvenience for the broad masses of passengers. In addition, public cultural and welfare facilities cannot satisfy actual needs.

Table 4. Changes in Labor Structure of Yueyang Urban Population

1 年代 2 项目		1957	1958	1972	1976	1977
3 劳动人口占城市人口(%)		25.4	59.0	55.2	55.4	—
4 生产性劳动职工占职工总数比重(%)	5 工业职工	29.8	38.0	38.4	36.4	39.4
	基本建设职工	—	8.5	12.3	11.8	11.5
	农、林、水气职工	—	—	4.4	6.5	5.6
	交通邮电职工	17.7	21.0	25.5	23.9	22.5
	小计	47.5	67.5	80.6	79.0	78.8
6 非生产性劳动职工占职工总数的比重(%)	7 商服饮供职工	31.1	10.9	9.8	9.1	10.5
	城市公用职工	0.7	0.7	0.1	0.2	0.4
	科、教、文、卫职工	7.8	3.7	5.8	6.3	5.3
	金融职工	—	0.5	0.2	0.8	0.5
	机关、团体职工	9.0	16.7	3.1	4.0	4.3
	小计	48.6	32.5	19.0	20.4	21.0
8 其它		3.9	—	0.4	0.6	0.6

Key:
1. Year
2. Item
3. Working Population as a Percentage of City Population
4. Staff and Workers Engaged in Productive Labor as a Ratio of Total Number of Staff and Workers
5. Industrial Staff and Workers
   Capital Construction Staff and Workers
   Staff and Workers Engaged in Agriculture, Forestry, Irrigation, and Meteorology
   Staff and Workers Engaged in Transportation, Posts and Communications
   Sub-total
6. Staff and Employees Engaged in Non-Productive Labor as a Ratio (%) of Total Number of Staff and Employees
7. Commercial Services and Drinking Water Staff and Workers
   Municipal Public Utilities Staff and Workers
   Science, Education, Culture, and Sanitation Staff and Workers
   Banking Staff and Workers
   State Organizations and People Organizations Staff and Workers
   Sub-total
8. Other

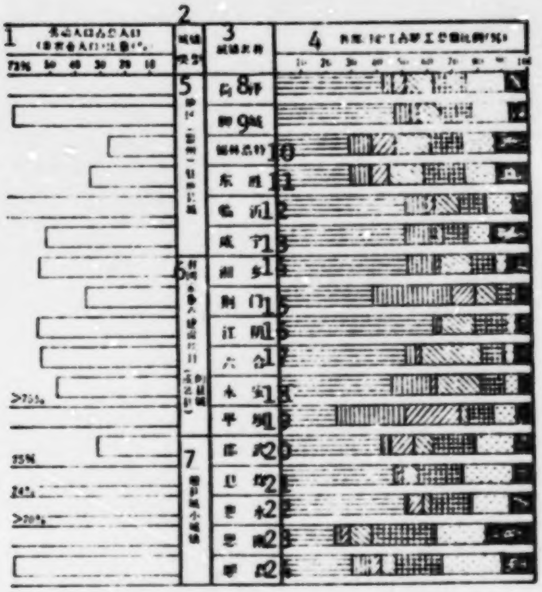
In view of the foregoing, in the short run, this category of city should have about 45 percent of its total staff and workers employed as industrial staff and workers; about 70 to 75 percent as staff and workers involved in productive labors; somewhat more than 10 percent in commercial service trades; and between 5 and 10 percent as staff and workers in science, culture, education, and sanitation. This category of city does a fair amount of production and its employment base is fairly broad; thus, it is proposed that in the short term the working population should be figured at 55 percent.

(4) County Seats and Small Cities and Towns

This category of city has two fundamental characteristics: (1) It is a city with links to the widespread rural villages, and it possesses a natural relationship with the farflung rural villages. The ratio of industrial and farming households is fairly large, staff and employees having dependents with them are fairly few; consequently, the ratio of working population to total population may be higher than 60 percent. (2) It is a center of politics, economics and culture for the entire county, and the non-productive population is fairly large; however, the level of industrial development is not high, those employed as staff and workers in industry amounting to only 30 to 40 percent, and the productive working population amounting to usually less than 65 percent.

County seats and small cities and towns are numerous and broad in area, and are of diverse types. Some are seats for prefectures (autonomous regions or leagues); some are areas for key national construction projects; some are major communication centers and centers for the concentration and distribution of goods; some are in counties on the outskirts of large cities; and some are just ordinary county seats. Because of differences in characteristics, or differences in size, or differences in levels of development, the labor structure of each city and town has its own individual characteristics. (See Graph 6 for details).

A representative sampling shows that county seats and small cities or towns that are the locations of prefecture (or autonomous zhou or league) seats (such as Yancheng in Jiangsu Province, or Hengshui in Hebei Province) have labor structure characteristics that are fundamentally the same as national or prefectural urban centers. County seats or small cities or towns that are the site of major national industrial construction projects, or are major communications centers (such as Chengjiang in Jiangsu Province or Xiangxiang in Hunan Province), as well as small cities and towns in suburban counties surrounding large cities (such as Liuhe Town at Nanjing) have labor structure characteristics similar to those of cities that are predominantly industrial or are predominantly communications and transportation hubs. Because their levels of industrial development are relatively low while they are political, economic, and cultural centers for the entire county, the ratio of their commerce and service trades and of their science, culture, education, and hygiene staff and workers will be higher. Therefore, in working out an equitable proportion for the short term labor structure of the population of county seats and small cities and towns, corresponding cities should be consulted.



Graph 6. Labor Structure of Various County Seats and Small Cities

Key:

1. Working population as a Ratio (%) of Total Population (Non-agricultural Population)
2. Type of City
3. Name of City
4. Staff and Workers in Each Sector As a Proportion (%) of Total
5. County Seat That Is Seat of Prefecture (or League)
6. Site of Major National Construction Project (County Seat or Suburban)
7. Ordinary County Seat or Small City or Town
8. Heze
9. Liaocheng
10. Xilinhaote
11. Dongsheng
12. Linyi
13. Xianning
14. Xiangxiang
15. Jingmen
16. Jiangyin
17. Liuhe
18. Yongan
19. Pingba
20. Shaowu
21. Xifeng
22. Huishui
23. Sinan
24. Shunchang

Equitable proportion of the labor structure of the populations of ordinary county seats and small cities and towns. In considering the natural relationship between such cities and the farflung rural villages, whether the city is a hub for the rural villages or an outpost for the support of agriculture, in comparison with other cities and towns, worker and peasant households are usually fairly numerous, the proportion of those having dependents fairly low, and consequently the ratio of the working population may be figured at 50 to 60 percent.

Ordinary county seat and small city and town commerce and service trades, as well as the services provided by cultural and educational endeavors extend to every commune in the entire county. The scope of day to day commerce and service also touches on rural villages from 10 to 20 kilometers distant. Along with the development of modern transportation endeavors will come an enlargement in the scope of the area of contact. In addition, the industry being predominantly local state owned or run by labor collectively, there will be a definite ratio of both industrial and agricultural staff and workers. Thus, in terms of city and town population statistics, industrial and productive workers and staff should be lower than for ordinary cities. It is recommended that for the short term, these be figured at 40 percent and 65 percent respectively.

(5) Cities in Which Some Special Function Predominates

Generally speaking, in such cities, the ratio of the industrial staff and workers, and of productive working population is less than in any other kind of city. Industrial staff and workers amount to less than 40 percent, and the productive working population is less than 65 percent for the most part. Except in the case of border defense cities, staff and workers engaged in commercial service amount to slightly more than 10 percent.

There are a fairly large number of different kinds of this category of city. They may be divided into tourist cities, places with revolutionary memorials, or important national defense or border defense areas or towns. Generally, the ratio of industrial staff and workers and workers and staff engaged in productive labor is 40 percent and less than 65 percent. Except for important military towns, commerce and service trade staff and workers should be somewhat more than 15 percent.

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9432
CSO: 4006/442

TRANSPORTATION

BRIEFS

HEILONGJIANG RAILWAY--A new railway starting from Hegang Municipality, Heilongjiang Province, passing through (Baoquanling) mountain in Luobei County and ending in the lesser Xingan mountains opens to traffic 10 September. The railway is 43 km long. This is another major transportation line spanning the hinterland of the great northern wilderness. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 14 Sep 81 SK]

CSO: 4006/502

END

JPRS 79100

30 September 1981

China Report

ECONOMIC AFFAIRS

No. 175

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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JPRS 79100

30 September 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 175

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON BUDGET DEFICIT, INFLATION

HK210318 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 81 pp 41-46

[Article by Dai Yuanchen [2071 0954 2525]: "The Socialist System Can Effectively Check Inflation"]

[Text] In 1979 and 1980, there were rather large deficits in our country's budget. As a result, depsite the growth in our country's industrial and agricultural production and the rather big improvements made in market supplies, commodity prices went up by varying degrees; there was a definite increase in the volume of money in circulation; and inflation reappeared. In other words, simultaneously with the emergence of a stabilized economic situation, dangers were still lurking. At the end of 1980, the Central Committee of the Chinese Communist Party issued a call for a further readjustment of the national economy and further political stability. A series of positive measures were adopted for the purpose of balancing the budget as well as achieving balance in the receipt and outflow of credits and loans. Strenuous efforts were made to curtail inflation in order to achieve commodity prices stability and general economic stability. People speculate as to why inflation has occurred in our country and if there are any positive measures which can be taken to stop inflation. It is necessary to obtain a clear understanding of these matters.

Resorting to Inflation to Stimulate Economic Growth has Caused Capitalist Nations to Suffer From the "Stagflation" Disease of the Coexistence of Inflation and a Stagnant Economy

According to the prevalent Keynesian theories, a small dose of fiscal deficit plus a mild form of inflation will help in stimulating the growth of production, bringing about only minor side effects. Whether or not this view is rational must be determined from an examination of the experiences in Western countries which have utilized such Keynesian theories for a prolonged period of time.

A look at the current global situation reveals that inflation is definitely a general phenomenon sweeping through various Western nations and fiscal deficits are really commonplace occurrences. In the United States, over the 35 fiscal years after World War II from 1946 to 1980, 27 of them are found to have had budget deficits while only 8 of them had a budget surplus. The gross budgetary deficits over these years reached the colossal figure of some $411.7 billion. In Britain, over the 28 years from 1951 through 1978, budgetary surpluses were recorded in only 3 years, namely, 1962, 1969 and 1970, while the remaining 25 years had budgetary deficits. The net accumulated budgetary deficits reached the staggering total of 40.9 billion pounds. Likewise in Japan, in the 26 years from 1951 to 1976, only 5 of them had budget surpluses, while the remaining 21 fiscal years had fiscal deficits. The gross accumulated fiscal deficit reached a total net figure of $66.5 billion. Nearly all the capitalist countries experienced deficits in their budgets, and inflation has been prevalent.

The experiences over more than 30 years in the Western world in carrying out the measures of having budgetary deficits and inflation have passed through two different stages of development.

Originally, the Keynesian theories were developed at a time when economic crises of a capitalist nature and threats of unemployment were frequent occurrences. Keynes admitted that the shortage of "effective demand" was a chronic and stubborn ailment of the capitalist system. Consequently, he urged the state's interference in the economic field by allowing the state to expand its financial receipts and disbursements and take up the burden of making direct investments in order to stimulate "effective demand" and to increase employment. The Keynesian theories do not, and cannot, basically solve the dilemma of overproduction and insufficient demand characteristic of capitalism but serve merely as a lifesaving tonic and as "the only way to avoid the total destruction of the current economic structure," to quote from his letter to Bernard Shaw. The Keynesia theories were first adopted at the time of American President Roosevelt's New Deal and in fascist Germany. After the World War II, they became generally popular and were considered as a good tonic for fighting an economic crisis and for stimulating economic growth. In the beginning, their adoption seemed to have produced good results and over a period of nearly 20 years a low inflation rate and a high speed of economic growth coexisted. In particular, at the time of President Kennedy's and President Johnson's administrations, fiscal deficits and inflation seemed to have worked miracles and the capitalist economy appeared to be perpetually prosperous. At the time, Hansen, an American economist, boasted in the following terms: "The financial policy of Keynesianism is not a one-sided inflationary policy which can 'cure' economic crises but also represents a comprehensive scheme which can 'iron out' the economic vacillations of capitalism, completely eradicate economic crises and eliminate business cycles." (Hansen: "Financial Policy and Business Cycles," cited in "Critical Comments on Financial Theories of the Capitalist Class," edited by the Research Office on Finance and Money, Economics Department of Xiamen University, Shanghai People's Publishing Press, p 130) Here, the claim that inflation could stimulate economic growth appeared to be a prevalent adage in an intoxicating "honeymoon" period.

Unfortunately, it did not take long for mild inflation to gradually evolve into inflation of a serious magnitude. By the 1970's, particularly with the eruption between 1974 and 1975 in the capitalist world of the most extensive and most serious postwar economic crisis, there came into being the "stagflation" situation of the coexistence of a high rate of inflation and low rate of economic growth. In the United States, between the years 1961 and 1970, the average yearly increase rate of the volume of money in circulation exceeded the gross value of domestic production by only 0.5 percent. Between the years 1965 and 1972, the volume of monetary supply (M2) increased yearly by 8.2 percent, but the rise in the prices of consumer goods was only 4.3 percent. By the years 1974 to 1978, the average yearly increase in the gross value of domestic output was 2.3 percent but the average yearly increase in the volume of money supply was 6.8 percent and the average yearly increase in the prices of consumer goods was 7.3 percent. Over the last 2 years there has appeared a double-digit increase in inflation and in commodity prices. The same situation is found in other capitalist countries. In these countries, the speed of increase in the volume of money in circulation far exceeded the rate of increase in the gross value of domestic output: in Britain, it was 21 times; in West Germany, 4.9 times; in France, 3 times; and in Japan, despite the strenuous efforts made to keep the issuance of currency under control, it was still 2.5 times. Meanwhile, the rise in commodity prices was even faster. In the principal capitalist countries, between the years 1971 and 1978 the index showing the rise in the prices of consumer goods went up by 8.1 percent, but by 1979 and 1980, outside of Japan and West Germany, the rise in the price index reached a double-digit figure. This made the populace extremely dissatisfied. As a result, there appeared the tendency of giving preference to purchasing material goods rather than to saving currency. A mad scramble to make crash purchases of goods was made. Interest rates were high and investments in general were sizably reduced. All these contributed to intensifying the unstable development of the economies of the Western nations. As for the developing nations, the great majority of them suffered an inflationary rate in excess of 20 percent, some reaching even 50 percent, due to various reasons such as the comparatively backward state of their economies, their frail financial structure with their fiscal expenditures frequently exceeding their receipts, and the principal capitalist states passing on to them the bad effects of the rise in crude oil prices and of inflation. Their difficult situation was thus aggravated.

Hence, people nowadays no longer sing any songs in praise of inflation. Instead, they now frightfully call the inflation of the 1970's, like the economic crisis of the 1930's, "economic earthquakes," devastating prosperity and progress.

Capitalist economists and even economists of high repute have been frequently puzzled by this development. They have described it as a "money printing machine phenomenon," or a "habitual occurrence," or as lashing of the waves caused by the oil-exporting countries attempting to protect their interests by raising the price of crude oil, or as the impetus wrought by the workers struggling to maintain their standard of living and to obtain higher wages. Nevertheless, when an analysis is made on the basis of Marxism, it becomes clear that fiscal deficits and inflation cannot solve the inherent contradictions of capitalist economy and that, to the contrary, the economic development stimulated by it will only widen the disparity between production increase and insufficiency in consumption on the part of the broad masses of people. In an economy characterized by the private ownership of the means of production and a highly socialized type of production, fundamentally speaking they only serve to prepare the ground for the eruption of even more serious crises of overproduction which in turn necessitate even larger doses of fiscal deficits and inflation. As a result of this seemingly endless cycle, capitalist economy has contracted this disease of "stagflation."

At present, Western nations no longer initiatively invoke the policy of fiscal deficits and inflation. Instead, they are generally adopting a retrenchment policy calling for the strict control of currency flotation and for high interest rates and have taken on the checking of inflation and the checking of the rise in commodity prices as the main tasks. However, seen from the standpoint of macroeconomics, they are in a situation characterized by a relatively slow or stagnant growth of the economy, a high rate of inflation, rapidly rising commodity prices, and a high rate of unemployment, all of which are interwoven and coexist with each other and keep each other in check. At the same time, the danger of overproduction and the danger of an economic crisis are interwoven and permeate each other. Regarding finance, they must maintain huge defense outlays in order to seek hegemony and at the same time must maintain huge expenditures on social programs for the sake of easing the existing contradictions. Although there has been much blowing of the horn calling for budget reductions, yet in reality little leeway has been left for accomplishing this objective. Due to all these factors, the governments of the various capitalist countries, while announcing time and again their intention to curb inflation, have found themselves subjected to pressure from various quarters and forced to adopt various contradictory measures, unable to stick firmly to their decision to curtail the issuance of currencies. This was mainly due to the facts that different interest groups have entertained variant views concerning the economic objectives and the order of their priority, various estimates made of the economic effect of the policies adopted differed from one another, and views diverged on what measures or steps should be taken. Thus, the economic and social council of the United Nations, in its "1979-1980 World Economic Investigation Report," reluctantly admitted: "Neither the slowing down of the speed of economic development in 1980 nor the recovery of economic growth from 1981 to 1982 can engender a clear-cut downturn in the rate of inflation in countries with developed market economies."

The sustained development of inflation in the Western nations indicates that the volume of money in circulation will continually exceed the normal volume of money required for the reproduction process. This will bring about an incessant rise in commodity prices, lead to an incessant devaluation of currencies and thereby necessitate a redistribution of the national income and the wealth of the society, thus causing widespread damage to the interests of the workers, peasants and all consumers alike. Samuelson once said: "The rise in commodity prices is frequently accompanied by a high employment rate; hence controlled inflation is likened to the full lubrication of the wheels of industry." ("Economics," 9th edition, p 272) Praising inflation in such flattering terms is strictly of a "class" nature. To be sure, owners of enterprises will naturally find inflation a good thing but it may not be so to the broad masses of workers. The rise in commodity prices will lower their real standard of living and in order to maintain their real wages they will have to engage incessantly in struggles which may be likened to "continually building bridges across vanishing streams." At present, governments of Western nations have avowed their intention to fight against inflation. However, on account of various contradictions, it is really difficult to bring a halt to inflation.

Inflation Is Not Inherent In Our Socialist Economy But Caused by Our Errors in Work

The superior character of the socialist economic system of our country enables the state to organize in a planned manner the balance of fiscal receipts and expenditures. There does not exist the objective necessity, on account of fiscal deficits, to invoke inflation to stir up demand. As we all know, the cause for the development of inflation in capitalist countries may be ascribed to the contradiction between private ownership and the socialization of production, and to the exploitation of labor by capital resulting in the insufficient power to purchase on the part of the broad masses of workers. This in turn results in the dilemma of production development caused by a relative demand shortage which necessitates the employment of a deficit policy to stimulate and engender effective demand and the resort to inflation to solve the dilemma of overproduction. On the other hand, in our country the ownership of the means of production and the socialization of production are not contradictory to each other. The distribution and redistribution of the national income are arranged and adjusted by the state according to plan. Based on the innate nature of our system, there cannot appear any relative insufficiency of effective demand, nor will there appear overproduction. There is no need for expanding effective demand by means of budget deficits, and we are entirely capable of bringing about, in a planned manner, the balancing of aggregate demand and aggregate supply. The sphere of the financial distribution and operation of our country is also different from that of capitalist countries. The reason capitalist countries carry out the policy of budgetary deficit and inflation is to interfere with and readjust the economy. On the other hand, our country's finance takes a direct part in the general distribution process. The state directly organizes economic activities. There is no need to resort to inflation to carry out readjustment. Hence, in our country there does not exist the objective certainty of the generation of fiscal deficits. In fact, we can entirely organize, according to plan, the balancing of financial receipts and disbursements and achieve a balance by means of increasing receipts and curtailing disbursements.

Historical records show that as early as the beginning of 1950 our country had already performed the miracles of eradicating fiscal deficits and curbing inflation. What old China bequeathed to us was a despicable legacy of vicious inflation of long standing under which commodity prices rose steeply several times a day and people could hardly make a living. In the early period after the liberation, the government could not find time to attend to the problems of budgetary deficit and inflation. Besides, from 1949 to 1950 when we emerged victorious in the people's national liberation war and following the expansion of the liberated areas, we had to attend to the daily needs of several millions of captured personnel and also to the relief of unemployed workers and the poor and distressed masses in the cities and villages. Accompanying this, the financial expenditure of the people's government increased greatly while financial receipts could not catch up with the spending needs. It was then necessary to issue more money. Speculative elements then took advantage of the situation to pursue their speculative activities. Between June 1949 and February 1950 there occurred four big upheavals in commodity prices. In 1949 commodity prices went up 19 times while in the first 3 months of 1950 commodity prices were again doubled compared with the end of 1949. At the time, the masses eagerly hoped that the government would stop the runaway inflation and stabilize commodity prices while the imperialist elements furiously predicted that although the newborn red regime could demonstrate its ability in the military and political fields, it could hardly overcome its economic and financial difficulties. At the time, the people of the country were imbued with the fearless spirit of continuing to live, and to live better than before, without seeking aid from the imperialists. Placing implicit reliance on the regime of the people's democratic dictatorship and on the socialist economy, in March 1950 they proceeded with the work of unifying the country's finance and economy. The country's fiscal receipts were readjusted and consolidated. Fiscal expenditures were reduced to the minimum and a balanced budget was nearly achieved. Inflation was stopped. At the same time, all speculative elements bent on raising the commodity prices were sternly dealt with. Stability of commodity prices was attained. The government was thus accorded with the utmost esteem and support of the masses. All these laid the groundwork for the ultimate restoration and development of the national economy.

From the curbing of inflation during 1950 and up to the period of the first 5-year plan, the country continued to adopt the policy calling for a balanced budget which would also yield a small surplus. Subsequently, under the condition of rather large increases in fiscal outlays on account of the "war to aid Korea and resist America," we still followed the usual practice of increasing revenue receipts and reducing expenditures, to achieve the purpose of simultaneously resisting, stabilizing and building. By the time of the commencement of the economic construction period under the first 5-year plan, we had, on the one hand, to ensure and provide the necessary funds for economic developemnt and, on the other, to strive for the maintenance of a balanced budget. Despite the appearance of sundry difficulties on the way, they were all readily overcome. Comrade Chen Yun had cautioned that planning targets must be realistic, that the scale of construction work must suit the nation's capability, that the people's livelihood and national construction must both be cared for and that when making plans due provision must be made for the availability of material resources, funds, credits and loans. It appeared that the experiences gained from practice during this period exactly accorded with Comrade Chen's words. During this period, the economic development was rather rapid, the economic effect was relatively good, the market was prosperous, monetary circulation was normal, and there was assurance of the stability of commodity prices and improvement of the people's standard of living. Facts have thus shown that under our socialist system there does not exist the objective necessity of a budget deficit and of inflation of the demand-invoking nature. This precisely illustrates the superiority of the socialist economic system over the capitalist economic system.

Regrettably, after 1958, under the influence of the desire to achieve quick results, the positive role of subjective activity was over-emphasized and in the course of the "great leap forward" and the movement to set up rural people's communes, there came into force high targets, blind commands and a proneness to boasting and exaggeration. There also blew the so-called vicious "communist wind." The scale of capital construction was made unduly large, its battlefront was much too long and capital construction outlays made up some 56 percent of total budgetary outlays. On the surface, fiscal receipts appeared to have increased quickly, but in reality, at that time much "blind" production work was in progress and purchases were made blindly of large quantities of substandard products and products that had been stockpiled. The enterprises made use of bank loans to pay taxes and earn profits and in this way the inflation of bank credit actually worked its way to become false financial receipts. Financially, a balanced budget was never reached and in reality there were debits in the government accounts. As a result, there was a large issuance of currency. In 1957, the proportion of currency in circulation to the volume in sales of consumer goods was 1:9.5. By 1961, the ratio had gone down sharply. Due to the stringent supply of consumer goods, market commodity prices and particularly prices in country fair trade went up steeply, with the result that large numbers of urban and rural residents withdrew their bank deposits to make immediate purchases of goods. From this historical experience, we may find that the display of the superiority of the socialist economic system actually depends on people's actions being in compliance with the objective laws. Otherwise it is possible that errors in work will bring about fiscal deficits and inflation of the demand-invoking type.

Generally speaking, the fiscal deficits and inflation over the past 2 years in our country were brought about by certain problems in our work. These problems are of a long-standing nature and may be ascribed to three different reasons. First, the desire for quick results and failure to act according to one's capability were the ideological causes which brought about financial deficits. Under the guidance of "leftist" thought over many years and paying little or no attention to our country's basic national condition and national power, we have allowed the capital construction front to become unduly stretched and the projects excessively large. In order to maintain the scale of capital construction which obviously was beyond our capability we had to resort to such measures as doing away with consumption sinking funds, withholding agricultural investments and investments in light industry, putting aside public utility construction and residential building in the cities and towns, and even edging out such items as science and education. In the first 2 years following the smashing of the "gang of four," the desire to achieve quick results continued to play havoc. Certain excessively high and even impractical slogans and targets were put forth and the scale of capital construction which had already exceeded the nation's capability was made even bigger. The 3rd plenary session of the 11th Central Committee of the Chinese Communist Party then put a stop to these "leftist" errors. Proceeding from reality, a fundamental change was made. After the plenary session, the guideline of readjusting, restructuring, consolidating and improving was adopted. It was clearly understood that readjusting represented the major task concerning the national economy at the time and there was also a general understanding of the possible dangers of striving for quick results. Unfortunately this deep-rooted ideology of seeking quick results could not be rectified overnight. Besides, it has been necessary to "repay" the past debts accumulated on account of the anxiety for quick results. Despite the rise in the consumption level of urban and rural residents, the scale of capital construction could not be completely reduced at once. This made the appearance of fiscal deficits unavoidable.

Second, the dispersion and disintegration of financial power and the inability to have the fund sources concentrated also form a basic cause for the occurrence of fiscal deficits. This problem of the diversion of financial power appeared early in 1958. Through the 10 years of the "great cultural revolution" it was indeed very much in evidence. At the time emphasis was laid on the "self-raising" of capital construction funds. It soon developed that whereas funds and material resources were originally available for undertaking only one construction operation, frequently arrangements were made for two or three operations. This method of "making provision for gaps" unnecessarily lengthened the capital construction front. Also, it encouraged the further diversion of funds and even led to irregularities in the absorption of funds or raising of funds for the required purposes. Such phenomena as the daily increasing amount of funds outside the state budget, the daily increasing number of fund channels, the diverse spending of funds and the lack of an overall balance have long constituted problems requiring study and solution. In the financial administration over the past 2 years and following the reform of the financial structure, the financial power of the localities, enterprises and individual business units was enlarged. Their mobile financial resources were increased and their positivism was aroused. This certainly achieved some results insofar as microeconomics and enlivening were concerned. Nevertheless, this has further stepped up the dispersion and decentralization of the financial power. The amount of funds outside the state budget amounted roughly to 40 percent of the funds inside the budget. This meant a stringent financial situation for the central government in contrast with the relative affluence on the part of the localities, enterprises and individual business units. It has thus become impossible to concentrate power to wage a war of annihilation on deficits and the difficulties of curbing fiscal deficits have inevitably increased.

Third, the symptoms of the economic malady of the heavily restricted sphere of operation of state finance were also shown in the imbalanced economic development, low overall production power, poor economic effect from investments, and the slow increase or growth of sources of financial receipts. During the first 5-year plan period, every 100 yuan of fund accumulation could create some 35 yuan of national income. It could yield only 8 yuan during the 10 years of the "great cultural revolution" when enterprise management was in disorder, economic effect was on the downturn and losses were incurred by many enterprises which previously had reported profits. The full utilization of the productive power of the industrial and mining enterprises was curbed and this was accompanied and evidenced by such problems as large input of funds for economic construction but little return, inadequate use of funds and inability to provide the necessary accessory equipment for construction projects, resulting in a failure to achieve overall productive power. The last was particularly in evidence in the case of the coal, crude oil and electric power industries which literally became "bottlenecks" for economic development. Following the smashing of the "gang of four," the situation improved slightly. Unfortunately, these maladies in economic development were of long standing. It was obviously impossible to achieve improvement or a reversal all at once. This thus effectively curbed the growth in financial receipts of the state and it became really difficult to meet the demands, coming from all sides, for increased outlays.

The above analysis shows that the fiscal deficit and inflation of the demand-invoking type in our country was the outcome of errors in work but that such errors were relatively long-standing ones. If observation were confined to the fiscal receipts and disbursements of any one single fiscal year alone, a correct conclusion could not have been attained.

The Superiority of Our Socialist System Can Effectively Deter the Growth of Inflation of the Demand-Invoking Type

The attitude we have adopted toward inflation has been radically different from that adopted by the capitalist countries. Capitalist states take inflation as a common occurrence. The promises made by government leaders in election campaigns to curb inflation were frequently unfulfilled. On the contrary, in our country fiscal deficit and the resulting increase in the volume of currency in circulation are treated as hidden dangers and the principal tasks in the readjustment of the national economy have been designated as the accomplishment of a balanced budget, equilibrium in the receipts and payments of loan and credits and curbing inflation.

At the present moment, whether or not our country can effectively curb inflation is being closely watched by all quarters concerned. On our part, we have the utmost confidence. This is because the reason why we can stop inflation while the capitalist states cannot is not simply due to the ability of our finance departments to make suitable arrangements as to the fiscal receipts and disbursements or of our currency control department to effect strict control of the volume of money in circulation but rather due to the existence of much more serious causes. The inflation in our country did not come with the socialist system but was brought about by errors in work. It follows that after we have fully liquidated the "leftist" errors of long standing in our economic work and set a guiding theory of doing only what we are capable of and proceeding strictly according to priority order in economic construction, we can then take measures for thoroughgoing reform and can by means of a series of correct measures and policies fully implement the economic readjustment work. We can thus rectify past errors and rid ourselves of the long-standing abuse of striving for quick results.

In fact, we have had successful experiences in eradicating fiscal deficits and curbing inflation. In 1950, in unifying the financial and economic work of the nation, the whole party was mobilized, the entire country was of one mind, thought was unified, and, taking the interests of everyone into account, we soon stopped the vicious inflation which was the legacy from the old social order. In 1962, we carried out in depth the guideline of readjusting, consolidating, renovating and improving. The nation's financial power was centralized. Receipts were increased and expenditure was reduced. The capital construction frontline was shortened, while economy was also effected in administrative expenses and in expenditures for the enterprises. Special funds in the custody of different departments and units were frozen and liquidated. Credits and loans were put under rigid control and cash control was strictly implemented. In addition, other effective measures were taken to enforce the return flow or withdrawal of currency from circulation. As a result of all these measures taken, a balanced budget was achieved in 1962 and there was no need for additional currency flotation. Experiences have thus proved that strengthening the state's centralized and unified leadership does play a decisive role in eradicating a budget deficit and bringing about a balance of financial receipts and disbursements. In promulgating, early this year, the "decision on balancing fiscal receipts and disbursements and strictly implementing fiscal control," the State Council clearly pointed out: "We must implement the principle of centralization and unification in the distribution and use of financial power and strictly enforce fiscal control and discipline in matters of finance and economics."

In the current economic structure, both financial authority and financial power are, relatively speaking, decentralized and dispersed. This all the more requires the strengthening of planning and guidance from macroeconomics, the setting up of a comprehensive financial plan and achieving a proper overall balance. In strengthening the planning and guidance from macroeconomics, we must not only arrange well the disposition of funds within the state budget, but in regard to funds outside the state budget, loan and credit funds, sinking funds in the custody of the enterprises and foreign loans, we must likewise make overall plans and take all factors into consideration. Comprehensive arrangements must be made to attract and absorb all diverted funds for use by the state on urgent production and construction purposes and all useless and duplicated construction must be effectively avoided.

As for big and important problems with a bearing on the situation as a whole such as the scale of capital construction, the direction of investments, the taxation system and important financial policies and measures, they must be put under centralized and unified control and their handling must not be diversified. At the same time, in regard to the reform of the structure, we must learn how to combine the elasticity of microeconomic policymaking with the unified nature of macroeconomic adjusting. We believe that if only we can truly have our strength centralized we can completely overcome the hidden dangers in our economy.

In eradicating fiscal deficits, the measures taken must be short-term ones as well as long-term ones. The current measures taken to shorten the capital construction investment front and to reduce the expenditure on national defense, government administration and various types of enterprises all belong to the category of measures of economy and are all short-term measures. But, from the long-term view, we must still base our development on opening up new sources and on other long-term measures. At present, there is only little room for us to financially maneuver in, due basically to the limited state of our economic development and to the small size of our national income. However, we must also realize that, at present, the material foundation for overcoming our drawbacks has become vastly stronger than before. In 1980, the fixed assets of the 370,000 industrial enterprise units in the country, calculated according to their original prices, have increased by over 26 times compared with 1952 and these constitute an independent and relatively complete industrial structure and component of the national economy and are thus, a valuable base. Following some 30 years of construction and with the industries and other departments of our country having already built a rather firm foundation, the former situation of emphasizing capital construction and neglecting construction and of stressing expanded reproduction by extension and neglecting expanded reproduction by intension has been basically changed. Emphasis is now laid on tapping the hidden potentials of the enterprises, on lowering the consumption of materials, on improving the quality of the products, on raising the efficiency rate and finally on transplanting the experiences in management and technology of advanced localities and advanced enterprises to other localities in order to change the high disparity rate in the economic effect between localities and between enterprises. Quite obviously, the current financial position could be vastly improved, if we could bring about one of the following objectives: that for every 100 yuan worth of fixed assets, the localities could yield an amount of taxes and profits equal to 50 percent of the yield in Shanghai; or that the yield of taxes and profits from every 100 yuan of output value could be increased from the present approximate 26 yuan now to 34 yuan, a level achieved in the first 5-year plan and in 1965; or to reduce by one-half the volume of overstocked and stockpiled goods in the industrial, transportation, commercial and material resources departments. At present, we are grasping the production of consumer goods and the readjusting of the economic structure, the production structure and the structure of the products. These efforts all embody great significance in regard to the rationally proportionate development of the economy, the addition of commodity supplies to the market and the opening up of new financial sources for the state. This will help us basically to remove ourselves from a state of passivity, to strengthen our economic potential and on the basis of economic development, to widen the stage for our financial maneuvers.

In short, our present state of having a fiscal deficit and inflation can be overcome but the procedure will require some time and cannot be accomplished overnight. The reduction of expenditure can bring quick results but to provide a more spacious stage for our financial and economic maneuvers will have to wait for the healthy development of the entire national economy and the rationalization of the economic structure, the production structure and the structure of the products. We shall strive to cut short the time required for the consummation of these objectives.

CSO: 4006/504

RECENT DEVELOPMENTS IN PRC COMPUTER INDUSTRY OUTLINED

Beijing Computer Exhibition

Beijing GUANGMING RIBAO in Chinese 2 Sep 81 p 1

[Article by Zou Anshou [6760 1344 1108]: "Our Nation's Computer Industry Realizes New Progress"]

[Text] This reporter learned from the domestically manufactured computer products exhibition which opened yesterday in Beijing that our nation's new computer industry has made new progress. In recent years, the quality of products, the systematization and software and technical services have all visibly improved, the ratio between performance and price has improved, and computer applications have also produced preliminary results.

Our nation developed her first computer in 1958. Over the past 23 years, the efforts have developed into a fledgeling industry which includes scientific research and design, production and manufacturing and applications services. The whole nation has over 100 development and manufacturing units. In recent years, various models of series of machines have continued to develop. Greater improvements have been made in the stability of the products, systematization and producing sets of equipment, the ratio of performance to price and technical services. For example, the average operating time without downtime of the DJS130 small mainframe computer, which is the one widely used nationwide, has been increased from 50 hours in the past to over 1,000 hours. The systems capacity has increased from the past "three old components" (photoelectric input, punch card output, teletypewriter) as peripheral equipment to over 20 types at present. The systems software is gradually being perfected, the costs and prices have also dropped by a large scale. To strengthen technical service, last year, the nation established the China Computer Technical Service Company and the Series Computers Software Center. This year, branch companies have been established in related provinces and cities. Each production factory has also widely established applications service agencies, provided training for users, provided technical counseling, and equipment maintenance.

According to incomplete statistics, up to the end of 1980, the number of large, medium and small computers installed by every profession and trade throughout the nation had reached 3,000. These computers have served importantly in the development of our nation's science and technology, national defense construction and national economy. Since the beginning of this year, the computer industry has implemented the guideline of readjustment of the national economy, the emphasis of work turned from production and manufacturing to popularization and application. Some typical applications test point projects which are significant for popularization have been launched in the fields of energy, light textiles industry and transportation industry. Application of the computer in our nation has expanded from mainly for scientific and engineering computations and applications in the past towards data processing, business management and real time control in each of the departments of the national economy.

This computer exhibition and sales meeting sponsored by the National Computer Industry Bureau opened at the Beijing Exhibition Hall. Comrade Wang Zhen [3769 7201] officiated at the ribbon cutting ceremony. Over 200 products by more than 90 research and development units and production units throughout the nation participated in this exhibition. The exhibits were mainly applications oriented. At the same time, some new products were exhibited. According to user demands, technical lectures and technical exchange activities will also be held. The exhibit and sales activities will last for a month and a half and the exhibit will close on October 15.

Applications Stressed

Beijing GUANGMING RIBAO in Chinese 2 Sep 81 p 1

[Article by Staff Commentator: "Take Application As the Key to Exert Efforts in Developing Our Nation's Computer Industry"]

[Text] Popularization of the application of computer technology is a question that concerns the entire situation of developing our nation's computer industry. To solve this problem well will exert an important influence upon the development of the entire national economy, national defense construction and science and culture. At present, under readjustment of the national economy, the important question of developing our nation's computer industry should be to turn from the past practice of centering around the research, design and manufacture of computer hardware rapidly towards popularization and application as the key, and to use this to lead research and development, production and manufacturing, systematization of peripheral equipment, development of applications, technical service and sales of products.

Computer technology is a leading technology. The computer industry is a new industry that serves a leading function. It is an indispensable means of modernization for the technical improvement of the national economy and national defense construction and for the realization of scientific management. At present, the level of computer technology, the scale of production and the degree of application have become important signs of the development of modern productivity. It is a profession that has developed the fastest. It has also rapidly and widely penetrated each field and has brought about great changes in production, technology, management and even social life. Data shows that in modern industrially developed nations, there are over 4,000 professions that commonly utilize computer technology. Our nation is advancing towards the building of the four modernizations. If we do not realize computerization, modernization cannot be imagined. In national defense, whether for combat weapons, strategic equipment, or technical combat command and control, the computer is indispensable. In economic buildup, replacement of a massive amount of products must realize digitization, integration, intellectualization, and these all require the computer. The design, production, quality control, management reform of products all require the computer. The entire economic activity such as planning, statistics, comprehensive balancing, financial management, capital turnover are all inseparable from the computer. Therefore, in the period of readjustment of the national economy, each profession must emphasize the use of computer technology, select and use domestically produced computer systems and equipment as much as possible so that our nation's computer industry can develop quickly.

Research and development, manufacturing of products, applications services, training of personnel are the four important parts of the computer industry which cannot be separated from each other. Of these, popularization of application and technical service are a link that we have not paid much attention to in the past. We must fully recognize this point, and in readjusting the guiding ideology and industrial structure, there must be a strategic change.

According to our nation's actual situation, we should first pay attention to the popularization of small computer and microcomputer systems. Small computer and microcomputer systems are low priced, changes in the system are more versatile, they can better adapt to the changes in user demands by the users and maintenance personnel and technological developments. Therefore, they are an inexpensive technological means in the important path to realize automation in management and control. Therefore, while developing large and medium sized new series of computers, it seems very important to develop small computer and microcomputer systems that have a great demand and that have broad applications.

Emphasizing application as the key does not mean that systematization and systems functions can be neglected nor does it mean that product quality and reliability of the operating system can be neglected, nor does it mean that the ratio of performance to price can be neglected. It is exactly the opposite. To popularize application, we must tightly grasp the two weak links of software and peripheral equipment. We must develop applications software, develop a processing system for Chinese characters, continuously perfect and expand the function of the computer system, continuously improve the reliability and stability of the system. This is to establish the material foundation for application well. To improve the competitiveness of domestically produced computers and suit the level of the domestic users, it is very important to establish a policy to lower the price.

The goal of developing the computer industry is entirely for application. Only application can open up the way, and especially by strengthening technical services for the users can the sales of products be opened up. Sales is an important economic and technical activity of enterprises, it is the key upon which the life of the enterprise depends. Sales of computers and technical service are closely related. Foreign computer factories and businesses take "user service" as the most important guiding ideology of the entire business activity of the company. The best technical personnel are assigned to sales and technical services positions. Technical service personnel and product sales personnel constitute about one third of the entire personnel of the profession. Now, application of our nation's computers has gradually turned towards the various departments of the national economy. It has expanded from scientific computation to data processing and real time control. While the strength of computer technology of the various sectors of the national economy is still weak at present, the technical problems encountered in data processing and real time control are more complicated, strengthening technical service for the users is a forceful measure to open up new fields of application. We must allow about thrity percent of the technical force to carry out applications service. Research institutes, mainframe plants, peripheral equipment plants must all place applications service in an important position. We must also readjust some units that presently duplicate production to change them to units specializing in applications service according to plan. We should mobilize special technical personnel from more enterprises and research institutes towards applications service, establish regional and even national sales service networks. Each region should strive towards a three-in-one combination of research and development, production, technical service and market sales while establishing computer industry companies. We must open up a road for broad applications through technical service to lead research and development and production. Only in this way can there by vitality. The present stage of technical service cannot be too ambitious. We should start out from the easy and advance towards the difficult and from the typical to the universal. At present, we must grasp tightly the computer applications systems which are technically more mature, which require less investment, which can produce quick results, which are worth popularization in the fields of energy, light and textile industries, transportation and management so that visible economic gain can be obtained within a short period.

Popularization of the application of computers is a strong driving force in the development of computer technology and industrial development. As long as the leadership pays attention, grasps the situation tightly, the computer industry will surely enter a new stage of development under readjustment and will serve its function in the development of the national economy.

9296
CSO: 4008/462

FINANCE AND BANKING

BRIEFS

JIANGSU FINANCE MEETING--The Jiangsu Provincial People's Government recently held a meeting of mayors and commissioners on the implementation of the economic responsibility system. The province will soon implement a new finance system that requires the various municipalities and countries to be responsible for their own surplus or deficits in financial revenues and to share with the province a certain portion of their surplus revenues. Provincial Governor Hui Yuyu presided over the meeting and made important speeches both at the beginning and end of the meeting. The new system is aimed at enlivening the economy and further arousing the enthusiasm of local enterprises to increase production. [OW141516 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 12 Sep 81]

REVENUE INCREASE IN YUNNAN--With industrial and agricultural production developed and commodity circulation expanded, revenues increased and expenditure declined in Yunnan in the first half-year, laying a good groundwork for balance of revenue and expenditure, credit balance, and price stability. From January to June, provincial revenues fulfilled 55.5 percent of the annual target, a 3.4 percent increase compared with the same period of last year. The annual revenue targets were fulfilled ahead of schedule in Nujinag and Diqing prefectures and were fulfilled more than 80 percent in Dehong and Baoshan, more than 60 percent in Dongchuan, Yuxi, Enmao, Xishuangbanna, and Lincang prefectures, zhou, and municipalities, more than half of their targets in terms of timing and tasks. The targets of industrial and commercial tax collections were fulfilled 55.9 percent, a 14.1 percent increase and an additional revenue of 61 million over the same period of last year. Collection of tobacco, wine, and sugar taxes in the first half-year increased by 54 million yuan. Simultaneously with this, expenditures in the first half-year dropped 18.9 percent compared with the same period of last year. [Text] [Kunming YUNNAN RIBAO in Chinese 1 Aug 81 p 1] 9780

CSO: 4006/456

ENERGY

DRIVE TO DEVELOP METHANE FOR CITIES UNDERWAY

Beijing GUANGMING RIBAO in Chinese 2 Aug 81 p 2

[Article by Mao Rongfang [3029 2837 2455]]

[Text] Comrade Zhou Shi o [0719 1102 6166], head of the Thermodynamic Porcess Department, Nanjing Kinetics Training School, and Director of the Nanjing Municipal Boiler Institute, recently called on the authorities concerned about the prospect of developing methane for urban users. He is convinced the conditions are favorable for the cities to develop methane. Since there is a lot to gain, a project to develop methane for urban users looks very promising.

Inasmuch as the national economy and livelihood of the people depend on energy, the production of methane is in fact an integral part of the development of energy. Today, many communes and production brigades are already using methane even though it is not yet seriously considered for the cities. Zhou Shiwo believes the conditions are right for producing methane for urban users because it is done in many foreign countries and a few of our cities have experimented it on a limited scale. A city of several hundred thousand to a million people has plenty of night soil, waste from meat, tanning and bone glue factories as well as distiller's grains to generate methane. Take Nanjing for example. There are 1,800,000 residents, plus a sizable transient population. Suppose each kilogram of night soil generates 0.3 cubic meters of gas, the daily output of methane is about 500,000 cubic meters, equal to the caloric capacity of more than 500 tons of coal, enough to meet the need of 800,000 to 900,000 people. As for the structure of the facilities, large-size cement pits or daub-lined steel tanks are more suitable for centralized treatment of city sewage by specialists. The waste heat may be used for heating. As a matter of fact, fermentation may go on all year round to generate methane for all seasons. Moreover, instead of depending on natural fermentation as is done in the villages, fermentation agents may be used to speed up the fermentation cycles. The methane generated is cleansed in water and put through the city gas pipes. It is very simple and convenient. So we may say the development of methane for the cities is even more urgent than that for the villages. Since the conditions are so favorable, such a project should be entertained without hesitation.

Zhou Shiwo also named the advantages of developing methane for urban users. First of all, once the disease germs in the night soil are destroyed by fermentation, it will no longer spread diseases and breed parasites when it is used to fertilize crops and vegetables. Secondly, centralized treatment of city sewage reduces pollution of water sources by sewers. The city air will become clean again as its residents switch from coal stoves to methane burning ranges. Thirdly, to depend on gas alone is rather precarious as thousand of households may be affected once the supply is interrupted. With methane as an alternate source of gas, the city could be considered well prepared to face emergencies. Fourthly, the city residents will be delighted as the use of methane helps release a tremendous amount of labor otherwise tied down by the coal burning stoves.

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ENERGY

DEVELOPMENT OF METHANE IN DONGHAI, JIANGSU RELIEVES FUEL SHORTAGES

Beijing GUANGMING RIBAO in Chinese 2 Aug 81 p 2

[Article by Yu Guan [6735 0385] and Zhang Yongqian [1728 3057 6197]]

[Text] Donghai County situated in the Xuhuai plain, is so poor a region that there is hardly any fertilizer for the fields, fodder for the cattle, nor straw for the commune members to burn as fuel. In late winter and early spring, some people have to burn dried potatoes as fuel. So the doggerel goes: "Food poses no problems, clothing poses no problems, but what has to burn under the cooking pot poses a real problem." The cadres are aware of the situation but could not do anything except to agonize about it. Everyone is anxious to find a solution to resolve the shortage of straw for fuel. However, in 1975, the xian began to produce methane. After a few years of endeavor, they have built some 33,000 methane-generating pits. Now methane is available to 20 percent of the production brigades and teams of the 4 communes. To the people of Donghai, "methane is such a treasure that you have to have it for both production and daily living."

We visited the homes at the Xiaodian production brigade of Qinghu Commune where each household has a three-in-one methane-generating pit. Even though every pit is connected to a toilet and a pigsty, the house is kept clean both inside and outside. When we entered a room where the stove is, we did not see any trace of black ashes and pollutants. This presents a picture completely different from those stove compartments where people burn straw and charcoal. The brigade cadre who accompanied us said: "In the past we had neither toilets for people nor sties for pigs. Every time it rained, the whole place overflowed with filth and sludge. As a result, flies, mosquitoes and germs multiplied and spread, causing such epidemic diseases as dysentery, malaria and enteritis, a real threat to human health. Now as we are on methane. What we do is simply to put all the night soil and garbage into the pit and let them ferment. This cuts down germs, insects and diseases. The use of methane is a real sanitary uplift for the villages." The use of methane also makes household chores much simpler for women who claim that cooking which used to be complicated has become much simpler. When you return home from work, what you do to cook is to turn the switch and light a match and that is all there is to it. It saves labor and time, and works wonders.

Lao Zhang, secretary of the Henggou commune party committee, said they empty their methane-generating pits both in the spring and fall. Each pit yields 20-30 cubic meters of fertilizer and the whole commune could stack up over 100,000 cubic meters of fertilizer per year. If we provide each mou of land with two cubic meters of this methane fertilizer, we could save 70,000 yuan otherwise spent to buy chemical fertilizers. Weed and night soil become potent fertilizers after fermentation in methane-generating pits. According to a comparative study of the strength of indigenous and methane fertilizers conducted by the county Agricultural Science Institute at the Tangfang production brigade, the nitrogen content per 100 jin of methane fertilizer is over 10 times more than that in a similar amount of indigenous fertilizers. Last year we planted 10 mou of peasants to test the relative potency of the indigenous and methane fertilizers. The part which had the methane fertilizer produced 454 jin of peanuts per mou, an increase of more than 50 percent over the part where indigenous fertilizer was used. Loa Zhang also explained to us the changes brought about by the use of methane. Five years ago, according to him, the commune was very poor. In the three years since the introduction of methane in 1978, it has produced 1.4 times more grains and edible oil and raised 1.6 times more pigs. The food ration of the commune members has increased over 200 percent. Being able now to surrender over 7,000,000 jin of grain to the state and save 15,000,000 jin of straw per annum, we have ended that difficult period of dependence on the state for money and grain and paying for straw and charcoal brought from other localities. The members of the commune have built over 2200 tile-roofed houses with the straw and money they saved. Other comrades of the country believe the changes taking place at the Henggou commune is representative of the situation in the entire Donghai county which has been saving 4-5 thousand tons of coal and close to 100,000,000 jin of straw each year since 1978.

The Chenzhan production brigade of the Hongshuang commune has 307 households of about 1300 people. Before the introduction of methane, 117.5 workers had to gather straw for fuel all year round. Now, the 34 children who used to gather straw are in the school. The trees in the villages "once stripped of their bark, cut back or uprooted" are blooming again in the spring as afforestation advances by leaps and bounds. In a stretch of 30 years after liberation, each person on the average had planted 213 trees. But each has already planted over 240 trees within one year after the introduction of methane. In other words, a 30-year job is done in one year. The Chengxi primary school of the commune used to spend 250 yuan per annum to provide its 13 teachers with 2-3 jin of kerosene each evening for lighting. The use of methane has solved the cooking and lighting problem of its two resident teachers and their five dependents. The money for kerosene they saved last year is enough to buy the school a blackboard, rulers and a terrestrial globe. Since the students do not have to drink boiled water any more, the number of sick leaves due to stomachache has dropped noticeably.

The heartening situation in the villages of Donghai xian and the pleasure its people derive from the use of methane have taught the cadres an inspiring lesson. They realize now the development of methane is a great popular endeavor which benefits the people and promotes agricultural development. It is a vital rural construction project designed to provide energy, fertilizer, environmental protection and public health. The people of Donghai County are confident that in 5 or more years they will develop this new enterprise well enough to make methane available to the entire county.

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ENERGY

TAIYUAN GETTING READY FOR COAL GASIFICATION

Taiyuan SHANXI RIBAO in Chinese 14 Jun 81 p 1

[Text] The 6th plenum of the Shanxi Provincial People's Government which took place on 11 June to study coal gasification for Taiyuan was attended by all the members of the provincial government and the heads of its various commissions nad departments, plus the specialists and technical personnel invited to participate in the discussion. Chaired by Luo Guibo [5012 6311 3134], the governor, Yue Weifan [1471 4850 5672], the deputy governor, reported to the meeting on the progress of the coal gasification project for the city of Taiyuan. The meeting voiced its unanimous support of the coal gasification project for Taiyuan which it considers beneficial to the people and worthy of step-by-step implementation.

The engineering preparations for gasification in Taiyuan were set in motion by the Ministry of Coal Industry and the Shanxi Provincial People's Government which agreed in writing to operate jointly the Taiyuan Gas Company. With active assistance given by the provincial and city authorities concerned, the planning institute of the Ministry of Coal Industry now designated to draw up the gasification plan has been working to get it ready as soon as possible for submission to the provincial government and the Ministry of Coal Industry for approval. A preparatory sub-committee has been set up to lay the ground work for organizing a coal gasification company and erecting a 400,000-ton coking plant. The provincial Construction Commission has decided to ask the Chemical Industry Planning Institute and the 13th Metallurgical Construction Company to design and build the coking plant. The Municipal Planning Institute of Tianjin is authorized to design the gas pipe lines for the whole city as planned.

More than 1000 tons of equipment and over 7000 tons of refractory bricks for the 400,000-ton coking oven are already at the construction site. A plant leadership, including an administrative staff, the managing and deputy chief engineers, is taking shape while over 60 technical and business personnel are actually working at the plant site. Other staffers had gone to visit the major coking plants both within and outside the province to gather technical data required to prepare for the construction and operation of the plant in Taiyuan. Moreover, the construction of the project of the Taiyuan Detergent Plant to use cracked parafin gas to produce liquefied petroleum gas and that of the Taiyuan Chemical Fertilizer Plant to recover its coke oven gas is already in progress. Following Comrade Yue Weifan's report, Comrade Luo Guibo said: coal gasification is a good thing which the people of Taiyuan have been clamoring for all these years. We as workers of the people's government should do what is good for the people. We must see to it that the coal gasification project for Taiyuan is done properly and promptly. While those departments and units directly involved in the project must work hard, all other appropriate departments and units should also support it and cooperate actively. We welcome different views and recommendations, especially the opinions of our engineering and technical comrades. However, close cooperation and active support must be given to what has been decided to be done so as to speed up the preparatory work of the Taiyuan coal gasification project. Comrade Luo Guibo also told the provincial Department of Chemical Industry and other related departments to watch the progress and quality of the project of Taiyuan Chemical Fertilizer Plant to recover its coke oven gas and that of the Taiyuan Detergent Plant to utilize cracked parafin gas. He also asked the appropriate provincial and city authorities to do well the production and supply of better honeycomb briquets at a lower cost.

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SHANGHAI'S INDUSTRIAL SYSTEM UNDERGOES MAJOR CHANGES

Shanghai WENHUI BAO in Chinese 3 Aug 81 p 1

[Staff correspondent: "Shanghai's Industrial System Undergoes Six Major Changes"]

[Text] Comrades in the municipal industrial system, who studied the documents of the Sixth Plenum, looked back on the profound changes that have taken place since the Third Plenum after the industrial system implemented the policy of economic readjustment. These changes have illustrated that the line and general and specific policies laid down at the Third Plenum are entirely correct.

In their opinion, six major changes have taken place in the industrial system:

First, industrial structure is developing in the direction of light industries. With various units in the industrial system exerting efforts to organize production according to market requirements at home and abroad, the industrial structure has undergone new changes. Light industrial output (including textile, handicraft, and electronic products for daily use) increased 22.6 percent in 1980 compared with 1978, and 6.2 percent in the first half-year compared with the same period of last year. The proportion of light industrial output in the total value of Shanghai's industrial output was up from 49.3 percent in 1978 to 54.8 percent in the first half of this year.

Second, the product structure has undergone changes. Over the past two years, 302 kinds of products from the municipality have been rated fine-quality products at the municipal level, of which sixty-five have won gold and silver medals from the state; 270 kinds of products have been rated first place among similar products nationwide. The variety of new designs, sizes, colors has continued to increase. Over the past two years, the bureaus of textile, light industry and handicraft industry have trial-produced more than 60,000 items of new designs and colors, averaging a 23.5 percent increase a year, of which more than 70 percent have been put into the batch process. In the first half this year, 12,000 kinds of new designs and colors have been successfully trial-produced and more than 85 percent have gone through the batch process.

Third, fast growth in market supply of consumer goods, particularly in the case of high- and medium-quality products and durable consumer products. Among light industrial products, between 1978 and 1980 foodstuffs and cigarettes increased at an average progressive rate of 8.4 percent a year, clothing products at an average progressive rate of 13.2 percent, and products for daily use an average progressive rate of 12.4 percent. Over the past two years, the main items of durable consumer goods showed greater rates of progressive increase a year: 130 percent for tape-recorders, 61.3 percent for TV sets, 40.6 percent for electric fans, 39.9 percent for cameras, 15.4 percent for watches, 12.4 percent for transistor radios, 8.7 percent for bicycles, and 8.3 percent for sewing machines.

Fourth, development of export products. More than 2,000 enterprises are turning out export products with sales reaching more than 150 countries and regions. The structure of export products has also undergone changes with the output of export products of the metallurgical, chemical and first machine-building bureaus and the instrument and meter bureau No 4 showing an average progressive increase of 39.9 percent a year between 1978 and 1980.

Fifth, the economic system preliminary restructured. Since 1979 when the system of retaining a portion of profits was tried out, two industrial bureaus, twenty-nine companies and forty-one plants have tried out expansion of powers for stimulating the enthusiasm of cadres and the masses for acting according to the economic laws. In the case of all the experimental enterprises, total output value and profits in 1980 increased about 7.5 percent over the previous year, higher than the average municipal level. A group of enterprises in the municipality have broken down the ownership barriers of districts, trades, and departments and developed more than 300 forms of economic combinations, promoting the development of production.

Sixth, rise in industrial production level. Shanghai's gross industrial output in 1979-1980 increased at a progressive rate of 7.2 percent a year compared with 1978. In the first half of this year, despite that the number of working days was one day less than in the same period of last year, average daily output still increased 0.4 percent.

Comrades in Shanghai's industrial system have benefited from implementing the economic readjustment policy. Many comrades have said that the tasks of readjustment are still heavy and formidable and that some contradictions remain to be resolved. They have determination to implement the decision of the Sixth Plenum of the party and see to it that Shanghai, an old industrial base will contribute more to the state in the course of readjustment.

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BUSINESS MANAGEMENT REFORM IN WUHAN

Wuhan HUBEI RIBAO in Chinese 1 Aug 81 p 1

[Article by Wang Changxiao [3769 7022 1321]: "Underwriting Profits, Sharing Additional Income" Practiced by Eight Industrial Bureaus"]

[Text] The Wuhan municipal people's government recently announced measures for "underwriting profits and sharing additional income" to be practiced by the eight municipal bureaus of textile, first light, second light, machine-building, metallurgical, building materials, chemical, and electronics industries. This marks a new advance for the economic responsibility system on the Wuhan industrial front.

"Underwrite profits and share additional income" is an effective policy measure taken after experience had been gained by the municipal bureau of metallurgical industry in trying out the system of "underwriting profits and sharing additional income industry-wide." When the municipal authorities first transmitted from the higher authorities to the bureau of metallurgical industry a 9 million yuan target of profits to be delivered, the bureau was not prepared to accept the task. After consultations, the municipal authorities changed the target into one of underwriting 9 million yuan in profits and sharing additional income at an 8:2 ratio. Eventually, the target was fulfilled with the following results: Last year the bureau delivered 9 million yuan in profits to the state; with their income increased by 310,000 yuan the bureau retained 1.11 million yuan according to the terms agreed upon. Thus, each side benefited. This inspired and encouraged the municipal government. Convinced of the effect of the economic responsibility system the municipal government decided to introduce the system on a broader scale this year.

In the course of practicing this economic responsibility system - "underwrite profits and share additional income" - the municipal government held repeated consultations with the departments and bureaus concerned and then decided to proceed from reality and determine a rational base of underwriting profits and the proportions of profits to be shared, taking into account the production-increase potential of each industry and how difficult or easy it is for each industry to increase its profits. For example, in the case of the bureau of textile industry, the amount of profits underwritten was 208 million yuan and the additional profits to be shared by the bureau and the finance department at the following ratios: 1:9 for profits over 190 million, 2:8 for profits over 208 million, and 9:1 for profits over 237 million. In the case of the bureaus of the first light, second light, and machine-building industries, the amount of profits over the underwriting target was to be shared between the bureaus and the finance department at the ratio of 2:8. In the case of the bureaus of chemical, metallurgical, and electronics industries, the amount of profits additional to the underwriting targets was to be shared at a 8:2 ratio between the bureaus and the finance department. In the case of building materials industry, the amount of profits over the underwriting target was to be shared between the bureau and the finance department at a 6:4 ratio.

Before the eight industrial bureaus implemented "underwrite profits and share additional income," a 15 million yuan gap in the 362.31 million target of profit delivery to the state had remained unfilled by Wuhan's industrial enterprises this year. After the bureaus implemented "underwrite profits and share additional income," not only could the 15 million yuan gap be filled, but also the annual targets of industrial profits to be delivered to the state are expected to be overfulfilled. The responsible persons of these bureaus have expressed determination to assume the economic responsibility, share the state's cares and burdens and contribute more to the state. They are making each level underwrite profits to be delivered. Municipal Financial Director Xu Nongye [1776 6593 0048] said with deep feeling: "When trying to fulfill the annual financial plans in the past, we were gliding on a piece of melon skin, not knowing where we were going, and we worried about things all the year round. The present system of 'underwriting profits and sharing additional income' combines power, responsibility, and profit. Production can be developed and state revenue is assured. The big stone on our back for six months is now laid on the ground."

In addition to the eight municipal industrial bureaus, the Bureau of Public Utilities, the Bureau of Building Construction, the Bureau of First Commerce, the bureau of second commerce, and the supply-marketing cooperatives also announced the implementation of the "underwrite profits and share additional income" system. The municipal authorities have decided to adopt the economic measures, "quota subsidy, no subsidy for above-norm loss, and retention of surplus for own use."

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ABOVE-QUOTA PIECEWORK BONUSES INTRODUCED IN SHANGHAI

Shanghai WENHUI BAO in Chinese 29 Jul 81 p 1

[Staff correspondent: "Above-Quota Piecework Bonus Offered by Shanghai Industrial Enterprises"]

[Text] An above-quota piecework bonus system on a plant-wide or industry-wide basis is now being practiced among more than 300 industrial enterprises and 200,000 workers in Shanghai municipality for satisfactorily linking the results of enterprise operations to the material interests of the workers and for stimulating increased production of many commodities that are in short supply on the market.

This system of reward was first tried out by the hardware company under the Bureau of Handicraft Industry. Early in 1979, products from the Huasheng Electric Fan Factory, the Shanghai Shoe-nail Factory, the Shanghai Aluminum Products Factory No 2, and the Shanghai Masthead Light Factory under this company fell short of demand and the company ran into many difficulties in increasing their output. To stimulate the enthusiasm of the enterprises and their workers, the bureau and the company worked out annual output targets for the four factories, stipulating that, provided they fulfilled their quality and profit targets and goods supply contracts, they may get above-quota piecework bonuses if they have exceeded their annual output targets. The result was that the products turned out by the four factories - showed greater increases during the year with output value up 10.8 percent and profits up 11.6 percent compared with the previous year. Originally, it was calculated that no one would get a bonus, but the result was that workers got an average bonus of 131 yuan.

Since this method of bonuses is satisfactorily stimulating the enthusiasm of enterprises and workers, those industries and enterprises producing bicycles, sewing machines, watches, cold drinks, cigarettes, beer, glass frames, transistor radios, TV sets, tape-recorders, electric meters, clothing, furniture, leather shoes, electric irons, and locks have practiced this bonus system this year. The municipal bureau of light industry has agreed with the bicycle company to take last year's output of 3,760,000 bicycles as the base for the current year. They have agreed that no bonus will be applicable to this output figure and that for each bicycle produced over and above this figure a bonus of 10 yuan will be given. Calculated on this basis, an average bonus of 170 yuan could be earned by each worker if the current year's output reached the target of 4.1 million bicycles.

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BRIEFS

ANHUI ELECTRONICS INDUSTRY--Hefei, 15 Sep (XINHUA)--As of the end of August, the electronics enterprises in Hefei, Anhui, had produced 130 million yuan of electronic products. Thanks to renovation of equipment and tapping production potentials, the electronics enterprises in Hefei produced 268,000 radio sets during the first 8 months of this year, topping the same period of last year by 120 percent. [OW151217 Beijing XINHUA Domestic Service in Chinese 0105 GMT 15 Sep 81]

FUJIAN INDUSTRIAL ENTERPRISE MEETING--Speaking at the Fujian Provincial Industry and Transport Work Conference on 15 September, Vice Governor Wang Yan noted that 1,008 state-owned enterprises at and above county levels in the province are implementing the system of shared responsibility in loss and profit with good results. This system will be propagated throughout the province next year. Comrade Wang Yan stressed that in implementing this system, industrial enterprises should handle well the relationships between the enterprises and the state and between the enterprises and individual workers. No enterprise is allowed to go after profits to the neglect of state plans. He also urged better ideological and political work and supervision of enterprises' economic activities. [OW180529 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 15 Sep 81]

JIANGSU INDUSTRIAL PRODUCTION--The Jiangsu Provincial Economic Commission recently held a meeting of directors of prefectural and municipal economic commissions and responsible persons of provincial departments and bureaus concerned. The meeting stressed that industrial enterprises should strive to produce more salable goods and fulfill state plans during the next 4 months of this year. It noted that Jiangsu's industrial production of the first 8 months had been increasing steadily, with total output value topping the same period last year by 5.4 percent. However, many products were in short supply, quality of some products was declining while others were unsalable because of unattractive designs. All this should be avoided in the next 4 months. The province can expect to achieve the annual industrial growth rate of 6 percent set forth by the provincial people's government. It is even possible to reach the 7-percent mark with arduous efforts. [OW180543 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Sep 81]

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BRIEFS

PROJECT CONSULTING COMPANIES--Beijing, 9 Sep (XINHUA)--Ten project consulting companies have been established here to design both domestic and overseas projects, the PEOPLE'S DAILY reports today. They are the China Guangan Project Consulting Company, the China Jingxi Project Consulting Company, the Xinghua Project Consulting Company, the China Coal Mine Designing and Consulting Company, the Beijing Chemical Industrial Project Consulting Company, the China Air Conditioning Project Consulting and Designing Company, the China Forestry Product Industrial Project Consulting Company, the Northeast Construction Project Consulting Company, the Northwest Construction Project Consulting Company and the Southwest Construction Project Consulting Company. [Text] [Beijing XINHUA in English 1205 GMT 9 Sep 81 OW]

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DOMESTIC TRADE

BRISK RURAL URBAN MARKETS REPORTED IN JIANGSU

Rural Market Thriving

Nanjing XINHUA RIBAO in Chinese 4 Aug 81 p 1

[Article by correspondent Shen Gongxiao [3088 0364 5135]: "New Spectacle of 'Three Increases and One Reduction' in Rural Market of Our Province; To Ensure Greater Prosperity for the Rural Market, Action Is Being Taken To Tighten Control on Business Activities and Negotiated Transactions"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, our province has witnessed a thriving market in the countryside, characterized by the "three increases and one reduction." Such prosperity has been a rare sight for more than 20 years.

Increased Forms of Economic Structure Break the Monopoly of Supply and Marketing Cooperatives.

Business in the rural areas of the province has now returned to the days of the 1950's, when the coexistence has now returned forms of economic structure was permitted. In addition to the supply and marketing cooperatives owned by the whole people, there are also cooperative stores owned by collectives, itinerant peddlers, restaurants, service centers and repair shops run by communes and production brigades or teams, and integrated enterprises of farming, industry, and commerce. By the end of June 1981, according to incomplete statistics, there were more than 25,000 collective commercial undertakings in the countryside, which was close to the figure in 1965, before the "Great Cultural Revolution." The number of personnel exceeded 145,000, or 2.2 times that in 1965. These different forms of economic structure are mutually supplementary and contribute to the prosperity of the rural market. In the first half of 1981, the total output value of agricultural and sideline products by the supply and marketing system of the province totaled some 420 million yuan. If the reduced yield of cotton is excluded, this represents an increase of approximately 5 percent over the same period in the previous year. The sale of capital goods totaled more than 1 billion yuan, an increase of 8.4 percent over the same period last year, while the sale of consumer goods totaled some 2.2 billion yuan, an increase of 3.3 percent over the same period last year.

Increased Channels Further Promote Circulation of Material.

Since 1979, state planning supplemented by market regulation in the countryside has replaced the former system of excessively rigid control, which practically blocked the channels of circulation. For agricultural and sideline products of the third category and for portions of those of the first and second categories remaining after procurement, negotiated purchases and negotiated sales are being practiced in the province. The supply and marketing system has also set up 83 trade warehouses at or above the county level and more than 2,400 country trade fairs. Transactions last year at country trade fairs alone totaled more than 1.576 billion yuan, equivalent to approximately 10 percent of total retail sales. The increase in transactions is even larger this year. With the increase in the channels of circulation, the sales and purchases of agricultural and sideline products have been brisk, and some native special products, dried and fresh fruits, aquatic products (fresh or still alive), traditional snacks, and dumplings have returned to the market after a long absence. Sales of industrial goods have also increased gradually, and the phenomenon of overstocking in one place and running out in another has been basically changed. Last year, people in Xuzhou Prefecture had a lot of leftover reeds and starch and did not know how to dispose of them. The trade warehouses came to their assistance, and whatever they had on hand was completely sold.

Increased Flexible Forms of Business Mean Greater Convenience to the Peasants.

In the past, commercial departments in the countryside has the bureaucratic style of sitting in the office to wait for customers. Now there are many more forms of business transactions, such as exchange meetings, supply meetings, exhibition and sales meetings, service departments in the early morning and late evening, roadside stalls, deliveries to villages and fields, and so forth, with greater flexibility and improved service. Some traditional features of trading have also been restored. Last May, the supply and marketing cooperative of Huaian County held traditional temple fairs--a relic of the days of sedans and coaches--along with 20 material-exchange meetings participated in by communes and basic-level units. In Huaian County, the Nanping Supply and Marketing Cooperative recently made 103 deliveries to the countryside, and in the first 20 days of June nearly 10,000 yuan worth of goods were delivered. In the first half of 1981, Suzhou Municiplaity and Wuxian County jointly held 11 exchange meetings for supplying industrial goods to the countryside, and the transactions totaled more than 3.21 million yuan. After a long absence, hawkers shouting their wares are being seen once again in the villages.

Reduced Intermediate Links in Circulation of Goods in the Rural Market.

Because of self-imposed restrictions, the circulation of goods was formerly organized strictly according to the demarcation of administrative districts. This resulted in many intermediate links and regional barriers. Now these barriers have been removed, and circulation is organized according to the demarcation of economic zones. Procurement and marketing beyond district limits are now permitted, and production and sales are gradually coming face to face. For example, fruits in our province (mainly apples and dates in the hot season) totaling approximately 2 million dan each year were procured by the local supply and marketing departments, and there were three or four intermediate links between production and consumption. The producing units did not get much benefit, supply and marketing departments lost approximately 2 million yuan each year, and consumers could hardly ever eat any fresh fruit. Thus the producers, suppliers, and consumers all had complaints. After the combination of planned delivery with negotiated purchases and sales, the supply and marketing departments throughout the province procured only some 300,000 dan, approximately 16 percent of the total yield, leaving all the rest to be sold by the producing units in the open market. Thus the producing units are making more money, the supply and marketing departments have reduced their losses, and consumers can eat fruits while they are still fresh. All three parties are now happy.

While bringing vitality to the rural market, the "three increases and one reduction" have also created certain new problems. For example, following the policy of coexistence of different forms of economic structure, a bull market has appeared and some departments that should not be involved in commercial activities are now dealing in agricultural and sideline products and industrial goods, thus upsetting the state's procurement and marketing plans. In some localities, the practice of negotiated purchases and negotiated sales has gotten out of hand and is creating conditions for speculation and profiteering. All of these activities have affected market supply and price stability. These problems have attracted the attention of the authorities in various localities, and the industrial and commercial administrative departments at various levels in the province are now tightening their control with the assurance that "control will not be overly rigid, and relaxation of control will not produce disorder" in the rural market.

Statistics for 6 Months

Nanjing XINHUA RIBAO in Chinese 28 Jul 81 p 1

[Article by Information Section of Jiangsu Statistics Bureau: "Thriving Market in Cities and Countryside, Following Increased Domestic and Foreign Trade in Jiangsu During First Half of 1981"]

[Text] The first half of 1981 has witnessed an increase in domestic and foreign trade in our province. The market in cities and the countryside is thriving, and the people's level of consumption has been raised.

Since the beginning of this year, further implementation of the party's rural policies has brought about a rapid development of the rural economy. Industrial departments have continued to increase the supply of consumer goods according to the readjustment policy, thereby providing a strong material foundation for the commercial departments to increase the procurement of agricultural and industrial products and to keep the market well supplied. In the first 6 months, the total value of procurement by state-run commercial enterprises was 7.2 percent more than in the same period last year. This included a 26.6-percent increase for agricultural and sideline products and a fourfold increase for grain and edible oils. Such a wide margin of increase has been very rare in recent years. The value of procured industrial goods was 2.4 percent over that of the same period last year. The special feature of the market is the large increase in supply to meet the growing demand. The volume of procurement of wristwatches, bicycles, sewing machines, TV sets, and radios increased by 60 percent over the same period last year. There is, however, a drop in the procurement of goods in excessive supply, including metals and chemical-industry commodities. In the first 6 months, commodities procured for foreign trade increased by 16.8 percent over the same period last year. This was a strong support for the export trade. The total value of exports in the first 6 months increased by 26 percent over the same period last year.

By the end of June, the total value of goods in stock had increased by 10 percent over the same period of last year. Those of the train and foreign trade departments had increased by 49 and 29 percent, respectively.

In the first 6 months of this year, per capita consumption in the province was 5.4 percent higher than the same period last year, if the price factor is not taken into account.

In the same 6 months, the market was brisk in the cities and in the countryside. The volume of retail sales was 4 percent higher than in the same period last year. This included a 10-percent increase of consumer goods in the cities. Although there was a reduction in grain output in the countryside at or below county level in some prefectures last year, the peasants' income was not affected, thanks to the rapid development of sideline production and commune- and brigade-run industries. The volume of retail sales was still 3.8 percent higher than in the same period last year. Retail sales of consumer goods were quite good, as shown by the large increase of food, clothing, and high- and medium-grade goods. Sales of ordinary daily necessities also increased. by 26 percent over the same period of last year, while grain, edible oils, pork, poultry, fresh eggs, cigarettes, and liquor increased within the range of 2-8 percent. Of the 11 main types of commodities used for clothing, 10 of them showed increased sales over the same period of last year. One striking change in clothing is that ration coupons, used mostly for cotton cloth and cotton dresses in the past, are now used for knitwear, bedsheets, and indoor decorative cloth, while high- and medium-grade chemical fibers and silk and woolen knitwear now occupy an important place in clothing. Among the "three major items" of high-grade durable goods, 357,900 bicycles, a 31-percent increase over the same period of last year, more than 195,600 sewing machines, an increase of 25 percent, and 996,000 wristwatches, a 19.5 percent increase, were sold. Because of the improved housing situation in both urban and rural areas, there are now new demands for daily necessities. At present, it is quite common for people to make their own furniture, and the demand is growing for spring locks, padlocks, mirrors, and lacquer. At the same time, people are more keen on interior decorations, and sales of glassware have been very brisk. The lifestyle in the countryside is being gradually urbanized, and peasants in economically developed areas even want to buy sofas, floor lamps, TV sets, wooden tableclocks, and the "three minor foreign items." The demand for building materials, such as cement, glass, and timber, is now greater than the supply.

By the end of June, the savings deposits of the people in urban and rural areas had increased by 297 million yuan, a 12-percent increase over the amount at the beginning of this year.

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NATURE OF SPECIAL ECONOMIC ZONES

HK170929 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 81 pp 54-58

[Article by Fang Zhoufen [2455 0587 5358] of the Economic Research Institute of the Chinese Academy of Social Sciences: "On the Nature of China's Special Economic Zones"]

[Text] Special economic zones are a new thing in China. Ours is a socialist country. Why does China want to set up special zones? This is a matter of concern to quite a number of people. Therefore, it is necessary to make an analysis of the nature of the special zones.

I

Special economic zones are similar to the export processing zones that are found elsewhere in the world, and are a development of free trade zones. Free trade zones, as the term suggests, are regions where overelaborate procedures of taxation and customs are discarded so as to develop import-export trade and re-export trade. But export processing zones are areas where goods manufactured for export are developed. Historically, free trade zones (or free ports) can be traced back two centuries while export processing zones have only emerged in the past 20 to 30 years.

After World War II, the former colonies and dependencies proclaimed their independence one after another. But owing to the prolonged extortion by imperialism, they were economically weak and technologically backward. They wanted to develop their own national economies and realize the modernization of industry, but they lacked funds, technology and equipment, so they wanted to use foreign capital and introduce technology from abroad. On the other hand, some economically developed countries could no longer brazenly regard the underdeveloped countries as their colonies and semicolonies, yet they needed to adopt new forms to export capital to the underdeveloped countries, use the latter's cheap labor power and land rent as well as other materials in order to grab more economic interests. The export processing zones emerged as the situation required. Now more than 70 countries in the world have set up 350 export processing zones and free trade zones of different types. The names are many and varied: There are free trade zones, export processing zones, free industrial zones, free ports and free frontiers.

To set up an export processing zone, in general, a piece of land in a port or in a vital communications line is parcelled out, some preferential decrees are enacted (such as apart from a few materials, the import and processing of raw materials and spare parts and export of finished goods are exempted from taxation), basic facilities are provided and good conditions are created for the purpose of utilizing foreign capital and importing equipment and technology so as to develop industry, trade and tourism. The sovereignty of the export processing zones set up by the countries, rich or poor, belongs to the countries where the zones are set up. The choice of location and the scale of investment are decided by the countries concerned.

No more than 2 years have elapsed since the setting up of China's special economic zones. After the 3d Plenary Session of the 11th CCP Central Committee, the party and the state called on the people throughout the country to march towards the four modernizations and try their utmost to learn advanced experience from foreign countries in the light of the principle of self-reliance. Running special economic zones on a trial basis is an important task. In the latter half of 1979, in the light of the special conditions of Guangdong and Fujian Provinces, the Party Central Committee set up special economic zones in Shenzhen, Zhuhai and Shantou and Xiamen, and took Shenzhen and Zhuhai as trial-point units that were required to take the first step forward.

How are the characteristics of China's special economic zones manifested?

1) The administrative management organs of the special zones are put under the direct jurisdiction of the central government or the localities are authorized by the central government to be in charge of approving the investments of foreign businessmen and handling the matters relating to opening factories or running enterprises and other undertakings in the special zones and enacting and revising the relevant decrees and regulations.

2) Create good conditions for investment and initiate necessary basic infrastructure such as water supply and drainage, power supply, roads, navigation or air traffic, telecommunications, wharves, channels, land-levelling and warehouse storage facilities.

3) Put the market economy first. Owing to the fact that the sector of state capitalism and the sector of capitalism hold an important position in the special zones, it is necessary to carry out regulation by market mechanism in the light of the law of value. But this does not mean that we no longer need regulation by planning mechanism. Theoverall program of the special zones should be stipulated by state planning. From the view point of the whole country, this market economy of the special zones is only a supplement to the socialist planned economy. The area of a special zone generally covers only 200 or 300 square kilometers of land. (Note: The area of the Shenzhen special zone is only 327.5 square kilometers and some 90 square kilometers of land are available for construction. The area of the Zhuhai special zone only covers 6.8 square kilometers.) In China's 9.6 million square kilometers, this strip of land is only a pinprick.

4) The products of the special zones are export-orientated. The opening up of the country to the outside world is closely related to the international market. Therefore, the fluctuations of the world market, in particular those of the markets of Hong Kong and Macau will rapidly exert a bearing on the economy of the special zones. For this reason, a clear line of demarcation should be made between the special zones and nonspecial zones, segregating the latter from the former.

5) Stipulate various regulations for providing foreign investors with preferential treatment in the special zones, such as tax regulations (meaning import and export duties and income tax), registration of enterprises, financial administration, land administration, labor and wages.

The above-mentioned five characteristics indicate what is "special" about the special zones.

China's special economic zones and the foreign free trade zones have something in common, that is, the utilization of foreign capital, the expansion of exports, the increase of employment and foreign exchange, therefore, they have some similarities in their method of work. But they are different in nature. China's utilization of foreign capital is for speeding up socialist economic construction and exploring new experiences in expediting the four modernizations. But the setting up of free trade zones (the export processing zones) of the capitalist countries is for developing the capitalist economy. There is obviously a distinct difference in nature in the final aim owing to the difference in the social system.

China is a country with a huge population, a weak foundation and backward industry. To build the four modernizations, we lack funds, scientific and technological force and advanced managerial experience. Therefore, it is necessary to use foreign capital and introduce advanced technology from abroad. After the October revolution of the Soviet Union, the young Soviet Union crushed the imperialist armed intervention and it suffered serious damage economically. Lenin held that the Soviet Union should utilize foreign capital, absorb the experience of the West European capitalist countries and their achievements in science and technology. Lenin pointed out: "Without the help of foreign equipment and technology, we would be unable to revive the damaged economy by relying on our own strength alone." ("Collected Works of Lenin," Vol 32, p 171) During the 1920's and 1930's, acting upon Lenin's policy of utilizing the capital of the West to accelerate socialist economic construction, Stalin accepted foreign loans and signed technological agreements, imported machinery and equipment and advertised for foreign technological personnel. All this was of great help in laying a foundation for the Soviet Union's modern industry. Later the sabotage of the class enemy at home and abroad caused the suspension of this work.

We can use for reference the policy of Lenin and Stalin concerning the utilization of foreign capital and the introduction of technology and equipment in developing China's social productive forces and socialist economy. This tallies with the principle of seeking foreign assistance on the precondition of self-reliance, and is also the theoretical basis for us to set up the special zones.

The setting up of the special economic zones is for the utilization of foreign capital and introduction of technology and equipment. Therefore, whether or not the special zones can develop depends on whether or not they can draw upon funds from abroad and whether or not they can earn more foreign exchange with the limited domestic investment, thus ensuring the advance of the building of the special zones and providing socialist economic construction with some new experience that can be used as reference.

II

There exist varied economic sectors in the special zones. Apart from the enterprises run by our own country, there are joint ventures with Chinese and foreign investment and enterprises operated with foreign capital. Judging from the current trend of development, the economic sector of state capitalism constitutes a relatively big proportion. How should we understand these economic sectors of the special zones?

First, looking at the actual conditions, the Shenzhen and Zhuhai special zones have adopted the following forms in utilizing foreign capital: processing with the materials supplied, compensation trade, enterprises under joint management, joint ventures with Chinese and foreign investment and independently operated enterprises with foreign investment. These enterprises cooperate with the national economy or the collective economy in varying degrees.

1) Processing with materials supplied or assembling with materials supplied. There tend to be diverse methods of work in this form but they boil down to mainly two ways: One is that foreign investors are offered factory buildings and equipment and we do the processing and assembling with materials supplied by them according to contracts and deliver the finished products on schedule to Hong Kong businessmen. We have no proprietary rights over the products and only gain industrial charges (which include wages, charges for water and electricity, rent for factory buildings and houses, land rent and warehouse storage charges.) This form is mainly operated by the rural collective enterprises run by the communes and the production brigades. Although the amount of income in processing charges is not big, this form plays a certain role in providing employment, increasing the income of the communes, the production brigades and the production teams and improving the lives of the commune members. The other is the integration of processing with materials supplied through compensation trade. The foreign investors supply us not only with raw materials but also with equipment which is sold to us after appraising the prices and on our side we shall pay them back by installments with processing charges.

2) Compensation trade. This form involves the signing of contracts with foreign businessmen who loan the use of their machinery, equipment and technology. The prices for the machinery and equipment are fixed at the Hong Kong market price (or the international market price). On our part, payment for the machinery and equipment will be made by installments with the money paid for the products purchased. When the debt is cleared, the machinery and equipment are turned over to the Chinese side. The aquatic products catching and breeding of Shenzhen has taken the form of compensation trade. To make investment in opening factories, it is general practice to import relatively advanced equipment and technology. For example, the Shenzhen Printing House in which Hong Kong businessmen made an investment has printing machines made in West Germany which are of world advanced standard with the capacity of printing seven colors at one stroke.

3) Enterprises under joint management. This form is developing fairly rapidly. The contracts signed by the Chinese side and the foreign investors stipulate the rights and obligations of both parties. The foreign participants provide the enterprises with funds and equipment, and the Chinese participants, with land and labor power. The enterprises are put under joint management (or run and managed by the Chinese participants) and the profits will be shared in proportion. Repayment of the principal and interest to the foreign participants will be made by the Chinese side in the form of products and a fixed proportion of sales. According to the stipulations of the contract, on the expiration of the cooperation, the enterprises will be turned over to the Chinese side. Most of the enterprises under joint management involve housing and hotel construction.

4) Joint venture enterprises. This form involves the fact that foreign investors make an investment in running an enterprise with Chinese participants by becoming a shareholder. They undertake the costs of construction and equipment of the enterprise to be run while the Chinese party, with land, factory buildings and offices which are evaluated in terms of money as capital stock of the enterprise. The enterprise is managed jointly by both parties (including management system, managerial methods, commodity pricing and wage levels). Both parties are fully responsible for their own profits and losses, and share risks and profits. The joint venture enterprises are in general big in scale and advanced in technology and equipment as well as management. The foreign participants shall assign personnel to offer instructions in technology and management. The contract period of a joint venture enterprise is long and the profits are fairly enormous, so the foreign investors have relatively great interest in this form of investment.

5) Independent investment by foreign businessmen. Foreign businessmen (or Hong Kong businessmen) wishing to invest in opening factories should apply to the administration of the special economic zones and will be issued licences for registry and use of land after examination and approval. Then a certain area of land will be parcelled out for the foreign investors to set up enterprises operated solely with their investment (at present most of the enterprises which are approved for operation are engaged in the commerce and service trades). The Chinese participants provide them with land (the right to use not the proprietary rights over the land) and labor force, and land rent and taxes will be collected.

In the five above-mentioned forms to introduce foreign capital, the enterprises under joint management constitute the biggest proportion. By the end of 1980, in introducing foreign capital, Shenzhen reached 581 agreements with foreign businessmen worth a total of HK$1.6 billion. In the 581 projects, the cooperative form occupies 199 projects, constituting the biggest proportion in the investment volume. Right now agreements worth 1.4 billion yuan [as published] have been reached, accounting for 88.4 percent of the total volume of investment and averaging HK$7.16 million for each project. Next come the enterprises operated solely with foreign investment. There were only six projects in all, constituting 5 percent of the total volume of investment and averaging HK$13.33 million. At present joint venture enterprises are small in number, occupying 2.4 percent of the total volume of investment. Although the projects of processing with materials supplied were numerous, totalling 366 projects, the proportion of these projects in the total volume of investment was only 2.1 percent. There were four projects in compensation trade, constituting 2.1 percent in the total volume of investment and averaging HK$8.56 million for each project.

According to the analysis of the five forms to introduce foreign capital, the form of joint management holds a dominant position at present. It is an investment cooperation between two different social systems and two different systems of ownership. There are both the component of socialism and that of private capital in this kind of cooperation or in the enterprises under joint management. This form of joint management is a relatively typical form of state capitalism. There is a certain time limit on the right to use the land we give to the enterprises under joint management, each time limit being 10 or 20 years or even 7 or 8 years. On the expiration of the contracts, the enterprises or houses or hotels are turned over to the Chinese participants. Thus it can be seen that the joint ventures using Chinese and foreign investment, the enterprises under joint management and other forms in the special economic zones are all state capitalism under the leadership of the socialist regime.

Second, the state capitalism of the special zones is the development of the state capitalism expounded by Lenin years ago. Lenin summarized the state capitalism under the dictatorship of the proletariat as "the state capitalism that we can restrict, and determine the scope of its activities. This kind of state capitalism is related to the state." ("Collected Works of Lenin," Vol 33, p 244) Restricted by the historical conditions, the state capitalism advocated by Lenin did not develop properly in the Soviet Union as it should have done. However, his brilliant thesis is of great theoretical and practical significance.

The state capitalism in China's special economic zones and the lease-lend system and lease-let system practiced by the Soviet Union in those years have both identical and distinct aspects. They are identical in the utilization of foreign capital under the supervision and control of the socialist regime with the aim of building socialism. The distinct aspect is that under the lease-lend and lease-let systems practiced in those years in the Soviet Union, part of the state's mines, forests and oilfields were run on lease by the capitalists at home and abroad. The state grasped only part of the products to consolidate the worker-peasant alliance. In China's special zones, no state's factories or mines are leased out or let to any Chinese and foreign capitalists and no products are put under the state's control. We attract foreign capital to run industrial enterprises, open service trades or exploit resources, with the participation of the investment and joint management of the enterprises under the system of ownership by the whole people or those under the collective ownership system. As for the solely-operated enterprises with foreign investment, land rent and taxes are collected. Therefore, compared with the lease-let system practiced in the Soviet Union in those years, the state capitalism of China's special zones is more substantial in content and role.

The joint ventures using Chinese and foreign investment in the special zones belong to the state capitalist economic sector in nature, because there are cooperation and relations between China's socialist economy and the foreign capital within the enterprises. Even the enterprises with independently invested foreign capital in the special zones have a certain degree of state capitalism. Although they are operated by foreign capital, these enterprises carry on their economic activities under the supervision and management of the prletarian regime. They rent our land and hire our labor force and are restricted by China's policies. They have relations in varying degrees with China's socialist state enterprises (or collectively run enterprises) through various forms. Such enterprises are quite different from the enterprises operated by foreign investment before liberation which relied on the imperialist prerogatives in wantonly dumping goods, plundering raw materials, exploiting China's cheap manpower, and their business management was not subjected to the inspection and supervision of the departments responsible for the work.

Is the state capitalism in the special zones a duplication of the state capitalism introduced during the period of China's socialist transformation? Our answer is no. The state capitalism followed after China's liberation was a policy of utilizing, restricting and transforming the capitalist industry and commerce of the national bourgeoisie, and a policy of advancing the industrial and commercial enterprises of the capitalists through redemption and various forms of state capitalism from the early form in which orders were placed by the state with private enterprises for processing materials or supplying manufactured goods to the advanced form of joint state-private ownership and then to state-run enterprises. The current stress on our policy toward state capitalism in the special zones is to take advantage of foreign capital to serve China's socialist construction. Therefore there is also a difference between the capitalism now prevailing in the special zones and the state capitalism before China's system of ownership was changed.

The utilization of capitalism in the special zones today emerged in a situation in which China's socialist transformation has been completed, the capitalist ownership system has been abolished, and the regime of the people's democratic dictatorship has been consolidated. The introduction of foreign funds and the setting up of joint ventures using Chinese and foreign investment are conducive to the attraction of foreign capital, to the introduction of new foreign technology and equipment and the learning of advanced managerial methods. Certain exploitation of the workers by foreign capital in this respect is allowed. Their legitimate interests are guaranteed through some preferential treatment. This is inevitable. Talking about the lease-let system, Lenin said: "We have made some 'contributions' to capitalism throughout the world, and in some respects we have 'bought out' from them. At the same time we can at once find out definite ways and means for consolidating the position of the Soviet regime and improve our conditions for operation." ("Collected Works of Lenin," Vol 33, p 244) Regarding the state capitalism in the special zones, we are now adopting a series of policies and measures not only to restrict its unlawful activities but also to effectively ensure its lawful interests. If their economic activities endanger the interests of our country and violate China's laws, as in the capitalist countries, and they set up brothels, gambling dens, and engage in speculation and profiteering in the special zones, then they will be banned. Moreover, the scope of their activities is restricted within a certain limit. Is this kind of capitalism not a restricted capitalism? Is it not the capitalism we want to utilize to serve socialism?

Some people regard the special economic zones as the reappearance of concessions. This argument is utterly groundless. The concessions in old China were the products of aggression by the imperialist big powers who pursued gunboat diplomacy and took advantage of unequal treaties. Concessions were independent kingdoms of foreigners on Chinese soil. The foreigners held the ruling power and they could do as they pleased. China's sovereignty did not exist in the concessions. The Chinese in the concessions were subjected to the rule of the bureau under the Ministry of Works which was in the hands of the foreigners. The concessions became places for maneuvers of gambling, brothels, kidnapping, narcotics trafficking, smuggling, speculation and profiteering and human traffic and become an earthly paradise for adventurers to get rich quick. These kinds of concessions today have become historic spots. Today's special zones and the concessions in old China are different as black and white. Our sovereignty in the special zones is not affected and the foreigners residing in the special zones are subject to the laws of the special zones. Under these circumstances, how can we lump together the present special zones and the concessions in old China?

III

How to run well the socialist special economic zones is a problem at present that needs exploration. In my opinion, attention should be paid to the following points:

1) First of all it is necessary to create good conditions in a planned way and do a proper job of the basic infrastructure. Shenzhen and Zhuhai have completed part of the basic construction, and Shekou has even gone a step further in this respect. Lack of deepwater ports has become a flaw in the favorable geographical conditions of the special zones. This can be nothing but a defect of the export processing zone. There is a lack of funds in the expansion of Shekou port and the construction of Paotaishan port of Zhuhai. It is necessary to solve this problem by seeking the utilization of foreign capital.

2) A clear dividing line between the special zones and nonspecial zones and a strict segregation of the former from the latter should be made, and the thoroughfare management should be strengthened. A line of demarcation has been made between the special zones and the interior. This is an important measure for forming the special zones and intensifying the management of the special zones. If we abolish the line of demarcation between the special zones and the interior (nonspecial zones) and merge the former with the latter, then why should we take the trouble to set up the special zones? Of course, the relations between the development of the special zones and the interior should not be cut off. The development of the special zones will get nowhere without the support of the interior. The method of finding out a single solution for diverse problems is extremely detrimental to the development of the special zones. It is necessary to establish relations to a certain extent with the interior in a planned way, and conclude agreements with other provinces and localities so as to obtain supply of nonstable foodstuffs and other materials from the interior. The export departments of foreign trade should also support the supply of the special zones as much as possible.

3) The special zones can make use of the joint ventures using Chinese and foreign investment and enterprises using independent foreign investment as schools for training cadres. They should train a technological force capable of mastering modern equipment and a number of backbone personnel in enterprise management in a planned way. If we have sufficient technological and managerial forces, we are sure to improve the competitiveness of the special zones on the international market. Second, after the turning out of this technological force, we are already in a position to gradually replace the foreign personnel in the enterprises and to support the other localities and make contributions to the four modernization drive.

4) The special zones should have socialist culture and education. Owing to the segregation of the special zones from the interior and the people in the special zones coming into contact with the capitalist culture from Hong Kong and Macau more frequently, this calls for the enhancement of the work of education. We must place emphasis not only on the economic construction of the special zones but also on the cultural construction of the zones. We must set up our own radio station and run our own newspapers and magazines, establish a complete set of educational establishments (from kindergartens to middle schools and vocational schools), and set up places for cultural recreation. Apart from being capable of going all out to develop the economy, the cadres in the special zones must have modern scientific know-how and acquire the skills to manage enterprises. They must manage to struggle against the corrosive influence of bourgeois ideas. If the cadres are not immunized from disease, they are apt to find themselves in the mire. Therefore it is an important task to do a good job in the fields of politics, culture and education of the special zones.

5) Apart from carrying on the construction of the basic infrastructure, it is necessary to do well the sanitation of the special zones. Now that the Shenzhen railway station is an international commercial bridge, a passage for the intercourse between the compatriots in the mainland and those from Hong Kong and Macau, we must take doing a good job of environmental sanitation as an important task.

The special economic zones are in their initial state. The policies and measures have not yet been implemented fully, the organizations have not been strengthened, the enactment of laws has not been perfected, and there is a lack of managerial experience. Therefore we should constantly sum up experience in practice and make them perfect step by step.

April, 1981

CSO: 4006/501

BRIEFS

EXHIBITION CENTER--Guangzhou, 11 Sep (XINHUA)--An exhibition center of foreign commodity samples opened this week at the former site of the Guangzhou Export Commodities Fair. More than 6,000 samples, including home electrical appliances, wristwatches, textiles, pottery, arts and crafts, hardware, foodstuffs and animal byproducts from 32 countries and regions are on display. The long-term exhibition center, operated by the Guangdong Provincial Foreign Trade Bureau, provides special counters and spaces for foreign firms and firms in Hong Kong and Macao. The services also include canvassing customers at home and abroad, offering advice on imports and exports, buying commodities samples and sponsoring meetings to exchange Chinese and foreign technology. [Text] [Beijing XINHUA in English 0743 GMT 11 Sep 81 OW]

CSO: 4020/253

EXPERIMENTS IN PIECEWORK WAGES AS MATERIAL INCENTIVE

Nanjing XINHUA RIBAO in Chinese 22 Jul 81 p 1

[Article by correspondents Yang Hanliang [2799 3352 5328] and Wang Yuzhang [3078 1342 1728]: "System of Piecework Wages as Reward for Above-Quota Production Tried Out by Plants in Changzhou"]

[Text] The economic committee, labor bureau, and finance bureau of Changzhou recently summed up the experiences in the experiment of a piecework wage system as a reward for above-quota production among a number of plants. This system was highly regarded as a form of economic responsibility system for industrial enterprises, and should be promoted among the units under suitable conditions.

The experiment began in the last quarter of 1980. At that time, 20 industrial enterprises were designated for the experiment, with nearly 10,000 workers and staff members trying out this wage system. To qualify for the experiment, these enterprises should be able to produce regularly, always have sufficient tasks on hand, turn out readily marketable goods of reliable quality under good management, and be given rational quotas. During the experiment, the system of piecework wages can be adopted by the enterprises as separate units or by their workshops, workteams, or work groups as small collectives when quotas have been fulfilled. It can also be adopted among the workers as individuals directly paid for piecework. Either of these forms can be chosen according to the enterprises' own operating conditions. There will be basic wages for fulfilling quotas, above-quota wages for above-quota production, and deduction of basic wages for failure to fulfill quotas. Quotas and unit prices should remain unchanged for a certain period, and there should be no limit to the earnings of the individual workers and staff members. Should there be any deterioration of quality, excessive consumption of raw materials or energy, or increase in production costs, the experiment will be suspended.

Experience over more than 6 months have shown many advantages for this system. First, the practice of "eating out of the same pot" has been changed, because this system embodies the principle of paying each according to his work. In the past, doing more work or less work made no difference in the awarding of bonuses. After the introduction of the system, there will be more pay for more work, less pay for less work, and different pay for different qualities of work. Last April, each person at the three production workshops and one spare-parts workshop of the Changzhou No 1 Radio Plant received an average of 8.89 yuan for above-quota wages. Among them, 103, or 29 percent, received from 10 to 20 yuan, while 24 of them or 6.7 percent, received from 20 to 30 yuan. The largest amount received was 36.41 yuan. Four persons had their wages deducted because of failure to fulfill the quota or irregular attendance. The total amount deducted from their basic wages was 14.16 yuan.

The practice of this wage system has linked individual income with production quotas and has further aroused the enthusiasm of the workers and staff members. Before the experimentation with this wage system, the spinning workshop of the Changzhou No 2 State Cotton Mill was understaffed and its production efficiency was low. After the introduction of this system, however, output increased, even though the number of personnel was reduced from 156 to 117. Formerly, 49 persons worked on the packing of finished products at the Dongfanghong Dyeing Plant in Changzhou. After the introduction of the piecework wage system, the number of workers was reduced by 10, but the task was completed as usual.

The new wage system experiment has also promoted the reform of enterprise management, because these units have generally improved their firsthand statistics and strengthened their overall quality control and overall economic accounting. After adopting this system, the Changzhou No 1 Garment Factory improved its quality-control apparatus, revised its plans for upgrading quality, and solved a number of key problems affecting the quality of its products. While increasing its output by a wide margin, it has also effectively raised the quality of its products and won prizes for its Lanling-brand men's shorts produced for the domestic market--first prize in the annual provincial evaluation and second prize in the annual national evaluation of garments. None of its export products has ever been rejected or returned.

The experimental units have also increased their comprehensive economic benefits. After practicing the piecework wage system, total industrial value for the first 5 months of this year exceeded that of the same period last year by 44.5 percent. Output of their four main products increased by 17.9-128 percent, production cost were 4-18 percent lower, and profits increased by 248,900 yuan. All economic indexes reached their highest levels in history, and the above-quota wages for the workers increased markedly.

9411
CSO: 4006/468

BRIEFS

JOBS FOR BEIJING YOUTHS--Since the beginning of 1981, Beijing municipality has created many new jobs for youths awaiting employment. Although jobs were arranged for more than 500,000 youths in the past 2 years, there is a greater demand for jobs this year. Moreover they are rather promising since leaders at all levels have attached great importance to it and various potentials have been exploited. The types of jobs which have been created include: 1) independent commercial and service trades to facilitate life in the local units; 2) domestic handicrafts work to overcome the problem of there being not enough space in plants to accommodate all workers and to provide more jobs for youths awaiting employment; and 3) commercial and service trades set up in places where people need them. [HK090939 Beijing City Service in Mandarin 2300 GMT 24 Aug 81]

HENAN YOUTH EMPLOYMENT WORK--Henan has vigorously developed collective enterprises. Over the past 4 years, they have provided jobs for more than 760,000 people awaiting employment in the urban areas, which amounted to 87 percent of the total number of people for whom jobs should be provided. For instance, in the first 7 months of this year, jobs were provided for more than 160,000 people. [HK161236 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 7 Sep 81]

ANHUI PRODUCTION SAFETY MEETING--The Anhui Provincial People's Government held a provincial conference on production safety in Hefei 1-5 September. The meeting called on industrial and transport departments throughout the province to take effective measures to protect the safety and health of workers and prevent accidents that can cause death or injuries. (Hu Xiaofeng), vice chairman of the provincial economic commission, relayed the guidelines of the national safety work conference. Vice governors Meng Jiaqin and Huang Yu made a work report and a concluding report respectively. [OW141516 Hefei Anhui Provincial Service in Mandarin 1100 GMT 11 Sep 81]

JILIN INCOME RECORDS--According to statistics compiled by the Agriculture Ministry in 1980, of the 343 prosperous counties in the country, which had surpassed 150 yuan of per capita income, six municipalities and counties across Jilin Province met standards. They are Jian, Wangqing, Changbai counties and Siping, Tumen and Yanji municipalities. The per capita income of Jian County was 153 yuan: Wangqing County, 160 yuan; Changbai County, 162 yuan; Siping Municipality, 181 yuan; Tumen Municipality, 204 yuan; and Yanji Municipality, 220 yuan. [SK140502 Changchun Jilin Provincial Service in Mandarin 2200 GMT 13 Sep 81]

CSO: 4006/504

TRANSPORTATION

BRIEFS

JIANGSU OCEAN SHIPPING--Jiangsu Province has rapidly developed ocean shipping. Since the establishment of the Jiangsu branch of the China Ocean Shipping Company in February last year, four oceangoing freighters totaling 21,900 dun have joined the service and shipped more than 170,000 dun of cargo, earning for the state $2.6 million in foreign exchange. Now most of the export goods from the Chang Jiang are shipped by these freighters to Hong Kong and Japan. This has lessened the burdens on the ports of Shanghai and Lianyungang. [OW180529 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 15 Sep 81]

CSO: 4006/504

GENERAL

UN CONFERENCE ADOPTS LDC ECONOMIC PROGRAM

OW151851 Beijing XINHUA in English 1830 GMT 15 Sep 81

[Text] Paris, 14 September (XINHUA)--A programme of action to support the 31 least developed countries in the world to achieve rapid economic development was approved at the end of the United Nations conference on the least developed countries here yesterday.

Entitled "Substantial New Programme of Action for the 1980's for the Lease Developed Countries," it declares that the objective of the programme is "to transform their economies toward self-sustained development and enable them to provide at least internationally accepted minimum standards of nutrition, health, housing and education as well as job opportunities to all their citizens, and particularly to the rural and urban poor."

The programme reaffirms that "urgent actions should be taken by all the members of the international community to end without delay colonialism, imperialism, neo-colonialism, interference in internal affairs, apartheid, racial discrimination, hegemony, expansionism and all forms of foreign aggression and occupation, which constitute major obstacles to the economic emancipation and development of the developing countries."

The programme says that during the 1980's every effort must be made to implement programmes and projects which will enable each least developed country to increase its national income substantially, doubling it by 1990 as compared to the level reached in the late 1970's, which would require an annual growth rate of 7.2 percent.

It also says that in the agricultural sector, least developed countries must aim to move towards and if possible surpass the 4 percent annual target so that food production in each country increases faster than population growth. Concerning manufacturing, the least developed countries should aim to increase their rate of manufacturing growth to an over-all annual growth of 9 percent or more.

The programme notes that the least developed countries should give top priority to agricultural production. In the meantime, forestry, fisheries and livestock breeding should also be developed, and high priority should be given to comprehensive and integrated rural development.

Regarding the human resource, the programme says that efforts should be made in the least developed countries during the 1980's for reducing the absolute numbers of illiterates and out-of-school children. These countries should aim at making primary education free and compulsory by 1990 at the latest. Vocational training must also be developed so as to respond to the requirements of the economy. It also calls for taking appropriate measures for family planning and population control.

On international aid for the least developed countries, the programme says that to achieve the objectives of the programme of action, the international community, particularly the developed countries, must increase their financial and technological aid and grant preferential treatment in trade for the least developed countries.

The programme says that the preferential aid for the least developed countries to be provided by the international community, particularly the developed countries should by 1990 reach 24 billion U.S. dollars (at 1980 price) or four times the level in late 1970's.

The programme emphasizes the necessity of a substnatial increase in Official Development Assistance (ODA). "Most donors of ODA will devote in the coming years 0.15 percent of their GNP to the least developed countries. Others will double their ODA to the least developed countries in the same period."

The programme says that the donor countries and institutions should "provide, as a general rule, assistance to the least developed countries as grants, provide loans mutually agreed upon on highly concessional terms."

In order to aid the establishment of food security in the least developed countries, the programme demands the conclusion of a new international wheat agreement and the actual establishment of a 500,000 tonnes international emergency food reserve.

To ensure full implementation of the programme, the programme points out that a mid-term global review of progress towards the implementation of the programme should be undertaken in 1985. It will also readjust as appropriate the programme of action for the second half of the decade.

CSO: 4020/253

BRIEFS

ZHEJIANG ANTISMUGGLING PATROLS--In the past 6 months and more, the 1st maritime anti-smuggling detachment of Wenzhou Prefecture has caught 24 smuggling vessels and confiscated smuggled goods worth more than 4.7 million yuan. Some smuggling trades were conducted between motor junks from Zhejiang coastal areas and steamships from Taiwan. The smuggled goods included watches and piece goods. [OW180943 Hangzhou ZHEJIANG RIBAO in Chinese 7 Sep 81 p 1]

HEILONGJIANG SMUGGLING CASE--The Harbin customs office, Heilongjiang Province, recently cracked a smuggling case, confiscating smuggled goods worth 150,000 yuan and imposing a 30,000 yuan fine on a native of Guangdong Province. The Harbin radio equipment supply station, which illegally sold smuggled goods, was fined 9,000 yuan. [SK150959 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 14 Sep 81]

CSO: 4006/504

BRIEFS

TAIWAN'S ECONOMIC GROWTH--The economic growth rate of the Republic of China stood at 5.32 percent during the first half of this year. It is expected to reach 5.78 percent in the third quarter, according to statistics the Directorate General of Budget, Accounting and Statistics [DGBAS] released Wednesday. The DGBAS said that the third quarter estimate was made before the flood disaster on 2 September. However, the flood disaster will make only small impact on economic growth here. The Executive Yuan's Council for Economic Planning and Development (CEPD) held a meeting Wednesday, hearing DGBAS reports on the economic growth for the first half and the third quarter of this year. The DGBAS said that economic growth was 5.01 percent in the first quarter, and rebounded to 5.63 percent in the second quarter. Because the U.S. dollar has a trend of moving upward, the Central Bank of China then readjusted the foreign exchange rates in mid-August, thus reviving export sales and agricultural and industrial production. As a result, third quarter growth is expected to move upward to 5.78 percent. [Text] [OW180148 Taipei CHINA POST in English 11 Sep 81 p 10]

CSO: 4020/252

END

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China Report

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NATIONAL POLICY AND ISSUES

MORE SCIENTIFIC FORMULATION OF MACROECONOMIC POLICY URGED

HK230204 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 81 pp 17-20

[Article by Sun Xiaoliang [1327 2400 5382]: "How Economic Leadership Departments Can Make Their Macroeconomic Policy Formulation More Scientific"--passages enclosed in slantlines printed in boldface]

[Text] (I) An important lesson from the experience of Economic Construction

Over the past 31 years, our country's total output value has grown very rapidly. Except for a few years, the annual growth rate always stayed above 7 percent. The accumulation rate was also very high, reaching around 30 percent in the majority of these 31 years. However, we did not achieve the desired economic results. Only 69 percent of the total investment was converted into fixed assets. Only 46 percent of it has genuinely played a role in the economy. The standard of living of the masses of people has not been improved to the desired extent. Huge amounts of capital funds have been wasted or have been tied up because of overstocking.

There are many reasons for this situation. An important lesson from our experience is that our macroeconomic policy formulation was unscientific. This was reflected, in practice, in the formulation of unrealistic principles and policies, the lack of a scientific basis in formulating construction plans, the issuing of arbitrary and impracticable directions, and so on.

Examples of unrealistic principles and policies include the continuous promotion of production relations to higher levels, causing them to surpass the level of development of the productive forces; principles that violated the laws governing socialized large-scale production, such as principles requiring each province to become a self-contained economic system, requiring each locality to produce a balanced assortment of materials and to make available complete sets of equipment, and so on; slogans such as putting an end to the situation of having to transport coal from the north to the south, and so on; policies concerning the use of fuel, such as switching from coal to oil and then later inconsistently switching from oil to coal, and so on; and so forth.

Examples of the lack of a scientific basis in formulating construction plans include the following: The 10-year plan stipulating the building of 120 major projects was put forth before the possibility of making the funds available was calculated. Imports were made on a massive scale before the availability of foreign exchange was ensured, so with regard to some imported items, though contracts had been signed, their implementation had to be postponed or the contracts had to be amended because of a lack of funds. The project of "supplying Sichuan's natural gas to other provinces" was decided upon before the natural gas reserve was cearly ascertained, so that the project had to be discontinued halfway because of the inadequate reserve. Numerous major projects were started before raw materials, motive power or complete sets of equipment were available. Some completed projects incurred losses right from the time they went into operation.

In our economic life, there have also been numerous instances of issuing arbitrary and impracticable directions. Sometimes, major economic policies were formulated on the basis of some "tendencies" or of some leaders' feelings. When the call for developing the iron and steel industry on a massive scale was issued, several hundred thousand people were directed into this effort; everywhere primitive blast furnaces were set up; trees were cut down when coal was not available; in many regions, highly valuable forestry resources were destroyed; and consequently money and manpower were wasted, with the losses being greater than the gains. When the slogan of "do away with the dictatorship of rules and regulations" was put forth, all enterprises were put under lower administrative levels. Some enterprises which provided services on a nationwide scale were also put under county authorities. The consequence was chaos in economic life over a period of time. To develop a dozen or more daqings was merely casual talk, but this turned out to be the basis for formulating plans for opening up oilfields.

These ways of formulating macroeconomic policy, which were unscientific or even contrary to science, resulted in losses, some of which are incalculable. Therefore, we must make our macroeconomic policy formulation more scientific; that is, we must make it compatible with the objective reality and economic laws, and we must have an accurate numerical basis and must perform quantitative analysis. If this problem remains unsolved, the national economic proportional relations will be disrupted again even if they have been readjusted, and the economy will not be markedly improved.

(II) The Importance of This Problem

The problem of making macroeconomic policy formulation more scientific is an extremely important problem, rather than being an ordinary one. It affects the future and destiny of the planned economy. It is connected with whether the superiority of the socialist system can be brought into play, and whether the system of ownership by the whole people will degenerate.

The founders of scientific socialism clearly stated that the basic contradiction in the capitalist system is that between the socialization of production and the private ownership of the means of production. The forms of expression of this basic contradiction are the class antagonism between the proletariat and the bourgeoisie, as well as the anarchic state of social production. This contradiction can be radically resolved through the seizure of public authority by means of the proletarian revolution, and the exercise of this authority to make possible the social ownership of the means of production, to free the means of production from their subordination to capital, and to acknowledge their social nature. On the basis of public ownership, the anarchic state of social production must give way to regulation by planning mechanism, and social labor time must be consciously allocated according to proportions among various categories of production, so that the development of the productive forces can be promoted. [HK230230] This is an important manifestation of the superiority of the socialist system. However, the goal of proportionate development can be attained only with scientific centralized social planning. Bitter experiences at home and abroad have proved that unscientific centralized social planning will only lead to the artificial disruption of proportional relations. Moreover, the consequences of disrupting the proportional relations "in a planned way" are much more serious than those of the spontaneous disruption of the proportional relations. Precisely because of this, although we have instituted the public ownership of the means of production and have adopted the planned economy, the superiority of the socialist system has not been fully brought into play because the formulation of many macroeconomic policies has been unscientific.

To demonstrate the vitality of the planned economy, we must not rely mainly on "theoretically explaining" its superiority. Instead, we must "prove" its superiority "through practice." If our planning is unrealistic, violates economic laws, is marked by the lack of accurate data as its basis, and is effected through the "invention of ideas" by a minority of people, then the reputation of the planned economy will certainly be tarnished, and its prestige will certainly be damaged. The First Five-Year Plan was rather satisfactory. It really effectively guided our national economic development and enabled people to realize the superiority of the planned economy. However, late on, for one thing, attempts were made to continuously widen the scope of planning and increase the contents of our plans, so that our work load was divorced from our actual capabilities and standards. For another thing, the setting of high targets and the issuing of arbitrary and impracticable directions gradually became dominant, and criticisms were continually launched against right conservatism and the passive maintenance of equilibrium; and consequently, our planning became less and less scientific. If things continue like this, the prestige of the planned economy among the people of the world will be utterly destroyed, and the planned economy will be deprived of its vitality.

Unrealistic policy formulation, unscientific planning for construction and issuing arbitrary and impracticable directions, actually amount to the degeneration of the system of ownership by the whole people. In our country, such ownership is realized through the ownership of the means of production by the state in the name of the people. Real life experience tells us that when our state organs formulate economic policies, there may be two categories of possible results with regard to whether such policies represent the common will and interests of all of the people. When the economic policies formulated by the state are scientific, the implementation of such policies inevitably promotes our national economic development. This amounts to representing the people's common will and interests, and the realization of ownership by all of the people. When the economic policies formulated by the state are unscientific, the implementation of such policies inevitably lead to hugh losses and waste. This is against the common will and interests of all the people. However, the laborers are incapable of doing anything about it. Therefore, this actually amounts to the disintegration of ownership by all of the people.

Thus, from whichever point of view, we should not consider the problem of making macroeconomic policy formulation more scientific as an ordinary or minor problem.

(III) How To Make Macroeconomic Policy Formulation More Scientific

The major requirement is that we must eliminate the influence of "leftist" ideology in economic work. An increasingly large number of comrades are beginning to realize this point, and are effectively performing work in this respect. The power of economic policy formulation must be linked to the responsibility for the consequences of implementing economic policies. We must put an end to the situation in which the subjectivist issuing of arbitrary and impracticable directions causes losses to the state amounting to hundreds of millions of yuan, and the policymakers shoulder no responsibility for these economic consequences. Aside from these two methods, we must, by reforming our economic management systems, make our methods of organization and our systems capable of ensuring more scientific macroeconomic policy formulation.

We must not believe that the reform of our economic management system merely amounts to expanding the enterprises' decisionmaking power. When the enterprises' decisionmaking power is expanded and microeconomic activity is promoted, there will be an urgent need to strengthen guidance by planning. The formulation of plans must be scientific, and the means of guidance must be powerful, so that the conscious and proportionate development of the entire national economy can be ensured. To achieve this, we should include at least the following three elements in the reform of our economic management system. (1) The enterprises under the ownership of the whole people should "be subjected to ownership by the whole people, practice independent accounting, and assume sole responsibility for their profits and losses," so that the power to run the enterprises independently, and an internal motive force that promotes continuous improvements in management and operations will be available. (2) We must reform the functional, organizational and personnel structures of government departments in charge of economic management, so that macroeconomic policy formulation can be made more scientific. (3) We must reform and perfect the agencies of economic regulation, and flexibly employ various means of regulation, so that a "bridge" can be established between the state's macroeconomic policy formulation and the enterprises' microeconomic policy formulation. [HK230312] If these three categories of reform are carried out, then the enterprises' and the workers' enthusiasm, initiative and creativity can be brought into play, and microeconomic results will be improved; and moreover, proportionate national economic development can be consciously maintained, so that macroeconomic results will be ensured.

A rather popular view holds that if the enterprises assume sole responsibility for their profits and losses, then the government departments at various levels responsible for economic management can be combined or abolished. Actually, things are quite far from being so simple. When the enterprises have been assigned greater decisionmaking power, not only must the government departments responsible for economic management use a new set of methods to guide economic activities so as to ensure the achievement of overall equilibrium, but macroeconomic policy making must really become scientific. This is a very arduous task. Therefore, for the economic management departments of the state, reform is not merely a matter of simplification, combination and abolition, but amounts to a series of structural reforms.

/First, the functional structure must be reformed./ At present, our government departments responsible for economic management are actually performing two categories of functions. First, they study and formulate principles, policies and plans concerning national economic development. Generally speaking, this function lies within the scope of macroeconomic policy formulation. Second, they organize and direct the enterprises' activities in production, supply and marketing. Generally speaking, this belongs to the scope of microeconomic policy making. At present, a large proportion of their time and efforts are actually used to organize the enterprises' production, supply and marketing activities. The work of studying and formulation principles, policies and development plans is done in a very crude manner. With the assumption of sole responsibility for profits and losses by the enterprises and the assigning of microeconomic decisionmaking power to the enterprises, this functional structure must undergo a major reform. With the implementation of the reform, the economic management departments will inevitably have to do some work in coordinating production, supply and marketing, but their main function and key task will be macroeconomic policy formulation, to which they must devote the greater proportion of their time.

/Second, we must reform the organizational structure./ At present, our government departments responsible for economic management actually consist of two categories of organizations. The first category are organs of power, which are mainly responsible for organizing, directing and controlling production, distributing funds and material resources, deciding upon construction projects, and so on. The second category are advisory bodies, which are mainly responsible for making investigations about and studying principles and policies, compiling and analyzing information, studying development plans, designing schemes for policy formulation, and so on. Judging from present circumstances, specialized advisory bodies are too few. Their work is mostly concurrently performed by organs of power, so that it is very difficult to perform such work meticulously and to a great depth. Our past mistakes of various types of macroeconomic policy formulation were to a great extent due to the underdevelopment of such advisory bodies. The formulation of an economic policy generally involves three "subprocesses." First, we must compile adequate and accurate data, some of which may be collected for a short period of time, but most must be collected on an annual basis. If we do not compile and analyze information in this way, it will be impossible for us to formulate our policies on a scientific basis. The second stage is to design schemes for policy formulation. On the basis of mastering and analyzing an adequate amount of information, we must design a number of schemes for policy formulation, analyze the feasibility of these schemes, and clearly know the advantages of each. This requires a great deal of expert knowledge and a large number of qualified specialists. The last stage is to select the right policy. The person or group responsible for decisionmaking will choose one from a number of schemes presented for implementation. That is, he or they will "have the final say." The first two stages involve a great deal of work which cannot be performed by a policymaker or a number of policymakers, but must be done by advisory bodies. Without those bodies which are essential for compiling information and designing schemes for policy formulation, the policymakers will not have any accurate data, any quantitative analysis findings, or a number of schemes to compare and select from, as was the case of "supplying Sichuan's natural gas to other provinces." Under these circumstances, even if the policymakers are technical experts, it will be very difficult for them to formulate scientific policies, even after repeated group discussions. The reason is very simple. They lack the requisite basis for scientific policy formulation. Therefore, with the expansion of the enterprises' decisionmaking power, the organs of power should be simplified, combined or abolished, while the advisory bodies should be increased and strengthened. We must also establish, as quickly as possible, certain bodies which have not been established, such as an overall national economic planning department, whose establishment has been repeatedly proposed by Comrade Qian Xuesen.

[HK230340] /Third, we must reform the personnel structure./ The need for reforming the personnel structure arises from the reform of the functional and organizational structures. On one hand, with the vanishing of the function of organizing and directing production, supplying and marketing activities, and with the decrease in the number of organizations, the size of the contingent of personnel will inevitably be correspondingly greatly reduced. On the other hand, with the rising need for scientific macroeconomic policy formulation, and with the strengthening of advisory bodies, there must be a great increase in the number of people needed for the satisfactory formulation of macroeconomic policies, such as experts in social engineering and systems engineering, mathematicians, statisticians, economic management experts, and so on. Such is the reform in the personnel structure of the state's economic management departments.

Abstract reasoning invariably does not leave such a deep impression as concrete facts do. Because at present, people have not adequately paid attention to this issue, it is necessary to introduce here some relevant circumstances in Hungary. Not long ago, some personnel of Hungary's Central Statistical Bureau told the comrades of our country's observation group that subsequent to their economic reform, the work of their statistical bureau changed greatly and they began to pay greater attention to analyzing major problems; for example, analyzing and studying the effects of various regulatory means on the economy, studying how net income can be optimally distributed between the state and the enterprises, studying the enterprises' wages funds and their relationship with the accomplishment of tasks, and so on. Every year, the bureau conducts a family livelihood survey of 2,300 families of various types, such as those of workers, peasants, mental workers, retired persons, and so on. It analyzes facts related to their income and consumption, and also changes in their consumption pattern. A special research office under the statistical bureau is responsible for making forecasts, three times a year. Once every 2 years, the bureau prepares an input-output table providing information about 30 sectors, and once every 3 to 5 years, it prepares another such table concerning 100 sectors. Some 1,000 people of the statistical bureau, or approximately 7,000 people if those belonging to local statistical departments are included, are involved in the carrying out of these tasks.

What we have described is just a small part of the work which must be done to do a good job of macroeconomic policy formulation. However, we can see from this that making macroeconomic policy formulation more scientific cannot depend on our wish alone; it requires us to do a great deal of arduous and meticulous work. The agencies and personnel of our existing economic management departments are incapable of meeting the needs. Not to mention the issuing or arbitrary and impracticable directions, marked by "great determination with little knowledge of the situation," our government bodies and personnel are probably incapable of doing a good job of scientific economic policy formulation. Last year, several mathematicians proposed using the scientific method of input-output tables to achieve a satisfactory comprehensive national economic equilibrium. According to our knowledge, some foreign friends have also put forth similar ideas. This is really necessary in the light of the requirements of making economic policymaking more scientific. However, this is not feasible in the light of the foundation of our work and other objective conditions. The way out is to reform the functional, organizational and personnel structures of our economic management departments, so that conditions will be created for the attainment of this goal.

CSO: 4006/1

NATIONAL POLICY AND ISSUES

RECLASSIFICATION OF BRANCHES OF NATIONAL ECONOMY NEEDED

Beijing TONGJI [STATISTICS] in Chinese No 2, 10 Jun 81 pp 35-37

[Article by Li Huihong [2621 1863 1347]: "Some Views on the Classification of Branches of Our National Economy"]

[Text] Since 1955, China has been classifying the branches of the national economy for planning and statistical purposes. Under the present conditions, the classification is not quite scientific and should be revised. Our country is now working out its Sixth Five-Year Plan and some long-range plans, and it has decided to start the third national census on 1 July 1982. Many data will be sorted out according to the different branches of the national economy; therefore, a timely revision of the classification of the branches of our national economy is urgently needed. How will the revision be carried out? Here are some of my personal views, offered for reference and study, on some related problems.

I. System Used as Basis for Revision of Classification

In Western countries, classification of the branches of the national economy is called "classification of production in all economic activities" (translated as classification of production or classification of trades). Bourgeois economists hold that all remunerative economic activities are productive as components of social production. On this basis, they divide the structure of production into three different parts:

Primary production--consisting mainly of agriculture, which includes animal husbandry, forestry, fishery, and hunting.

Secondary production--consisting mainly of manufacturing trades, also including mining.

Tertiary production--also called production of a service nature, including construction, transportation, communications, commerce, banking, professional services, administration, and the practice of law.

This method of classification is consistent with the requirements of human life, the division of social work, and the development of economic activities. However, the contents of the tertiary production as so classified have been constantly revised in Western countries. In Japan, for example, the construction trades have been taken out of tertiary production and listed among mining and manufacturing under secondary production. Simon Kuzmetz, a U.S. economist, has classified communications, transportation, and the supply of electricity, gas, and water as secondary production. In India, "mining including extraction of ores and tunneling" is included in primary production. From this, we can see that although the methods of classification used by Western countries are generally the same, a unified method of classification is still lacking, and the demarcation between the different categories is not clearly defined. The "Standard International Classification of Trades" set up by the United Nations does not insist on a unified standard of classification by all countries, as long as the small branches of different categories can be reconciled.

The method of classifying national economic branches adopted in the Soviet Union and the member nations of CEMA in Eastern Europe is called the Eastern System; in it, all trades and professions are divided into two major sectors--the material-production sector and the nonmaterial-production sector. The Soviet classification of national economic branches is as follows:

I. Material-Production Sector: (1) Industry; (2) Agriculture; (3) Forestry; (4) Transportation; (5) Posts and telecommunications; (6) Construction; (7) Commerce; (8) Public catering service; (9) Supply of material and technical services, marketing, and procurement.

II. Nonmaterial-Production Sector: (1) Housing, public utility and daily community service; (2) Public health, sports, and social security; (3) Education; (4) Culture; (5) The arts; (6) Science and scientific services; (7) Credit and national insurance; (8) State and economic management organizations.

According to Marxist theories of political economy, the production of materials under any social system is the foundation of the existence and development of human society. Material production means the production of capital goods and consumer goods required by human society. The sum total of products from all material-production sectors forms the total social product. There must be an accurate demarcation between the material-production sector and the nonmaterial-production sector in the national economy before we can study the relationship between the accumulation and consumption of national income and the relationship between distribution and redistribution in the course of social reproduction, and also before we can study the relationship and ratio of exchange between the first and the second category within the realm of material production and the determine the speed and scope of expanded social reproduction. Therefore, it is my opinion that the three different types of production as classified by Western countries have the following defects:

First, the lack of a concept of difference between material-production sectors and nonmaterial-production sectors. Primary production and secondary production in the West come under the material-production sector, while tertiary production belongs mainly to the nonmaterial-production sector. Yet, tertiary production includes construction, transportation, communications, commerce, catering, and the supply of electricity, gas, and water--some of which belong to the material-production sector. Certain exceptions may be found in the branches or subbranches of the sector, but such exceptions are rare or in some cases nonexistent.

Second, the lack of demarcation between industry and agriculture. Demarcation between industry and agriculture is of great significance for an analytical study of the process of social reproduction. The process of production and reproduction in agriculture, forestry, and fishery goes hand in hand with the natural growth and propagation of animals and plants. The end of growth and propagation for animals and plants in natural life marks the beginning of their involvement in industry. In the sense of production, ocean fishing, lumbering and other forms of exploitation of natural resources are, like mining, under the category of industry. Yet Western countries and the United Nations list them under the category of agriculture, forestry, and fishery, while some countries place mining on the same footing with agriculture, to be classified as primary production, thus blurring the demarcation and relationship between industry and agriculture.

Third, the lack of a complete and independent industrial concept, although, according to the Western method of demarcation, industry is an important sector in the sphere of material production. Sometimes, Western countries view processing industries in the same light as they do mining, while supply of electricity, gas, and water is included in tertiary production. Sometimes, mining is detached from industry and classified as primary production along with agriculture, forestry, and fishery; sometimes, construction, transportation, and communications are associated with mining and the processing industry, to be included in secondary production. There seems to be no end to the confusion.

Finally, it may be pointed out that although the nonmaterial-production sector does not produce material objects, the labor involved is necessary in a socialist society as well as the overwhelming majority of a capitalist society. It shows the enrichment and improvement of people's cultural and material life as a result of higher social labor productivity. In a modern society, the major branches of the nonmaterial-production sector should be singled out for separate study. However, these departments are only loosely defined in Western countries. According to the standard classification by the United Nations, the entire nonmaterial-production sector is divided into only two departments: government, society and personal services; and banking, insurance, real estate, and business services. This method of classification is unsuitable for studies of the development of culture and the promotion of welfare in society.

Classification of the branches of the national economy has to do with the reflection of the composition of social production and the process of social reproduction at the present stage, and not with the reflection of the social structure from social production development in the past. Therefore it is my opinion that in revising the classification of the branches of our national economy, we should basically adopt the Eastern System, while at the same time making use of certain strongpoints in the Western method. Classification of the branches for statistical purposes should be identical to what is used for planning purposes. Both the statistical and the planning departments should put their heads together in handling problems and study in order to arrive at a satisfactory balance of the national economy.

II. How To Revise the Classification of the Branches of Our National Economy

In 1957, there were nine major branches of our national economy. In 1979, after the National Science Conference, the number of branches was increased to 10: (1) Industry; (2) Construction and material resources prospecting; (3) Agriculture, water conservancy, and meteorology; (4) Communications, transportation, and posts and telecommunications; (5) Commerce, catering, service trades, and the supply and marketing of materials; (6) Public utilities in the cities; (7) Scientific research; (8) Culture, education, public health, and social welfare (9) Banking; (10) State organs and mass organizations.

This method of classification, basically a form of the Eastern System, has the following defects:

First, the lack of a clear demarcation between material-production and nonmaterial-production sectors. For example, the service trades of nonmaterial production, the catering trades of material production, and commerce, which is a continuation of the material production process, are all included in one department. Water conservancy and meteorology in the nonmaterial-production sector, and agriculture and forestry in the material-production sector, are all included in one department. And so forth.

Second, the lack of a clear demarcation between industry and agriculture. For example, industry run by production brigades in the countryside has the characteristics of industrial production, and the vast majority of such industries have the three basic qualifications of industrial production units. Yet they are included in agriculture instead of in industry. Ocean and sea fishing are included in agriculture, although they also belong to industry. The demarcation is not clear.

Third, confusion in affiliation. Many branches of our national economy are now classified according to the nature of each social economic unit. However, according to many regulations, there are also others classified according to administrative control. Hence the confusion.

As to the revision of classification, here are my initial views:

First, all trades and professions of the national economy should be classified as either material production or nonmaterial production. There should be no confusion between them.

Second, in social production and activities, all units and their affiliated sections should be classified according to the common traits of the economic units in the social division of work, instead of the administrative systems to which these units belong.

Third, mining, lumbering, and ocean fishing, though under the category of industry, are different from processing industry. We should adopt the strongpoint of the West and classify these industries as major independent branches, instead of mixing them up with the processing industry.

Fourth, there should be a clear demarcation between industry and agriculture. Production brigade-run industries in the countryside should be under the category of industry instead of under agriculture.

Fifth, study and investigation should be conducted on each department of the nonmaterial-production sector, and the demarcation between different departments should not be too loose. At present, there is an urgent need in our country to develop housing, public utilities, daily community services, education, and scientific research. Suitable departments should be created for each of these undertakings.

Sixth, bearing in mind the above principles, we should note the old methods used in our country as well as the foreign methods of classification, while working out our new method of classification.

Based on the above views, the new method of classification of the branches of the national economy will be tentatively as follows:

A. The material-production sector will include:

1. Agriculture, forestry, and the breeding of maritime products.

2. Industry (including brigade-run industry in the countryside): (1) Mining, quarrying, and gathering of natural resources (including lumbering and ocean fishing); (2) electricity, gas, and water supply; (3) processing and manufacturing.

3. Construction.

4. Transportation, storage, and communications.

5. Commerce and catering.

6. Supply of material and technological services, marketing, and procurement.

B. The nonmaterial-production sector will include:

1. Housing, public utilities, and daily community services (including hotel business).

2. Public health, sports, and social security.

3. Education, culture, and the arts.

4. Scientific research and scientific services.

5. Credit and insurance.

6. State organs and mass organizations.

III. Demarcation Between Units According to Classification of National Economic Branches

Which social economic units should be used as the basis for classifying the branches of national economy? This should be determined by the objective of the classification.

Enterprises and establishments with independent accounting and the independent administrative units are the embodiment of social economic activities at the basic level. These units naturally become the basis for computing national income, studying the balance between consumption and accumulation, and distribution and redistribution in the national economy. Therefore, to meet the requirements for study of a national economic balance, it should be proper to take the basic-level enterprises and establishments with independent accounting and the independent administrative units as the basic units in the classification of national economic branches.

Integrated enterprises, companies, and general plants are enterprises and establishments with independent or semi-independent accounting. Therefore, they usually produce goods of different industrial categories. Large integrated enterprises, companies, and general plants are themselves large business administrative organs, and their affiliated plants, mines, enterprises, and establishments with independent accounting should be included in different national economic branches or categories according to their own characteristics. For example, mines should be included in the mining trade; chemical-industrial plants should be included in the chemical industry; cement plants should be included in the construction material industry; hospitals should be included in public health; and so forth. There are some fairly large units in integrated enterprises, companies, or general plants, and these units do not enjoy independent or semi-independent accounting. The method of classifying these units should be studied further.

Many enterprises and establishments in our country are performing the functions of social service organs, as evidenced by the appearance of mess halls, schools, medical centers, and guesthouses run by plants. How to classify these units? One way is to classify them in the same way that the enterprises or establishments to which they belong are classified, provided these units do not enjoy independent accounting. As an alternative, we can classify them as different trades and undertakings according to the nature of the social service they offer. But which is the better way? This question can be answered only after further study.

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MEASURES FOR IMPROVING STATISTICAL WORK PROPOSED

Beijing TONGJI [STATISTICS] in Chinese No 2, 10 Jun 81 pp 28-30

[Article by Fu Kang [0265 1660] and Song Ying [1345 3841]: "Some Views on Doing a Good Job in Present Social Statistical Work"]

[Text] Social statistics is an important component of social economic statistics. The scope of social statistics is fairly broad, and the question as to the different fields it covers should be studied carefully. Under our present statistical system, social statistics should deal with population, family planning, the labor force, labor productivity, wages and fringe benefits, scientific research, culture, cultural relics, education, public health, publications, radiobroadcasting, sports, and the environment. To serve the policies of further economic readjustment and political stability and unity, and to facilitate the planning of economic and social development, the work of social statistics should be greatly strengthened. Based on the present statistical system, the following views are offered on how to improve social statistical work.

I

Population statistics means an enumeration of the population with details as to its composition, its geographical distribution, and its tendency to increase or decrease. These population statistics figures are an important indication of conditions in and the potential of a country, as well as an important basis for national planning on production, consumption, culture, education, and public health. For example, population figures can be used as the basis for working out per capita consumption, the average number of students in school or the [number of] hospital beds for every 10,000 people, the average amount of floorspace for the population, and so forth. Ours is a socialist country; every plan, policy, and measure worked out should reflect the fundamental interests of the working people, and all action and planning should be based on the fact that we have a population of nearly 1 billion. To improve the people's material and cultural life, the state should also treat the control of population growth in a planned way and as a long-term strategic task. Therefore, whether or not we can do a good job in population statistical work has a close bearing on the formulation of our plans and policies. Furthermore, ours is a populous country, and our population amounts to a quarter of the world's population. Therefore, our population figures are also a matter of concern for the whole world.

At present, our population statistics are still far short of requirements at home and abroad. That is why the Central CCP Committee and the State Council have decided to conduct a third national census. This census will be more complicated than those conducted in 1953 and 1964, and electronic computers will be required to work out the final results. There are more than 200 million households with nearly 1 billion people throughout the country. A door-to-door investigation or a complete registration of every individual will involve a tremendous amount of organization, investigation, and technical measures. Therefore it is necessary for leading organs to be set up at every level for the general census, and the statistics departments and the departments concerned should pool their resources to accomplish this arduous task. First, general census organs should be set up and adequately staffed at the provincial level, with particular attention being paid to trial spots. Electronic computer centers should be quickly set up along with the training of personnel.

While conducting the general census, we should continue the careful handling of our regular work on population statistics. Along with the progress of the national economic readjustment and the work of family planning, it is particularly important for us to keep abreast of the changes in the size of our population. In compiling regular population statistics, we should particularly stress the need to seek truth from facts and to report the figures of births and deaths truthfully. We must not exaggerate the achievement of family planning by falsifying reports on the number of births. In the present population report forms, the methods for computing certain items, such as the method to distinguish the agricultural from the nonagricultural population, are not quite rational. They should be further revised after research.

II

Statistics on labor power mainly include the number of employed and unemployed people in society. Laborers are the creators of social wealth, and a comprehensive, timely, and accurate report on the number of employed and unemployed people in society constitutes important data for the state in working out its labor policy and in formulating and studying its labor planning. Statistics in this aspect are particularly important during the present national economic readjustment, for the following reasons:

1. We have a large population and very rich manpower resources. Despite the great achievement in providing jobs over the past 4 years, there are still many people in 1981 who are awaiting employment in the cities, in addition to the school graduates and the soldiers returning to civilian life. The task of placement is therefore still very arduous. Further economic readjustment in 1981 calls for the drastic curtailment of capital construction projects and the "closure, suspension, amalgamation, and conversion" of some enterprises; a number of workers and staff members have to be relocated, thus adding to the burden of placement. That is why the leadership at various levels requests the statistics departments to supply regular and timely information on the question of employment and its development.

2. Both socialist and capitalist societies like to see a certain ratio in the distribution of labor and the means of production among the different branches of the national economy. For more than 10 years, the distribution of the labor force has been largely affected by an irrational economic structure, and thus it has not been able to be carried out in a planned and proportionate way according to the

objective requirements of socialist production. This has resulted in disharmony in the composition of the labor force among different departments and within each department. This has to a certain extent adversely affected the development of agriculture and light industry and the improvement of living conditions of the urban and rural population, and has given rise to overstaffing in some trades and undertakings and a lack of personnel to attend to certain jobs in others. To meet the requirements of the four modernizations, the party and state are now actively carrying out a further readjustment of the economic structure, in addition to providing jobs for many people. There will be great changes in the distribution of the labor force among different localities, between cities and the countryside and the different systems of ownership as well as among different sectors of the national economy. It will be necessary for us to report and study these changes and the inherent problems in good time.

3. Of the nearly 1 billion people in our country, some 800 million are living in the countryside, with some 300 million engaged in agriculture. Along with the natural growth of the rural population, and particularly with the transformation of agricultural techniques and the implementation of various economic policies in the countryside, more of the labor force will gradually be displaced from agricultural production. Our party has attached great importance to this matter and has introduced policies and measures for developing multiple undertakings in the countryside and for selectively building small towns. The agricultural labor force will then gradually be shifted to nonagricultural undertakings as an inevitable trend. As a prerequisite, however, there must be sufficient manpower left and a large increase in labor productivity for agriculture. Therefore, the question as to when, under what conditions, on what scale, and at what speed this shift should take place must be carefully studied, with the aid of prompt statistical information.

We have already set up separate systems of monthly, quarterly, and annual reports on the number of workers and staff members in units owned by the whole people and by the collectives in cities as well as units of other economic systems, in addition to the system of annual reports among the people's communes in the countryside. Furthermore, labor departments have compiled quarterly statistics on the disposition of people awaiting jobs in the cities and towns. Now, on the basis of highly informative statistics on various types of professional manpower, we should further improve statistics on the comprehensive balance of the labor force and provide facilities for the trial compilation of a balance sheet for labor and its distribution, to be used in studying the use and potential of the social labor force. This will keep us informed of the utilization and distribution of workers between productive and nonproductive departments, within each department, and among various districts, urban and rural areas, and the different systems of ownership. At the same time, prompt reports should be made periodically, particularly as to the increase or decrease of workers and staff members under the systems of ownership by the whole people and by the collectives, in order to help with investigations into the implementation of labor planning and to reflect the increase in job opportunities. It is also necessary to carefully study the placement of workers and staff members of enterprises that have been closed, suspended, amalgamated, and converted in the current year and to find out how work in this connection has progressed, what has become of these workers and staff members, and how their wages are being paid. We should also study the utilization of the labor force in existing enterprises and the economic results. If possible, we should conduct more typical investigations to keep ourselves informed of any problems in the disposition of manpower and of the influx of labor from the countryside into the cities.

Labor force statistics are broad in scope and involve many factors, complex standards, and important policy issues. There are still many problems, such as the absence of a complete system and reliance on only a single statistical method, which should be studied and solved. The present inconsistency between our tasks and our capabilities should be readjusted as soon as possible.

III

The main indexes of statistics on wages and fringe benefits are the total wage fund, the total amount of labor insurance benefits, and the average wage. The total wage fund is the main source of income for workers and staff members, while labor insurance benefits are a supplement to wages. Both are important components of national income and consumption. Average wage is an important means of measuring the standard of living of different types of workers within a certain period among different departments, areas, and systems of ownership. The purpose of developing production in a socialist country is to continually improve the people's material and cultural life, and statistical data on wages and fringe benefits can reflect the main aspect of the workers' material and cultural life. Hence the importance of this type of statistics.

In recent years, the party and state have attached great importance to improving the people's living conditions; there were two large-scale wage readjustments in 1977 and 1979, along with a restoration of the piecework wage system, rewards, and subsidies in some areas. Experiments have also been carried out in the expansion of decisionmaking power for the enterprises, whereby business results of enterprises are tied to the economic benefits of individual workers and staff members. At an earlier stage, however, some departments and units onesidedly stressed the role of material incentives at the expense of ideological education. Their lavish payment of bonuses and subsidies increased government spending and brought about increased deficits. The party and state are now continuing to readjust the ratio between accumulation and consumption and between production and livelihood. While stepping up political and ideological work, they have also set fairly distinct policy limits as the criterion for offering rewards. This will be of great assistance to the implementation of the wage plan, the exercise of supervision, and the conducting of investigations with the aid of statistics. Although a system of periodical reports and annual reports has been set up for statistics on wages and fringe benefits, the reported figures are not quite accurate, and analysis of this subject is still not adequate. To strengthen such statistical work, we must first stress the need for accurate figures, especially the figures on rewards. According to sample investigations conducted recently in various localities, the omission of rewards in reports has been quite prevalent. The reasons have been deliberate omissions in some units and the incompetence of statistics personnel in enforcing a strict system in others. All departments and areas should carefully note the causes of the omissions, take the necessary measures to rectify the situation, and then step up their analytical study. Improvement of the people's livelihood should be based on the development of production and the rise of labor productivity. It is particularly necessary that improvements in livelihood should be commensurate with increases of consumer goods. The whole country should carefully analyze the increase of wage and fringe benefit expenses, the rise of labor productivity, and the relationship between increased national income and increased national consumption. In analyzing rewards, enterprises should pay attention to the relationship between increases in rewards and increases in production and profits, and the relationship between rewards and standard wages. Increases in wages and fringe benefits must be consistent with production increases. However, good production in one enterprise (department or area) is inseparable from support from various quarters. An increase in wages and fringe benefits in one enterprise (department or area) should be carried out in consideration of the overall situation, and particularly in consideration of the relationship with its neighbors, instead of as an isolated locality. Therefore we must analyze and compare the wages of different departments, areas and units of different systems of ownership and various types of workers and staff members. We should also study the relationship between wages in terms of money and the index of workers' living expenses; this will reflect the actual improvement in workers' living conditions.

IV

In addition to the above, social statistics also includes statistics on scientific research, culture, cultural relics, education, public health, publications, radio-broadcasting, sports, and the environment--all of which should be strengthened. First, the scientific and cultural level of the whole nation must be raised before the state can accomplish its modernization. In striving for the four modernizations, there must be a large number of scientific, technological, and managerial personnel, and all of them must be both Red and expert. It is thus necessary to promote scientific research, culture, education, broadcasting, television, and publications. Secondly, in raising the standard of cultural life and in fostering spiritual civilization so that people of all nationalities, under the leadership of the party and the government, will be united as one and strive for the four modernizations with renewed spirit, we must likewise promote culture, education, public health, sports, and other similar undertakings. Therefore, in addition to a long-range plan for social development, the state should also work out long-range plans for economic development. Although the national economy is now undergoing readjustment and the capital construction front is being shortened, scientific research, culture, education, and so forth should still be developed, if this is at all possible. In order to work out a long-range plan for social development, we should strengthen statistical work in this respect so as to reflect the general situation and bring to light specific problems in the readjustment and development of scientific research, culture, education, and so forth.

Statistics on scientific research, culture, education, public health, and similar aspects should be carried out with the aid of relevant departments under the State Council. A certain foundation has already been laid, although the development is uneven. Some statistics, such as environmental statistics, are still in an early stage, and afforts should be made to further strengthen them. Some statistical figures are not quite accurate, the classification of certain standards is not scientifically rational, and analytical work has not been sufficiently popularized. The statistical departments should be thoroughly familiar with these problems and help the departments in charge solve them. They should join the comrades of the departments in charge in making use of comprehensive statistical data in combination with certain sampling and typical data obtained after investigations, and start their analytical study. At present, stress should be laid on the need to reflect the readjustment and development of scientific research, culture, education, and public health, as well as the problems of opening more avenues for schooling, reforming the structure of secondary education, training workers and staff members regularly, strengthening the ranks of scientific and technical workers, and improving public health in the countryside.

The standards for social statistics have different contents and features of their own, but they are all closely interrelated. While strengthening social statistics, we should also see to it that the classification of statistical standards is consistent with the methods of computation. We should also begin the study of overall balance, so that social statistics will play an even more important role.

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STATISTICAL DATA FOR FIRST 4 MONTHS OF 1981

Beijing TONGJI [STATISTICS] in Chinese No 2, 10 Jun 81 pp 47-49

[Special Feature: "Statistical Data of National Economy"]

[Text] I. Industry: Industry and Communications-Transportation Production from January through April 1981.

II. Domestic Commerce: Supply of Commodities in Urban and Rural Market from January through April 1981.

Industry and Communications-Transportation Production

	Unit	Quantity		Comparison (%)	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
1. Ttl Industrial Output	100 million yuan	1,583.0	424.7	100.4	101.8
Light industry	"	795.5	213.5	110.6	112.2
Heavy industry	"	787.5	211.2	91.8	93.2
2. Main Products Output					
Bicycles	10,000	490.8	132.1	124.7	127.7
Sewing machines	"	289.3	81.2	124.3	128.9
Wristwatches	"	846.3	226.2	124.3	123.2
TV sets	"	120.0	37.2	196.7	220.1

	Unit	Quantity		Comparison (%)	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
Radio sets	10,000	1,408.4	397.3	192.9	189.3
Cameras	"	15.6	4.2	148.9	149.3
Laundry machines	"	18.0	6.0	399.0	349.0
Chemical fiber	10,000 tons	17.3	4.5	123.9	117.5
Cotton yarn	"	99.0	26.2	105.3	105.7
Cotton cloth	100 million meters	43.6	11.8	101.5	102.2
Sugar	10,000 tons	204.4	15.5	124.6	186.7
Salt	"	303.2	180.0	103.5	104.8
Cigarettes	10,000 crates	510.8	134.6	100.8	104.1
Machine-made paper and cardboard	10,000 tons	163.5	45.0	96.5	99.0
Coal	100 million tons	1.84	0.50	92.6	95.5
Crude oil	10,000 tons	3,325.8	826.3	94.7	94.8
Electricity	100 million kwh	967.2	248.7	100.2	101.6
Including hydropower	"	166.5	56.1	118.7	122.3
Steel	10,000 tons	1,168.8	308.2	93.9	94.8
Pig iron	"	1,136.3	289.2	89.9	90.4
Rolled steel	"	855.2	213.5	93.7	90.9
Coke (machine made)	"	1,041.2	261.7	91.3	89.8

	Unit	Quantity		Comparison (%)	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
Sulphuric acid	10,000 tons	248.5	64.4	98.2	94.1
Soda ash	"	54.3	13.5	99.7	98.6
Caustic soda	"	60.2	16.2	93.0	97.4
Chemical fertilizer	"	406.1	112.3	93.9	99.0
Chemical pharmaceuticals	"	1.1	0.3	76.6	80.6
Chemical insecticides	"	17.2	4.6	86.8	88.1
Plastics	"	28.8	7.7	89.8	92.3
Timber*	10,000 cubic feet	1,016.0	171.0	94.5	88.1
Cement	10,000 tons	2,463.5	661.6	101.0	101.7
Plate glass	10,000 Standard crates	940.3	222.2	104.4	99.3
Mining equipment	10,000 tons	3.5	0.8	59.0	76.4
Metal cutters	10,000 sets	3.46	0.81	87.7	78.9
Motor vehicles	10,000	6.46	1.58	89.0	77.9
Tractors	"	2.62	0.66	66.3	64.1
Locomotives	each	152.0	40.0	93.3	114.3
3. Communications-transportation					
Railway freight	1,000 million tons	3.29	0.87	93.1	95.6

	Unit	Quantity		Comparison (%)	
		Jan-Apr 1981	April 1981	Jan-Apr 1981 vs Jan-Apr 1980	Apr 1981 vs Apr 1980
Cargo transported by ships under Ministry of Communications	1,000 million tons	0.43	0.12	94.6	100.0

*Quantity includes figures for Northeastern and Inner Mongolian forest areas only.

Supply of Commodities for Retail Sale in Urban and Rural Markets

	Unit	Quantity		Comparison (%)	
		Jan-Mar 1981	Mar 1981	Jan-Mar 1981 vs Jan-Mar 1980	March 1981 vs March 1980
Retail Sales Volume	100 million yuan	575.4	182.9	108.9	112.1
Including retail sales of consumer goods	"	498.3	144.8	109.9	114.5
Main items sold					
Pigs	10,000 head	3,042.8	795.8	95.1	111.6
Fresh eggs	10,000 jin	17,949.5	7,109.0	92.1	84.6
Sugar	10,000 ton	94.0	22.9	98.6	101.3
Cotton cloth	100 million meters	21.5	6.1	92.7	101.7
Mixed cotton and chemical fiber cloth	"	5.8	1.9	129.0	144.4
Chemical fiber cloth	"	2.2	0.7		

	Unit	Quantity		Comparison (%)	
		Jan-Mar 1981	Mar 1981	Jan-Mar 1981 vs Jan-Mar 1980	March 1981 vs March 1980
Sewing machines	10,000	136.8	52.6	105.3	119.5
Wristwatches	"	559.0	172.0	120.2	131.7
Bicycles	"	251,5	98.0	103.0	111.6
Transistor radios	"	700.1	167.1	129.0	128.0
TV sets	"	126.6	35.6	203.9	185.4
Coal	10,000 tons	3,324.8	1,215.0	89.6	99.0

Note: Volume of retail sales does not include retail sales from peasants to nonagricultural residents. The figures for main items sold refer to sales by units owned by the whole people.

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CALL FOR EFFORTS TO MAINTAIN FINANCIAL BALANCE IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 15 Aug 81 p 1

[Article by correspondents Wang Yongdian [3769 3057 3329] and Wang Zhidong [3769 1807 2639]: "Provincial Financial Work Conference Called on All Localities To Create More Sources of Revenue and To Close Loopholes in an Effort To Achieve Financial Balance in the Province"]

[Text] Actively create sources of revenue, energetically close all loopholes, and achieve a financial balance for the current year--these were the central topics discussed in the recent provincial financial work conference.

The conference held that in order to increase revenue and curtail expenditures in the province this year, the following tasks must be carefully attended to:

We should actively create sources of revenue and strive to increase both production and income. Great efforts must be made to support and promote multiple undertakings in agriculture and to develop the production of industrial consumer goods. Particular attention should be paid to cured tobacco, cigarettes, sugar, wine, tea, and the other cash crops and industrial products that have a strong impact on the revenue of the province. At the same time, there should be no relaxation of efforts on other nonessential sources as long as they can bring profits and revenue in the form of taxes.

Control over taxation and the financing of enterprises should be strengthened, and all forms of "evasion, falsification, leakage, and omission" must be resolutely stopped. Some enterprises, departments, and units have added to their production costs at will or have raised the ceiling on their spending have indulged in extravagance and waste, and "eat out of the same pot" without any regard for economic accounting. Some of them have even resorted to fraudulent means of tax evasion, or have unscrupulously used funds which should have been handed over to the state as profits. All of these loopholes must be closed. This action will not only add to the state revenue but will also correct unhealthy tendencies in the economic sphere and help carry forward the party's glorious traditions and workstyle. Taxation and finance departments at all levels should assist the enterprises and units in streamlining their financial control, in keeping to the financial system, and in upholding financial and economic discipline as important tasks for the second half of this year.

The principle of attempting only the possible and avoiding overcommitment in financial matters must be upheld, and all expenditures must be strictly controlled. All items not included in the budget should be carefully checked at all levels, so that no reduction of revenue or increase in expenditures can be overlooked. The funds provided for in the budget should be promptly handed down to the basic-level units for their use. There should be no withholding of any portion or delay in forwarding at any level, since this may lead to the loss of good opportunities for the funds to produce the desired effects.

We should continue to implement all policies and adopt all measures that may help the economic readjustment. In the past 2 years, various economic policies which have been proved to be effective in financial circles--such as the experiments with expanded financial power for the enterprises, retention or sharing of profits by enterprises, their responsibility for profits and losses, their retention (or sharing) of surplus profits (or savings from reduced losses), responsibility for expenses for administrative establishments and the retention of surpluses, rewards for the practice of economy, and so forth--should be continued with unswerving determination. We should continually sum up our experiences in the course of implementing these policies, so that these policies can be continually improved.

The conference pointed out that the maintenance of a financial balance for the province this year is a fairly arduous task which calls for a great deal of effort. We must have a firm grip on all types of work and lose no time. There are only 5 months left in this year. We must check on the results of our implementation of these policies every 10 days and every month, bring problems to light, and promptly solve them in an effort to increase our income and make better use of our funds.

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BRIEFS

XINJIANG TAXATION WORK--According to statistics compiled by 11 prefectures, autonomous prefectures and municipalities in Xinjiang region, by the end of July, some 6.85 million yuan of taxes in arrears had been discovered and some 1.53 million yuan had been recovered and paid into the national treasury. In the eight counties in Changji Hui Autonomous Prefecture, 91 tax evasion cases have been discovered, and taxes evaded which amounted to some 11,000 yuan have been recovered. The great majority of counties and municipalities in the region has now basically completed inspection of tax evasion and taxes in arrears. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Aug 81 HK]

ZHEJIANG CONSTRUCTION BANK--Since 1972 the Zhejiang Construction Bank has extended loans totaling more than 88.8 million yuan to 393 enterprises for the specific purpose of developing production of export industrial products. As of the end of August this year 338 construction projects had been completed and put into operation, increasing output value by more than 548 million yuan annually and foreign exchange earnings by more than U.S. $146.9 million annually. [Hangzhou Zhejiang Provincial Service in Mandarin 1040 GMT 23 Sep 81 OW]

CSO: 4006/1

ENERGY

BRIEFS

LIAONING POWER LINE--A 500,000-volt extra-high tension power line, the first of its kind built with Chinese-produced equipment, was put into operation in mid-September in Liaoning Province after 2 years of construction. The 159-kilometer long power line links Jinzhou in the west with Liaoyang in the east, crossing the Dalinghe, Liaohe, Huihe and Taizihe Rivers and Yiwulu Mountain. It has 372 pylons weighing over 15,000 tons. Compared with 220,000-volt power lines currently used in the province, the new power line will increase the power supply capacity by 5 times, reduce electricity loss by 80 percent and conserve 40 million kwh every year. [SK261044 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 25 Sep 81]

LIAONING COAL MINING CONSTRUCTION--Liaoning Province has made new progress in coal mining capital construction in 1981. Eight mines with a designed annual capacity of 9.9 million tons are under construction. Shenyang colliery's No 1 (Hengyang) pit with a designed annual capacity of 900,000 tons is about to be put into production. [SK270702 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 26 Sep 81]

CSO: 4006/1

BRIEFS

HENAN CHROMIUM CARBIDE DEPOSIT--Zhengzhou, 20 Sep (XINHUA)--A deposit of chromium carbide, a mineral with a hardness next only to diamond, has been discovered in the Liuzhuang area of Tongbai County, Henan. It was discovered by Henan geological personnel when they analyzed a rock from the Liuzhuang area. Associated minerals such as iron, gold, platinum, chromium and diamond can usually be found along with chromium carbide. [OW231453 Beijing XINHUA Domestic Service in Chinese 0019 GMT 20 Sep 81]

CSO: 4006/1

INDUSTRY

SHANGHAI METALLURGICAL INDUSTRY OPERATIONS EXAMINED

HK240554 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 8, 15 Aug 81 pp 20-23

[Article by Duan Wensheng [3008 2429 3932] and Liu Xingli [0491 5281 0448] of the Investigation and Research Office of the Metallurgical Industry: "How the Shanghai Metallurgical Industry Manages To Decrease Output Without Decreasing Profits"]

[Text] The Shanghai Metallurgical Industry, which comprises 47 production units and over 150,000 staff and workers, has practiced the retention of a certain percentage of profits within the enterprise units since 1979. They no longer request capital construction investments from the state and have decided to promote production through their own efforts by improving the economic effects of the existing enterprises. Compared with 1978, steel production increased in 1979 and 1980 by 650,000 tons, rolled steel by 890,000 tons, while profits increased by 1.695 billion yuan and the total output value by 6.85 billion yuan. At the same time, quality was improved, varieties increased, and consumption lowered, thus 385,000 tons of standard coal was saved. In the past 2 years, the enterprises only retained 8.3 percent of the realized profits for the production development fund, welfare fund and award fund for themselves; and submitted the remaining 91.7 percent to the state. The amount of profits they turned over to the state in the past 2 years is equivalent to 5 and 1/2 years average profits for the whole industry in the 30 years since the founding of the people's republic. Compared with 1978, the profits made by the Shanghai Light Industry Bureau in 1979 increased by 4.5 percent, the profits made by the Textile Bureau by 1.5 percent and that made by the Metallurgical Bureau by 18.7 percent.

As the Shanghai Metallurgical Industry is further carrying out the policy of readjustment this year, the production of steel and rolled steel will decrease respectively by 170,000 tons and 120,000 tons compared with last year. Nevertheless, profits will still be kept on the same level as, or even a little bit higher than, that of last year, that is at 1.47 billion yuan. In other words, they will manage to decrease output without decreasing profits.

1. Changing the Guiding Ideology

The discussion carried out 3 years ago on the statement that practice is the sole criterion for testing the truth was the starting point for cadres at various levels of the Shanghai Metallurgical Industry to change their guiding ideology for industry. Since over the years emphasis was only put on "taking class struggle as the key link" and "taking steel production as the key link," many enterprises used to pay attention only to the quantitative norm of production and overlooked the economic effects. How well the production norm was achieved was regarded as a political problem while economic effects were scarcely taken into consideration. In some people's minds, "taking the production of steel as the key link" was interpreted as "taking quantity as the key link."

Over the period from 1953 to 1957, the amount of profit made by the Shanghai Metallurgical Industry was raised steadily each year from 20.46 million yuan to 77.31 million yuan, an increase of over 3.6 times. Over the same period, the production of steel was raised from 134,000 tons to 490,000 tons, an increase of 3.7 times. However, with the Great Leap Forward and the vigorous promotion of the production of iron and steel in 1958, the originally adopted guiding ideology which attached equal importance to both quality and quantity was relinquished and the established situation of steady growth and fair economic effects was confused. Compared with 1957, the production of steel in 1959 was raised by 3.3 times whereas profits decreased by 2.2 times. The whole industry suffered a deficit for 3 consecutive years.

Take the Shanghai No 1 Steel Plant for example. In 1957, the plant had 2,748 staff and workers. After the Great Leap Forward in 1958, the number of staff and workers was raised to 16,611 by the end of 1959, a growth of 6 times, and the production of steel also increased by 1.9 times. However, profit decreased by 53 times, and the plant suffered a deficit of 13.59 million yuan in the same year. The loss over 4 consecutive years accumulated to 450 million yuan. After a 3-year readjustment, the production of steel rose and profit also rose. In 1965, a profit of 83.5 million yuan was made, an increase of 96 percent over the best year before the Great Leap Forward. Production decreased as soon as the "Cultural Revolution" began. The output of steel amounted to 1.04 million tons in 1966 and it dropped to 0.86 million tons in 1969, a decrease of 17 percent; while profit decreased from 70 million yuan to 30 million yuan, a decrease of 57 percent.

The fluctuation of the steel production shown above has explained well that taking quantity as the key link and onesidedly seeking a high production norm was an integral factor in the metallurgical industry's bad economic effects and its failing to readjust the internal imbalance in time over the years.

In the discussion concerning the criterion for testing the truth, the 600-odd cadres of the CCP committee of the Metallurgical Bureau and organizations under the CCP committees in enterprises in Shanghai have turned their pondering and discussions to these problems. They put forth an idea of realizing four changes in both ideology and actions following the readjustment of the national economy. The changes are the guiding ideology must be changed from "taking class struggle as they key link" to taking production as the central task; the method of enterprise management must be changed from solely relying on administrative means to doing jobs according to economic laws; the organizing and directing of production must be changed from only paying attention to quantity and output to stressing variety, quality and economic effects; and in operating style, by attaching appropriate importance to agriculture, light industry and heavy industry, the metallurgical industry must be changed to actively and initiatively serving associated industries and satisfying social needs.

[HK240558] 2. Readjusting the Internal Imbalance

Over the past 30 years, the Shanghai Metallurgical Industry made great contributions to economic construction in Shanghai and throughout the country. However, the "congenital deficient" condition which led to an internal imbalance has existed for a long period of time and has yet to be solved. Such a situation is reflected in a concentrated manner in four problems. First, the blooming capacity lags behind that of steel smelting. The capacity of formed steel production for the whole trade has reached 5 million tons whereas the blooming capacity still remains at 4.25 million tons, 750,000 tons short. Second, the various work procedures are not matched. Although there are 1 million tons of domestic produced steel which need to undergo heat treatment annually, the available heat treatment capacity is at present only 800,000 tons. Third, investment in the nonferrous metallurgical industry for the last 30 years only amounted to 9 percent of the total investment in the whole industry. This has affected the growth in the quantity and variety of nonferrous metal products. Fourth, welfare facilities such as housing for staff and workers remain far behind the actual needs. According to statistics for 1978, out of 123,000 staff and worker households in the whole metallurgical industry the average housing area per person in 11,000 households was under 2.5 square meters.

In the past, we relied entirely on the fund allocation from the state in raising the funds for readjusting the internal imbalance. Such a practice could not change the overall situation although we did contribute a small amount every year. From 1980 on, the production development fund raised from the retained above quota profits made by the enterprises were utilized to solve the internal imbalance stage by stage, group by group, step by step and in a planned way, and therefore the latent power of existing equipment was brought into play. According to the overall plan worked out at the end of 1979, 50 key projects were preliminarily planned to be started in the next 5 years. Some of these projects were completed last year and commenced operation. Last year, 10 million yuan was drawn from the welfare fund raised from the retained profits, and used to build 80,000 square meters of staff and worker housing, of which 50,000 square meters were completed and occupied within the year. In order to expand the blooming capacity, and give full play to the latent power of equipment, a continuous casting machine and a flying shear were newly installed and a 630-model bloomer was reconditioned last year. After the expansion of the blooming and continuous casting capacities, the Shanghai Metallurgical Industry can now consume all the steel it produces and even accepts some small processing orders from outside the municipality. The money expended on technological measures for promoting the nonferrous metallurgical industry also increased from 4.75 million yuan in 1978 to 15.4 million yuan in 1980 and amounted to 31.3 percent of the total expenses of technological measures of that year. Meanwhile, the heat-treatment capacity for rolled steel also rose from 800,000 tons in the last few years to nearly 1 million tons.

The Shanghai Iron Alloy Plant was built during the Great Leap Forward in 1958. It started as a scrap steel handling plant with less than 200 workers. Today, this plant can make a profit of 25 million yuan a year. There were 4,000 staff and workers in the plant at the end of 1980. However, the bath place for the staff and workers, a temporary bathhouse which was designed to be used by less than 200 staff and workers, was not enlarged for over 20 years. Last year, this plant spent 4 million yuan of the retained profit to improve parts of the old productive equipment and build a new bathhouse and some dormitories which amounted to 3,000 square meters. In the Shanghai No 1 Steel Plant which had a production capacity of 400,000 tons, because the capacity of the continuous casting machine, which provided blanks, was insufficient, the mangles in the steel plate workshop could not work to their full capacity and the development of steel production was hampered. Last year, after a new continuous casting machine was installed, the yearly output of steel plate rose by 30,000 tons and the steel production capacity potential has also been liberated.

3. Improving Economic Effects

On the national metallurgical front, the Shanghai Metallurgical Industry is one which is operated comparatively well. It leads in achieving most of the economic and technological targets. In the 10 years from 1971 to 1980, its output value and profits have been higher than the average level of the key iron and steel enterprises throughout the country, except in 1973, when their achievement was unsatisfactory. At present, they can produce more than 1,300 types of steel, and rolled steel to more than 20,000 specifications. The precision alloy steel they produced in 1978 amounted to 31 percent of the whole country's output that year, while that of silicon steel plate amounted to 50 percent, and those of welding rod steel, compound steel for farm implements, steel material for window frames and high pressure oil pipes amounted to around 90 percent.

Having already achieved such a high level,in which ways can they improve economic effects? Should they request more investment from the state to start new projects, introduce new equipment and increase the production capacity? Or should they rely upon improving the existing enterprise efficiency, in lowering consumption, minimizing waste and expanding the production capacity? Focusing their attention based on the present conditions, the cadres of the Shanghai Metallurgical Industry put forth a scheme for retaining increased profit for the whole trade, which aims at vigorously promoting production and creating more wealth for the state. They took as the base the profit value realized in 1978 when the highest levels achieved in the history of eight economic and technological norms were surpassed. [HK240602] Every year 60 percent of the increase in profits over 1978 is to be turned over to the state, and the other 40 percent is to be retained by the trade for use as production development funds, welfare funds and award funds. This scheme is to be followed for 5 years, during which no request will be made to the state for capital construction investment.

The profit retention scheme was approved by the state and went into effect in 1979. The requirement to unremittingly raise the profit norm has pushed ahead the strengthening of those basic tasks such as the production administration planning, financial management, technological management of enterprises, and so on.

Starting from the second half of 1979, the Shanghai No 3 Steel Plant carried out an overall reorganization of the 2,217 types of records in the whole plant, including documents, vouchers, accounts and report forms, among which 1,670 were retained, 154 were improved, 393 were canceled and 146 were newly established. After the reorganization, the 1,970 kinds of records which are currently used, are accurate and reliable and manage to reflect the situation promptly and provide precise information for decision making and improving economic effects. Hence, in 1980 the production of rolled steel was raised by 5.9 percent and the profit by 20.3 percent over 1979, with only little change in product type and specifications.

In order to improve economic effects, assessments were made at all levels from bureaus to plants, workshops, teams and groups. Starting with economization, costs were lowered, profit rates raised, and retained profits increased. Thus the funds for tapping latent power, innovating and restructuring were obtained. After having set up the consumption fixing account, expenses restructuring account and economization reclamation account, the 69 production teams in the first workshop of the Shanghai No 5 Steel Plant managed to calculate all figures before smelting steel, for example, what materials are needed for smelting a furnace of steel, how much scrap steel is needed, how many kilowatt-hours of electricity will be consumed, how much alloy material has to be added, and so on. The workers in the material supplying section in the Shanghai No 2 Steel Plant have found 35 ways to economize and have therefore managed to increase profits by 1.60 million yuan for the year. Over a long period, in the No 3 workshop of the Shanghai No 8 Steel Plant, steel ingots were marked with two label plates showing the furnace number. Each year this consumed 19 tons of thin steel plates which cost 40,000 yuan. Now they use only one plate which is half as large as the original one and therefore they manage to save about 24,000 yuan a year.

In order to increase profits, they tried hard to improve the quality of products and increase the production of products in short supply. According to an assessment made in April 1979, in contrast to the 70 percent at the end of the previous year, the proportion of the products of the whole industry which were classed as fine and class A products was raised to 86 percent. The proportion for iron and steel products was raised from 72 percent to 85 percent and that for nonferrous products from 68 percent to 89 percent. Out of the eight categories of products produced in the Xinhu Steel Plant in 1979, four categories were graded as class A and the other four categories graded as fine. In 1980, the number of products graded as class A products was reduced to two, while the number graded as fine products was increased to six. This year, with the number of categories of products produced in the whole factory increased from 8 to 10, the factory is striving to raise the level of all categories of products to the fine grade. The production of those products in short supply urgently demanded by the market, such as thin plates, seamless steel tubes, silicon steel plates and high grade wire rods have been increased by 10 percent compared with April and January 1979. In order to improve the quality of rolled steel, the Shanghai No 3 Steel Plant coined a slogan of the "three unsatisfied's" for their own products. First, unsatisfied with the state standard, they required themselves to further satisfy the needs of consumers.

Second, unsatisfied with the present reject rate, they decided to further improve the quality of rolled steel. Third, unsatisfied with the surface quality of the steel, they strove to meet higher mechanical specifications. Since 1978, the production of rolled steel has been increased every year while norms have been raised, and requirements become more and more strict. At the same time, the amount of waste products have been reduced and the number of products rejected amounted to only 0.2 percent in 1980.

The Shanghai Metallurgical Industry made profits of 1.345 billion yuan in 1979, and in 1980 made profits of 1.47 billion yuan. These figures are 20 percent and 31.2 percent higher respectively than that of the previous record. This fact shows that economic effect is the key factor which affects all the links of the internal management of enterprises. Once this key factor is grasped, all links will be mobilized.

4. Taking a New Path

The path the Shanghai Metallurgical Industry has taken in the last 2 years is different from that taken during the 10 years of turbulence and not entirely the same as that taken prior to the "Cultural Revolution." It has shown in many ways that the metallurgical industry is seeking to develop a new path.

(1) The Trend of Fluctuation in Major Norms

In contrast to 1978, the Shanghai Metallurgical Industry system in 1980 achieved an increase of 10.4 percent in steel production, 14.4 percent in rolled steel production, a decrease of 9.5 percent in the amount of energy consumed in producing steel, an increase of 31.2 percent in profits and a growth of 8.2 percent in total output value. [HK280606] These figures show that the increase in rolled steel production has been higher than that of steel production; the growth of profits has been greater than the growth of total output value; and on top of this, energy consumption has been reduced. Other figures reflecting the production situation of enterprises basically followed this trend too. In 1980, the Shanghai No 3 Steel Plant which has over many years achieved comparatively higher economic norms, achieved an increase of 17 percent over 1978 in steel production, 18.9 percent in rolled steel production, a decrease of 14.9 percent in the amount of energy consumed for producing steel, an increase of 29.7 percent in profits, and a growth of 19.1 percent in the total output value. In the same year, the Xinfu Steel Plant, which only produces rolled steel, achieved an increase of 18.5 percent over 1978 in rolled steel production, 107.8 percent in profits and a decrease of 14.6 percent in energy consumption.

(2) Changes in the Profit Structure Over the Past 3 Years

Of the profit increase in 1978, 77 percent was attributed to the increase in production and product variety, 23 percent was attributed to the lowering of the consumption of materials and of costs. Of the profit increase in 1979, 49.6 percent was attributed to the increase in production and product variety, 50.4 percent was due to the lowering of the consumption of materials and of costs. Of the profit increase in 1980, 47 percent was attributed to the increase in production and product variety and 53 percent was due to the lowering of the consumption of materials and of costs. The changing trend shows that the profit proportion attributed to the increases in production and product variety is decreasing year after year, while the proportion achieved through strengthening business management and improving some processes which consume more energy is increasing.

(3) An Analysis of the Investment Direction of Production Development Fund

In the 2 years of 1979 and 1980, with the approval of the departments concerned, the Shanghai Metallurgical Industry system utilized the production development fund, which had been set up with 50 million yuan of the retained profits, to facilitate 120 measures of small-scale latent power tapping, innovation and restructuring, which had already been started or were going to be carried out, in 24 enterprises. Of these measures, 26 percent was aimed at improving quality, increasing product variety and promoting production of products in short supply; 36 percent was aimed at lowering consumption and saving energy; 12.5 percent was for coping with the "three wastes"; 12 percent was aimed at improving auxiliary facilities and amplifying equipment to form a complete set, and 4 percent was aimed at improving the cultural and educational facilities for staff and workers. The allocation of the production development fund shows that most of the fund has been utilized to improve the quality of products, to lower costs and to eliminate pollution.

By analyzing the increase in production norms, the ways of making profit and the investment direction of the fund in the last 2 to 3 years in the Shanghai Metallurgical Industry system, the following conclusion can be drawn. In expanding production, enterprises have set the focus of their attention on the existing equipment and their own staff and workers and they have set up a fund, needed for production expansion, by improving the economic effects of the existing enterprises. This is exactly the path which suits our national conditions and leads to bright prospects.

CSO: 4006/1

BRIEFS

FUJIAN INDUSTRY, TRANSPORT CONFERENCE--The Fujian Provincial Industry and Transport Work Conference, which was called by the provincial people's government on 14 September, concluded in Fuzhou 18 September. The conference called on all industry and transport workers to go all out to work for 100 days in order to fulfill this year's production plans. At the plenary session on 18 September leading comrades of the provincial CCP committee Xiang Nan and (Cheng Xu) made important speeches on combating lax and weak leadership to speed up the industrial and transport production. In his closing speech Vice Governor Wang Yan urged the participants to transmit the conference's guidelines to the industrial and transport front as quickly as possible. Attending the plenary session on 18 September were provincial party and government leaders Guo Chao, (Wen Xiushan), Zhang Yi, Wen Fushan and comrades of prefectural, municipal and county departments concerned, totalling some 1,000 persons. [OW201659 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 18 Sep 81 OW]

CSO: 4006/1

CONSTRUCTION

BRIEFS

GUANGXI ELECTRIC POWER PROJECTS--By the end of July, Guangxi region had fulfilled 82 percent of the 1981 quota for investment in key electric power capital construction projects. The amount of investment was 5.2 percent more than in the corresponding period last year. [Nanning Guangxi Regional Service in Mandarin 1100 GMT 29 Aug 81 HK]

CSO: 4006/1

BRIEFS

JIANGXI INDUSTRY, TRANSPORT MEETING--The Jiangxi Provincial CCP Committee and Provincial People's Government called a provincial meeting on 16 September to transmit the guidelines of the national industry and transport work conference recently held by the state council. Attending the meeting were some 1,100 persons from provincial and municipal departments concerned including Bai Dongcai, permanent secretary of the provincial CCP committee and governor; Ma Jikong, secretary of the provincial CCP committee; and (Wu Ping), deputy secretary of the provincial CCP committee and secretary of the Nanchang Municipal CCP committee. Wang Shixian, Standing Committee member of the provincial CCP committee and vice governor, presided over the meeting. Bai Dongcai spoke at the meeting. [OW211305 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 18 Sep 81 OW]

CSO: 4006/1

ECONOMIC READJUSTMENT MAKING GOOD HEADWAY IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 11 Aug 81 p 1

[Article: "Yunnan Achieves Success in National Economic Readjustment in First Half of 1981, Although Certain Economic Problems Still Need Solution"]

[Text] Through conscientious implementation of the central government's policy on readjusting and stabilizing the economy, our province has basically maintained financial and credit balances as well as stability of commodity prices in the market.

The situation of agricultural production is fine, thanks to the implementation of economic policies in the countryside, and particularly the gradual development and perfection of the system of responsibility for production. The output of late autumn crops is basically the same as last year's, but that of rapeseeds has increased by 480,000 dan, exceeding that of 1965--the highest in history--by 57,200 dan. The acreage of early spring grain and economic crops has been expanded, and the quality of field management has shown improvement. Despite certain new problems and difficulties arising from the readjustment, industrial production has begun to develop harmoniously. Industrial output value has increased this year over that of the same period in 1980, and light industry, prefecture- and country-run industries, and production of consumer goods have developed fairly well. Output of cigarettes, radio sets, TV sets, sewing machines, chemical fiber, and dacron has increased by a fairly wide margin. Sugar output has hit an alltime high. The scale of capital construction has been further reduced and the orientation of investments has been adjusted with the result that appropriations for nonproductive construction have been raised from 31.6 to 35.6 percent. Local financial revenue has been increased and expenditures reduced. The purchase quota of treasury bonds has been overfulfilled, and savings deposits in both urban and rural areas are greater than those of the same period of last year. In commerce, finance, and trade, reforms have been carried out to suit the requirements of the readjustment, and the procurement of agricultural and sideline products has increased by a wide margin. Industrial goods for daily use have shown a marked increase; the market in both urban and rural areas is flourishing; and country fair prices, basically stable, have been reduced slightly.

However, a heavy task of readjustment is still confronting us in the province. The progress of reform and consolidation has been slow, and the cycle of national economy is still not quite harmonious. Industrial growth also has been slow. In the first half of this year, the output value of industry under the system of collective ownership in the cities and the countryside declined by 2 percent, and that of machinery, chemical industry, coal, and the second light industry has also been lower. These unfavorable economic results have a direct impact on revenue. Since 70 percent of heavy industry is owned by provincial enterprises, only 5 percent of the provincial revenue plan for the first half of this year has been collected, and the revenue in this period is 96.6 percent less than that of the same period in 1980. The revenue for all enterprises in the province also declined by 39.3 percent below that of the same period in 1980; the profit actually made was less than the budgeted amount by 17.5 percent; the amount of profits handed over to the state dropped by 16.2 percent; and the amount of losses increased by 16 percent. The control of currency issuance and withdrawal is far from ideal. In the countryside, the net issuance increased by 20.7 percent over that of the same period of last year, and the payment of bonuses exceeded the planned amount by 11.3 percent. The scale of capital construction still tends to enlarge. Compared with the same period of 1980, enterprise management expenses have increased by 10.1 percent. The people's purchasing power has increased by 37.8 percent. There is a large discrepancy between the supply of commodities and the purchasing power. Thus the supply of goods wanted by the people is short of the demand.

In view of this situation and of the problems, the provincial party committee has called on all economic departments at the provincial level to conscientiously study and implement the spirit of the Sixth Plenum of the 11th Party Central Committee, and to take realistic and effective measures to improve their work in order to ensure the all-round fulfillment or overfulfillment of the national economic plan for the current year.

9411
CSO: 4006/473

GENERAL

RESPONSIBILITY SYSTEM SUCCESSFUL IN COMMUNICATIONS SECTOR

Guangzhou GUANGZHOU RIBAO in Chinese 20 Aug 81 p 1

[Article: "Various Forms of Economic Responsibility Adopted in Industrial-Communications Sector of Guangzhou; Remarkable Economic Result from Workers' High Morale"]

[Text] Since 1980, a number of trades and enterprises of the industrial-communications sector have adopted the system of economic responsibility in various forms. Arrangements have also been made for this purpose between different levels, from bureaus down to companies and plants in some trades, and from plants down to workshops, work groups, and individuals in some enterprises. This system of economic responsibility has shown remarkable results.

In addition to retention of profits and other minor changes in the enterprises, following the expansion of their decisionmaking power, the industrial-communications sector in Guangzhou has adopted the following forms of responsibility:

1. Assuming responsibility for profits and losses and paying taxes instead of handing over profits by enterprises owned by the whole people. There are now three experimental units of this type in the municipality: The Sewing Machine Industry Company, the Bicycle Industry Company, and the Spun Hemp Textile Mill. This responsibility system became popular after the expansion of decisionmaking power. Instead of handing over profits to the state, these units are now paying enterprise income taxes and drawing wage funds, production development funds, fringe benefit funds, and bonus funds at the established rates. Since this means even greater decisionmaking power, the economic results of the enterprises concerned are even better than those of units without such privileges. In the first 5 months of this year, the total output value of these three experimental units was 16 percent higher than that of the same period in 1980. Their profits and income tax increased by 88 percent and 23.9 percent, respectively. From the second half of 1980, when this system was first adopted, to June 1981, the Spun Hemp Mill made a profit of 16.4 million yuan, more than doubling the amount in the period from July 1979 to June 1980. The profits retained for developing production amounted to 3 million yuan—eight times that of the same period, or double the total amount of state investments in the 15 years following the expansion of the mill in 1964. The mill is now capable of setting up its long-hoped-for automatic production line. Bonus and fringe benefit funds have also been increased by a wide margin.

2. Responsibility by an entire trade (or all enterprises) for profits and losses, whereby profits will be retained but losses will not be made good by the state. Since assuming responsibility for profits and losses last year, and thereby turning losses into profits, the Metallurgical Bureau this year has adopted the system of retaining all the profits and requiring no state compensation for any losses. The bureau entered into contracts in various forms with the enterprises and further improved the economic results. Its output value in the first half of this year increased by 5 percent over the same period of last year, and its profits totaled more than 12 million yuan, double those of the same period of 1980.

3. Profit-sharing by an entire trade (or all enterprises). This method was used by 44 enterprises in the industrial-communications sector of the municipality. The textile trade has all along carried out regular production with a large profit base. Increased production in this trade was somewhat difficult. After the adoption of this method, however, its profit increased by a wide margin. Last year, it made a profit of more than 108 million yuan, an increase of 61 percent over 1980. In the first half of 1981, its profit amounted to more than 65 million yuan, and after deducting the portions used as bonus and fringe benefits, its net increase was still 16.84 million yuan more than during the same period last year. The rate of increase was 34.8 percent. This method was adopted by eight enterprises without expanded decisionmaking power in the metallurgical trade, including the Tantalum-Niobium Smelting Plant, and the majority of them overfulfilled their profit quotas in the first half-year.

4. Responsibility by an entire trade (or all enterprises of the trade) for profit quotas, providing for the sharing or retention of above-quota profits. The Light Industry Bureau, the Second Light Industry Bureau, and the Electronics Bureau have recently adopted this system--and will continue to keep it for 3 years. These bureaus are now working on plans and measures for increasing production and income in an effort to gain better economic results.

5. Responsibility for reducing losses to a certain level. Under this system, excessive losses will not be made up by the state but if losses are kept below a set level, part of the savings thus gained will be retained by the enterprise. A number of enterprises of the metallurgical trade dealing in steel, alloy steel, and powder metallurgy used to suffer great losses. After adopting this system, they soon reduced the losses by a wide margin, and some of them even turned losses into profits. Last year, for example, a powder metallurgy plant adopted this system, whereby it could retain 20 percent of the amount saved from losses and 30 percent of the profits gained. This plant took the initiative of calling on more than 110 counties to solicit business, and production greatly increased. Its loss the previous year of 590,000 yuan was now turned into a profit of 10,000 yuan. Thus, by reducing its loss and then making a profit, it gained 120,000 yuan.

6. Subsidy for losses up to a set level for an entire trade. The Coal Bureau recently granted, on an experimental basis, a subsidy of 31 yuan for the sale of each ton of coal. Any profit from such sales will be retained by the enterprises, to be used for the tapping of potential and for the renovation and transformation of equipment, and partly for fringe benefits and bonuses.

7. Responsibility for profits and losses by collective enterprises with independent accounting. This year, 176 enterprises under the Second Light Industry Bureau have adopted this method, which is different from the former method of sharing profits and losses collectively. In the distribution of profits after payment of taxes, the bureau keeps 70 percent, to be divided among the enterprises, and hands over the remaining 30 percent to the department in charge. The enterprises' share consists of the base and the extra share. The base share should remain unchanged for 3 years. Under this system, the output value of these 176 enterprises in the first half of the year increased by 11 percent and profits increased by 13.7 percent over those of the same period last year. In the same trade, 30 collective enterprises have not yet adopted this system, and their output value in the first half of the year increased by only 2.5 percent, while their profits dropped by 73.5 percent.

8. Responsibility for output and production costs. This is a type of general agreement between the enterprises and workshops and their affiliated sections. This agreement can take many forms. For example, the Sulphuric Acid Plant offered rewards for quota fulfillment, while the reward from the Copper Materials Plant is based on the economic responsibility of "three guarantees"--meaning guaranteed output, quality, and production costs. Many units have practiced the system of responsibility for production costs with quick results. By means of the "three guarantees" system, the Copper Materials Plant increased its output value by 24.9 percent and more than doubled its profit in the first half of this year.

9411
CSO: 4006/473

BRIEFS

GUANGXI HOUSEHOLD REGISTRATION CONFERENCE--On the evening of 28 August, the Guangxi Regional People's Government held a telephone conference on tidying up household registration work. Regional people's government Vice Chairman Shi Qingsheng spoke, demanding that people's governments at all levels strengthen leadership over household registration work. Rural household registration work must be started before September and household registration work in the majority of prefectures must be completed before November. Under the unified leadership of the people's government, public security, civil affairs, labor, grain, commerce, planned parenthood and census departments must make concerted efforts to do this work well. [HK221456 Nanning Guangxi Regional Service in Mandarin 1100 GMT 30 Aug 81 HK]

JIANGSU QUALITY CONTROL--A mass campaign on quality control is in full swing among enterprises in Jiangsu. The number of industrial and transport enterprises enforcing total quality control has reached 1,126. The 6,202 quality control groups active among these enterprises have helped them raise product quality and economic results and promote production. To further popularize quality control, the provincial economic committee and provincial office for defense industry held a meeting in Lianyunggang City, 4-9 September, to exchange experience in quality control and commend advanced groups in quality work. [OW211305 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 18 Sep 81 OW]

SICHUAN PREFECTURE SMALL CARS--Organs at the prefectural and county levels in Wenjiang Prefecture and their subordinate units have privately approved the purchase of small cars and privately engaged in the purchase of small cars, neither of which is included in the state plan. They have also privately arranged gasoline supply. In view of this, the Sichuan Provincial People's Government issued a circular to criticize them for the unauthorized purchase of small cars. In 1980, they bought 260 small cars, which is the total number of small cars bought over the previous 30 years. As a result, they have wasted a large amount of funds and aggravated the situation of the short supplies of energy resources. Small cars are a special commodity which must be controlled by the state according to its plan. They can only be allocated in accordance with the state plan and cannot be bought and sold privately. Of the 260 small cars bought in 1980, only 58 were covered by allocations to departments by the state and the remainder were bought privately. [HK221414 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 29 Aug 81 HK]

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FUJIAN ECONOMIC ACHIEVEMENTS OUTLINED

Fuzhou FUJIAN RIBAO in Chinese 28 Aug 81 p 3

[Article by Xin Shimin [2946 1102 2404] and Gu Deqi [7357 1795 3823]: "Correctly Recognize Fujian's Economic Achievements."]

[Text] In the 32 years since the founding of the People's Republic of China, under the leadership of the Party, our Fujian Province has made enormous achievements in socialist transformation and socialist construction. It is evidence of the superiority of the socialist system and a foundation for our continuing advancement.

Fujian's important achievements in socialist construction in the past 32 years are: First of all, the victorious completion of the socialist transformation of the ownership of the means of production and the basic realization of public ownership of the means of production. We established and developed a socialist economy making the socialist publically owned economy absolutely dominant in the entire national economy. In 1979 the proportion of gross value of production of Fujian's agriculture was: Nationally owned units--state farms, forest, animal husbandry and fish farms--made up 2.72 percent, various forms of collectively-owned economies made up 78.5 percent. These two occupied 80.77 percent, the other 19.23 percent being sdeline production of commune member households. Second, industry, agriculture and other sectors of the national economy had a certain material and technical foundation. In 1952 the original value of fixed assets in Fujian waws about 30 million yuan. By 1980, Fujian's investment in capital construction was 10.3 billion yuan and newly increased fixed asets in various sectors of the national economy was 6.8 billion yuan. Of this, the original value of fixed assets in state owned industry had already reached 4.960 billion yuan which is a 165-fold increase relative to the early post liberation period. In agriculture in 1980 the area of fields irrigated was over 13 million mu and the area ensured of stable yields in spite of drought or excessive rains was 6.28 million mu. Before liberation, the rural areas were almost entirely without agricultural machinery, chemical fertilizers and electricity, but by 1980 they already had over 70,000 tractors (overall), 680,000 horsepower in irrigation machinery, used 1.8 million tons of chemical fertilizer, and rural electricity consumption had increased to 640 million kwh. Third, there were clear increases in the output and productivity of material production sections of industry, agriculture and communications and transportation. Comparing 1980 with 1952, food grain output increased from 7.4 million jin to 16 million jin, which is more than double; output of oil crops of peanuts, sesame seeds and rapsseed increased from 1.97 million dan to over 2.63 million dan, an increase of over 30 percent; output of sugarcane increased to over 60 million dan which is a five-fold increase over 1952; numbers of live pigs on hand increased to 6.87 million, an increase of 3.36 million over 1952. Raw coal increased from 3,000 tons into 4.63 million tons, output of electricity increased from 12 million kwh to 4.9 billion kwh an over 400-fold increase. By 1980, industries that came into being were: Steel, output to 240,000 tons, cement, to 1.55 million tons, chemical fertilizers to over 1 million tons and 130,000 sewing machines, over 27,000 bicycles, 23,900 tons of cotton and silk, and over 13,500 tons of chemical fibers. After liberation railways were constructed, air routes were opened, highway transportation was developed and communication and transportation increased. Fourth, there were great increases in the province in science and technology, culture and education and in public health. For the past 30 or more years, Fujian has trained nearly 70,000 university, college and graduate students, the number of institutions of higher learning have increased from 9 to 16 and the number of college and university, middle-level vocational school, regular secondary school and elementary school students has increased several tens of times over; a group of scientific and technical research sections have been established and by the end of 1979 there were more than 100,000 natural science and technological personnel in the province. Finally, the people's standard of living has clearly improved. In 1980, Fujian workers' average salary was 703 yuan, of which the state-owned workers' average salary had more than doubled over 1952. According to analytical estimates from relevant sections, in 1979, the net income each commune member received from the collective and his individual enterprise was over 140 yuan, which is a 1.3-fold increase over the 60 plus yuan received in 1950. Discounting for price inflation , the standard of living of the people of Fujian has clearly improved.

Fujian's achievements in economic construction in the past 32 years are not only something with which old China could not compare, but would be outstanding in a world-wide survey. Of course, Fujian's path of economic construction has not been a smooth one. The first eight years the economy recovered and expanded very quickly and in the period 1952-1957, gross value of industrial and agricultural production increased by 10.4 percent annually, and the average wage of employees in state-owned enterprises increased 36 percent. However, after this, due to a long period of "leftist"ideological influence, things were not done strictly according to objective laws, in the guiding direction there was a desire for quick results and in strategic targets there was an impetuous advance which created a proportional imbalance in the national economy, the economic structure was irrational and economic results could not be improved. But seen overall, comparing the achievements and shortcomings in Fujian's economic work in the 32 years since the founding of the People's Republic of China, the achievements are still important. Of course, if there had not been these mistakes, Fujian's economic construction could have made even greater achievements. If we further carry out the readjustment direction and proceed from the situation in Fujian, walk a new road of low investment and good results, people can really benefit and Fujian's economy can improve as fast as it can.

The conditions for Fujian's economic development are superior, the central authorities have adopted special policies and flexible measures for Fujian, so if we lack confidence in Fujian's modernization, there will be no grounds for pessimism and disappointment. But hoping for quick victories, and thinking that we can work wonders in a short period of time is also unrealistic. We should have lofty aspirations and high ideals and revolutionary enthusiasm, as well as do what we are capable of, proceed in an orderly way and gradually and analytically realize the Four Modernizations.

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NATIONAL POLICY AND ISSUES

ECONOMIC ISSUES IN FIRST HALF OF 1981 REVIEWED

Beijing GUANGMING RIBAO in Chinese 6 Sep 81 p 3

[Article by Dong Fureng [5516 6534 4356]: "Commentary on Certain Questions in Economics in the First Half of the Year."]

[Text] In the first half of the year China's economists have deliberated certain questions and we would now like to comment briefly on deliberations concerning several of these questions.

I. The Strategy of China's Economic and Social Development

Since the beginning of the year, economic circles, economists and science and technology circles in the capital, with the collective support of some units, have held three conferences on the strategy of economic and social development and discussed the strategy of China's economic and social development. The discussion has been based on examining China's past strategy of development, in comparing the strategy of devlopment of other countries, and has taken as its point of departure the general mission of realizing in the Four Modernizations.

Up to now, the deliberations have tended to emphasize the question of the strategy of development of China's economy and society. During the deliberations, everyone has discussed the negative consequences brought on by China making national industrialization, rapid economic growth and increases in certain goods (such as steel) the targets of development strategy for a long time and proposed making the people's basic needs the target of development strategy. Related to this, they also proposed the question of short-, medium- and long-range targets for China's socialist modernization, including in particular the specific content of the "comfortable society" to be achieved by the end of the century. People also have a rather uniform understanding of the targets of devlopment strategy necessary to change China, i.e., shifting the targets of development strategy to satisfying the people's basic needs. However, there has been no in-depth discussion of the specific content of the people's basic needs and the indicators of the stages (especially, the end of this century) of socialist modernization.

The development strategy of China's agriculture received rather more attention in the deliberations. This is not only because of the important role which agriculture plays in the goals of the development strategy of satisfying the basic needs of the people, but also because the widespread implementation of systems of responsibility, which link emuneration to production, has presented a series of new problems to China's agricultural modernization.

Formulations of strategy for economic and social development must be geared to China's basic national conditions. The in-depth study of national conditions has already begun to receive serious attention from a variety of areas. However, to study national conditions in-depth from the perspective of the need to formulate strategy of development still requires a great deal of work.

Seen from the perspective of the present situation, the discussion of the question of economic and social development strategy has far from really started. Many questions have either barely been touched or not at all touched, for example, a solution to the excess of agricultural population, the disparity and trends in income between strata and resident collectives in the economy, the choice of an import-export strategy, the choice of a technology policy, the utilization of foreign capital, etc. It can be expected that these questions will attract more economists to participate in the discussion and that more research results will emerge.

Because of differences in social systems, different developing countries should have different development strategies, but developing countries also have many common problems which must be resolved, therefore, in development strategy there are places where they can borrow from each other. This has important significance as reference for comparative research on various countries' development strategies and for formulating China's development strategy, and this work is still in a very weak state. Also, in addition to the independent research we have carried on ourselves, the experience and lessons of choice of development strategy by various countries, the introduction and absorption of the useful results of developmental economics abroad is also necessary.

II. The Forms and Structures of China's Ownership of the Mean of Production

In the process of correcting the leftist guiding ideology in economic work and carrying out reform of the economic system, the forms and structures of China's ownership of the means of production are undergoing profound changes and these changes must have a far-reaching and lasting influence on China's economic development. Thus this has become a question of extraordinary concern to economists. There are many topics here for us to deliberate. The year before last, people were paying attention to city and town collective ownership and this led to the convening of a conference on the theory of city and town collective ownership in January of last year. Then people turned even more attention to the forms of rural collective ownership (the question raised by implementing the various forms of the system of responsibility which links remuneration to production), the restoration and expansion of city and town individual ownership, joint-management ownership, Chinese-foreign joint capitalized ownership, etc., and the question of the structure of the ownership of the means of production at China's present stage which came from this. This led to this year's March-April forum on the question of the ownership of the means of production at China's present stage. Around the time of this conference, the press published a great many articles related to this topic.

Deliberations on the forms of socialist public ownership is a big advance for China's political economists in the theory of ownership. From many years of experience and lessons in the changes in public ownership of the means of production, people feel that socialists public ownership (whether national ownership or collective ownership) does not exist in any fixed pattern or form and that there is not any one socialist public ownership system which is suited to the circumstances of special productive forces and thus there is not any one socialist public ownership form which can forcefully promote the development of productive forces. We must find forms of socialist public ownership which are suited to different productive forces' situations. Political economy's research on the question of socialist ownership cannot stop at "generality of socialist public ownership" but must combine productive forces with further study of the forms of socialist ownership0 In recent years the broad peasants and employees have made a great many creations in this area. Workers in economic theory cannot treat these creations from the perspective of maintaining fixed patterns, but should investigate them from the perspective of theory.

People have already achieved a common view of the question of the structure of ownership of the means of production at China's present stage, which is mainly that under the condition that the socialist ownership has absolute dominance, a variety of economic elements and managerial forms can coexist. There has already been some discussion on the basis, quality, position, function and development trends of various forms of ownership and the relationship between them, but still they await in-depth study. In view of the present situation there still is not fully scientifically based proof of the level and quality of productive forces which are suited to the systems of ownership. This is inseparable from our long term overlooking of study concerning the question of productive forces. It is still not easy to overlook studying systems of ownership separately and what deserve attention in particular here is the question of the ownership system produced by agriculture after carrying out the various systems of responsibility which link rewards to production (especially after fixing farm output quotas for each household and assigning responsibility for a task until its completion, the ownership produced after state-owned enterprises in "substituting taxes for profits, independent accounting, being responsible for profit and loss" including the question of whether or not state-run enterprises can carry out responsibility for profit and loss and carry any significant responsibility for profit and loss), ownership produced by joint state-private management, etc. Ownership produced by privately collected funds and private capitalism requires even more careful treatment. Individual ownership is also a big question (such as hired labor, tax revenue) must be studied to provide a theoretical basis for formulating appropriate policy.

III. Economic Readjustment and Overall Balance of the National Economy

Since 1979 China has been carrhing out a readjustment of the economy and although some accomplishments have been made in readjustment, the anticipated goals have not been achieved and there is an enormous latent crisis in China's national economy. This year the Party and nation decided to carry out a rectification of the national economy, the short-term goal being to eliminate financial deficits and achieve a balance of revenue and expenditure; to stop financial issues and achieve a credit balance; to control inflation so that prices would maintain basic stability. Under the curcumstances for the past half year, economics and economists have had rather extensive deliberations on this question of the readjustment of the national econmy. The Conference on the Theoretical Question of the Overall Balance of the National Economy which was convened in January of this year, was held under the guidance of implementing the direction centered on readjustment.

The deliberations on this economic readjustment, apart from summarizing the lessons and experience of history, stressed an analysis of the factors which caused the present economic difficulties and created the enormous latent crisis in the economy. Discussion was conducted related to the idea that "deficits are not harmful" in an attempt to adopt deficit financing to stimulate economic development. The economic thinking of Comrade Chen Yun received serious attention in the discussion. People are once again discussing the ideas which Comrade Chen Yun proposed long ago in the late fifties concerning the balance of finance, credit and material resources and the idea that scale of construction should be suited to national power. The discussion was carried out in combination with present circumstances and this is significant. However, it should be said that there is still not much written on the question of the balance of the three and there is nothing which goes beyond the theoretical depth of the writing of the sixties.

In discussing economic readjustment, discussing a new path for developing socialist economy which is suited to China's national circumstances is very significant. This can be seen as a constituent element of the discussion on the question of development strategy of China's economy and society. Related to this question is the study of how China's economy can get out of the current predicament so it will gradually get into a better cycle. Along with the readjustment of the economy, especially contraction of the scale of capital construction, many industrial sections, especially heavy industry (particularly metallurgy and machine building) find themselves in a very serious bind. Great amounts of productive capacity have become idle, much useful goods and materials are overstocked, the pace of economic dvelopment has dropped, the activity of entire economic movements has been reduced and if we are to extricate ourselves from the present predicament, in firmly carrying out readjustment so that the economy will become active, idle productive capacity and stagnant goods and materials can be put back into the economy, still is a major problem before us which we must exert ourselves to address.

In the question of the national economy's overall balance, discussing the question of developing local superiority, balancing the local economy and coordinating the local balance and the national balance, we are farther ahead than in the sixties, but we are only beginning and need to go deeper.

IV. Reform of the Economic System

In recent years China has achieved some preliminary results in the experiment at reforming the economic system. This year we will set about the further readjustment of the national economy. Under these circumstances, the series of questions produced by the reform of the economic system must be answered theoretically. For example, how should the reform work on the economy system in the first period be evaluated? Is there a relationship between the serious difficulties which appeared in the economy and the epxeriment at reform of the economic system in the first period? How should the preliminary results in the reform of the economic system be consolidated in the period of readjustment? How should reform be conducted to benefit readjustment? How to manage the relationship of planning and the market, the relationship between centralized management by the central authorities and developing local and enterprise initiative, the relationship of the interests of the state, enterprise and employees and the relationship of the central authorities to the local areas, etc.? The Conference on the Question of Theory and Practice in Reforming the Economic Management System which was held in April of this year, discussed some of these questions. Some questions were discussed in the press. Although there has been extensive theoretical discussions of the question of reform of the economic system and there have been many breakthroughs (seen from the perspective of thought liberation), it should be admitted that there are a great many questions which await resolution in theory and in practice. Creating models which are suited to the notion of a socialist economy in China's national circumstances is still an important topic which lies before us.

This is a question concerning the general direction of the reform of China's economic system. In the new economic system, how to combine planning and the market is still a question which resuires continuing discussion. In the preliminary experiment at reforming the economic system, in the process of expanding enterprise initiative some questions have already been asked in various aspects of the reform of the economic system (such as the planning system, taxation system, pricing system, financial system, etc.). The question of reforming the various system parts of the economic system to make it a whole, still needs exploration. The question of the leadership system within enterprises has also been raised. In the period of economic readjustment, apart from consolidating existing achievements and continuing with some new experiments, because of the restrictions of subjective and objective conditions, reform of the economic system cannot be carried out comprehensively. But in this period, making conscientious theoretical preparations is absolutely necessary.

In the most recent period, with the inspiration of implementing in the countryside the system of responsibility linking rewards to production, some industrial commercial and service enterprises have begun to try out various forms of the economic responsibility system, from being responsible for profit and lost and responsible for a task until it is completed to contractural management, deserve our close attention and careful deliberation, and we need to devote particular attention and discussion to the relationship between forms of the economic responsibility systems and the future comprehensive reform of the economic system.

V. The Question of Economic Effectiveness

In correcting the leftist guiding thinking in economic work, in the process of readjusting the national economy, the question of economic effectiveness has become a question people are paying attention to and attention to economic effectiveness is an important element in the new road of economic development suited to China's national situation which we are following. The Conference on Theoretical Questions of Economic Effectiveness which was held in March of this year was held under these circumstances.

There has been continuous discussion of the question of economic effectiveness in recent years. For the past six months, in addition to continuing to summarize the historical lessons and experience in economic effectiveness, emphasis has been placed on discussion combining it with readjustment of the economy.

In the period before the 3rd Plenary Session of the 11th Meeting of the Central Committee of the CCP, new impetuous advances in economic work did enormous damage to China's economic development. People studied the question of economic effectiveness brought on by the new rash advance from the perspective of economic structure, scale of capital construction, choice of projects, use of foreign capital and importation of technology and drew the necessary lessons.

In the preliminary experiment at reform of the economic system, the lack of complete systems in the economy and reform and some incautious methods produced a problem of some sections and units only paying attention to microeconomic effectiveness and ignoring macroeconomic effectiveness. Stressing macroeconomic effectiveness and uniting it properly with microeconomic effectiveness has become a matter of great concern. There have already been some articles on this.

The question of the relationship of developing local superiority and improving the macroeconomic effectiveness of the entire economy, which appeared in the process of local areas pursuing comprehensive self-sufficiency and promoting their strengths while avoiding their weaknesses in developing local superiority must be studied.

Study of the question of economic effectiveness has always been weak. Seen in terms of the present, apart from continuing to strengthen research on basic theory related to the question of economic effectiveness it is necessary to concentrate our efforts on studying and scientifically evaluating the system of norms and indicators of economic effectiveness and correspondingly propose a complete set of integrated evaluation methods and at the same time combine it with feasible research on some topics to raise the method and theory of economic effectiveness to a new height.

In the first half of the year there have been some developments in basic theoretical questions of political economy, the question of productive labor and nonproductive labor is an example. There is research on other important questions of economic theory, but here we will not go into them one by one.

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MANAGEMENT METHODS CAN IMPROVE BUSINESS ECONOMIC RESULTS

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 4, 19 Jul 81 pp 10-13

[Article by Liu Yuanzhang [0491 3293 1728], research worker at System Science Research Institute, Chinese Academy of Sciences: "Improve Business Management for Better Economic Results"]

[Text] The main purpose of the economic readjustment and restructuring now going on in our country is to improve the economic results in production, construction, and various economic spheres. An enterprise should actively take the initiative to improve its business management and strive for better economic results in meeting the requirements of the "eight-character [readjustment, restructuring, consolidation, and improvement], policy" with readjustment as the central task.

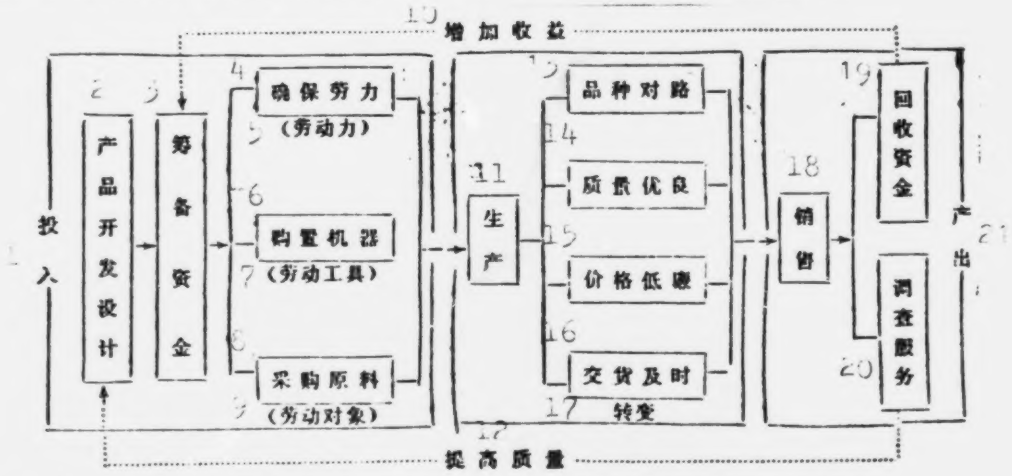
I. Implications of Economic Results

Generally speaking, all productive and business activities of an enterprise are included in the "input-conversion-output" cycle. Input (or putting in) means the investment of the required manpower, money, and materials which, after physical, chemical, or biological treatment of the mechanism of conversion, become finished products as output (or production). So-called production means the input of manpower, money and materials to be converted into finished products having newly added value from labor. These products will become commodities through circulation and be sold on the market. Their value will then be realized. The economic results of an enterprise are the proportionate relationship between input and output, as expressed by this formula: Economic results = output ÷ input. If the value of output divided by input is 1, it means that the value created by labor is sufficient to maintain simple reproduction. If the value is less than 1, it will mean that labor has been wasted and that even simple reproduction will be impossible. Therefore, the value must be greater than 1 before additional social wealth can be created, before the enterprise can carry on expanded reproduction, before the people's livelihood can be improved, and before socialist construction can be served.

Recently, the central government decided that inland enterprises should learn from their coastal, mainly Shanghai, counterparts; this decision was made as an important economic strategic policy decision for the purpose of achieving an overall improvement of economic results. Shanghai's overall economic results are actually much better than those of other places. In Shanghai, the annual output value for every 20 billion yuan's worth of fixed assets was as high as 60 billion yuan. If other factors are not taken into account, the ratio between output and input is 600/200 600/200 = 3. This 3 is the index for the measurement of economic results. In 1979, the total industrial output value in our country was 459.1 billion yuan. In 1980 it increased by 8.7 percent and amounted to 499.2 billion yuan. Rounded off to 500 billion yuan, this is about the same as the original value of fixed assets of all industrial enterprises throughout the country. In other words, if we divided the total industrial output value by the value of the total fixed assets used as input, the average economic results in the country expressed by the result can only be 1. If, however, industrial economic results throughout the country were as high as those of Shanghai, the total industrial output value for that year would have been 1.5 trillion yuan. If we add to this figure another 200 billion yuan of agricultural output value, the combined industrial and agricultural output value would be 1.7 trillion yuan, which would work out to a per capita income of 1,700 yuan, or 1,000 dollars. Then the people would be able to live in "relative comfort."

II. Relationship Between Business Management and Economic Results

How can we produce better economic results? First, we must improve the quality of enterprises. Consolidation of enterprises means improvement of their quality. Enterprises must have vitality before the national economy can flourish. If the quality of an enterprise is too poor, it can never become active, no matter how many external conditions you may create for its improvement. If, for example, a person has stomach trouble, you cannot expect him to do much work, even though you feed him with good food. If an enterprise has good quality, it will be able to increase the value in the continuous input-output cycle and add to its profits. The cycle of increasing value can be seen from the following diagram:



Key:
1. Input
2. Design for production
3. Fundraising
4. Guaranteed labor
5. Labor
6. Purchase of machinery
7. Tools of labor
8. Purchase of raw materials
9. Object of labor
10. Increased benefits
11. Production
12. Improved quality
13. Suitable products
14. Good quality
15. Low price
16. Timely delivery
17. Conversion
18. Sales
19. Return of funds
20. Service inspection
21. Output

From the above diagram, it can be seen that this type of increased value is created by labor in the process of production, and the created value can be realized only through circulation. If there is only creation but no realization, then an increase in value cannot be accomplished and economic results cannot be attained. Therefore, while on the one hand we consider methods to create value in the field of action, we should, on the other hand, realize value through circulation in the market. Both input and output, at the two ends of the diagram, are connected with the market, while the intermediate transformations all take place in the field of action. To improve economic results, we should consider the market in the light of both input and output, and [consider] the field of action in the light of the mechanism of conversion. Consideration of the market means mainly the formulation of a business strategy, or a business policy decision; consideration of the field of action means stressing management tactics, or management behavior. Strengthening the quality of enterprises in fact means stirring up business strategy ideas and increasing the power of management tactics among enterprises.

III. On Business Strategy

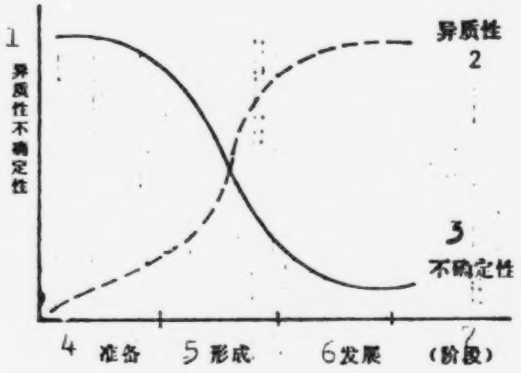
Business strategy means deciding on the long-range objectives of an enterprise and on the necessary action to be taken in attaining these objectives, in addition to working out a series of policy decisions. The work of directing enterprise activities is called basic strategy, while that of directing enterprise functions is called functional strategy. Basic strategy consists mainly of the following three types:

1. Optimum development strategy. When an enterprise is engaged in the production of many different final products or in many forms of activities, it is necessary to consider the means of distributing or utilizing the enterprise's business resources (or funds) in order to ensure optimum benefits. Therefore, it is necessary to analyze many aspects of products--such as the rate of increase of sales, the place they occupy in the market, the sequence of changes they undergo, and so forth--in order to determine the optimum plan for the distribution of business resources. This is called the optimum development strategy. The regulating conditions and target functions required for the mathematical planning in resource distribution are all decided by this type of distribution planning. Apart from the above-mentioned points, we should also consider social needs, state policies, international conditions, and other factors in deciding on the target of optimum development strategy.

2. Multiple-undertaking strategy. While the product mix and the organizational structure are being readjusted, we should consider the question of adding new varieties to the product mix. As for the organizational structure, we should consider the question of integration in various forms. The main orientations are:
1. To develop within a field that is related to the orginal market, such as development from the production of men's garments to the production and marketing of women's garments. 2. To develop production of goods with their original strongpoints into production and marketing of related goods. For example, the present diesel engines are well received by tractor-assembly plants. We should take advantage of the strongpoints of this production technique and production management to produce accessories for diesel engines, such as power generators and air compressors. By this means we will not only make better use of the original strongpoints of diesel engines but also help raise their quality and lower

production costs through the production of related goods and from information on their quality as reflected by the market. (3) To develop in the direction of serial production or raw-material and secondary-processing departments. Serial production here does not mean serialization of specifications but should include products of different types. For example, textile mills originally producing only grey can also engage in printing and dyeing; camera plants can develop the production of projectors, electronic computer equipment, and so forth. (4) To develop new products and new fields by making use of existing business resources and people's intellectual power. For example, a transistor plant can utilize its technical personnel to develop the production of goods used for solar energy.

In choosing a form of multiple-undertaking strategy, we must consider the elements of uncertainty and difference in character. There necessarily are risks for enterprises in business management caused by the element of uncertainty in enterprise activities. Difference in character means the complex nature brought about by the change from a single line of business to multiple-undertaking. Therefore, in working out a multiple-undertaking strategy, we must carefully weigh the increased effects of the difference in character and the reduction of benefits caused by the risks inherent in uncertainty, strike a balance between the two, and choose the better one. We should also consider the different stages of multiple-undertakings, as shown in the following diagram.



Key:
1. Difference of character and uncertainty
2. Difference of character
3. Uncertainty
4. Preparation
5. Formation
6. Development
7. (Stage)

3. Strategy of withdrawal and change. During the readjustment of the industrial structure, product mix, or organizational structure, a given enterprise may unavoidably be "closed, suspended, amalgamated, or converted." This calls for a full investigation and analysis. On the one hand, we should look at the enterprise itself and find out the causes, the mistakes made, and the symptoms of trouble that may have led to the need for a strategy of withdrawal and change, on the other hand,

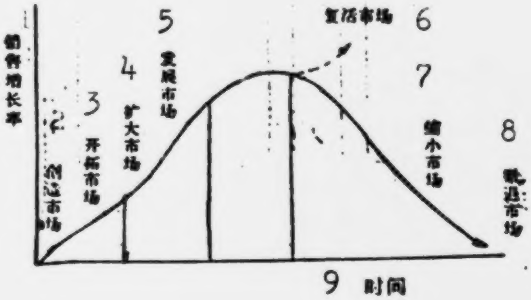
we should also look at the external factors and find out the causes and problems--such as reduced market demand; increased raw material prices; intensified sales competition, which contributes to the cutting of selling prices; slow progress of technical innovation, which weakens competitive power; surplus production, which has led to a surplus of equipment; pressure from other enterprises; the demands or policy of new production and the change to new fields; difficulties in turnover of funds; rising interest rates; and so forth. Based on an analysis of these two aspects, we can work out a strategy of withdrawal and change.

This strategy of withdrawal and change is not intended as a measure for dealing with the aftermath of business failures. On the contrary, it serves to prevent business failures. In the course of consolidation, we hope to do more in amalgamation and conversion and less in closure and suspension. In short, we must study the situation of the enterprises about to be closed or suspended and find out the various factors leading to such necessity, so that we can provide better directions in the future. We must not summarily attribute everything to the readjustment now going on.

IV. On Functional Strategy

Enterprise activities are usually carried out in several departments, and each department has its own function. These functions sometimes share a common foundation with the whole system and sometimes have special characteristics of their own. Therefore, when an enterprise already has had a general business strategy, there should still be at least a functional strategy for the principal departments. Proceeding from a desire to improve economic results, we can consider the functional strategy in relation to such matters as raising product prices, joining the scramble in the market, accelerating the turnover of funds, reducing the burden of interest payments, and lowering production costs; then we can divide the strategy into the following parts:

1. Sales strategy. Since output value has to be realized in the market, sales are therefore also in need of a strategy. There should be an assessment and analysis of the rise and decline of commodities in the market, as shown in the following diagram.



Key:
1. Rate of sales increase
2. Creation of a market
3. Pioneering in market
4. Expansion of market
5. Developing the market
6. Reactivating the market
7. Shrinking of market
8. Withdrawal from market
9. Time period

According to this analysis, different sales planning should be worked out at different times, such as plans for training salesmen, advertising in the press and broadcast media, setting up sales centers, exhibition and sales on an experimental basis, consignments, sales commission, opening up enterprises for public inspection, strengthening postsales service, and so forth. Furthermore, in conducting an analysis according to the above diagram, we should classify the goods into daily necessities, articles for daily enjoyment, daily substitute items, daily luxuries, daily indulgences, and so forth and use the rise and decline of their sales as the basis of our study. At the same time, we should also base our study on the competitive power of the enterprises themselves and adopt market sales policies accordingly. For example:

		5	6	7	8	9
		扩大	限制	缩小	转移	创造
竞争地位	强	○				○
	中		○	○	○	○
	弱		○	○		○

Key:
1. Competitive power
2. Strong
3. Medium
4. Weak
5. Expand
6. Restrict
7. Reduce
8. Change
9. Create

For any type of commodity and any type of market, a sales strategy should ultimately be based on the following marketable goods of fine quality; smooth marketing channels; aggressive salesmanship, and rational sales prices. Therefore, a sales strategy is possible only with the support of the departments concerned.

2. Production strategy. This only means complete rationality, elimination of waste, lowering of consumption of raw materials and energy, and cutting of production costs in every possible way. This should be considered in the light of the following factors:

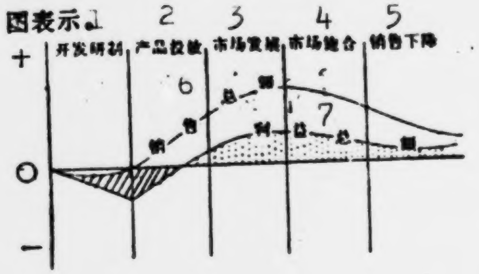
(1) Plan for lowering production costs. This is based on the basic business strategy. During the design stage, a shortcut to the lowering of production costs can be worked out on blueprints. At present, if the QC [quality control] groups now being formed throughout the country will pay attention to development in the direction of the design department, they will provide a more effective way to success. At the same time, utilizing leftovers as a rational way to conserve resources, lowering labor expenses by raising output, increasing work efficiency by changing product design and processing methods, changing raw materials as a means of reducing energy consumption, strengthening or improving the use of tools, repairing and lubricating as a means of indirectly reducing material consumption, and comprehensively utilizing various experimental materials and supplies for official business and so forth are all important ways to reduce production costs.

(2) Equipment investment plan. Instead of relying on the importation of new equipment, we should give play to the role and efficiency of our existing equipment. Before investing in new equipment, we should consider the balance of capacities in the work sequence and the suitability of the scope of production, and then compare the usefulness of all-purpose machines with that of special machines. We should also consider the extent of automation and other factors, all of which should be carefully attended to at present.

(3) Reduce reserves as much as possible and adopt the "signboard" method of production. Following the great success of the Toyota Motor Vehicle Company of Japan in changing the traditional method of production management from "top-downward" to "bottom-upward," the "kanban" [signboard] production method has become a popular subject for study. Of course, coordination in various aspects is needed before this can become a success. Yet we should now at least consider changing from production on the basis of unreliable plans to production according to orders placed in the form of contracts. This will produce good results by reducing various reserves.

The most important element of a rational production strategy is participation by the entire personnel; otherwise, none of the above tasks can be accomplished. To ensure full participation, intensive political and ideological work is needed. Small group activities should be encouraged, and attention should be paid to workers' interests and welfare so that everyone will treat the plant as his own home. This is the most basic rationality.

3. Introductory strategy. Research on the introduction of new products is indispensable to the achievement of good economic results. Therefore, a whole set of jobs needs to be done, from introductory plans, design research, and the turning out of commodities to pioneering work on the market. In working out a strategy, however, we should first clearly understand the life expectancy of the products. This can be shown in the following diagram.



Key:
1. Introductory research
2. Output of products
3. Market development
4. Market saturation
5. Decline of sales
6. Total sales
7. Total benefits

In this diagram, we should note the size of the shaded area at the beginning of the "total benefits" curve from the 0 line. Attention should be paid to this factor in working out an introductory strategy. In the past we did not study this aspect, even for the capital construction of production enterprises, not to speak of the introduction of new products. Of course, this curve, like the sales curve in sales strategy, has different shapes for different groups of commodities. However, they are generally similar.

According to this strategy, enterprises are regarded as a complete system with the following special features:

First, they are affected by the environment and in turn affect the environment. This is the most striking feature of modern enterprises. An enterprise's business and its economic results are affected by the conditions of market demand. However, they can also create market demand. They are affected by policies, but their development can also affect the formulation or change of policies. They are also affected by the social concept of value, but they can change the social concept of value. Finally, they can be restricted by technical conditions, but they can also create or renovate technology.

Second, among either the internal elements (manpower, money, and materials) or the external environmental elements of an enterprise, thre is always the element of uncertainty. Uncertainty is the source of risks for enterprises, but business strategy is worked out to deal with enterprise risks. An enterprise's economic results are gained by overcoming these risks.

Third, the collection and analysis of information and numerical data therefore form an indispensable basis for working out business strategies. The market investigation we usually talk about is only a means of obtaining this needed information, but market investigation itself is also one type of environmental information.

An understanding of these basic concepts is useful to the consolidation of enterprises, the reform of business management, and the improvement of economic results.

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FINANCE AND BANKING

PRC JOURNAL ON MIDDLE, SHORT-TERM BANK LOANS

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[Article by Yang Peixin [2799 1014 2450] dated 20 Aug 81: "On Middle and Short-Term Bank Loans for Equipment and Installations"]

[Text] The middle and short-term bank loans extended by the People's Bank of China are new products that have emerged from the reform of our economic management and readjustment of our national economy. In October 1979, leading comrades of the party Central Committee raised the question of whether it was conceivable to change the financial appropriation system to a bank credit system, making the banks a lever for economic development and technological renovation. Banks should deal with economic problems. Instead, they are now only playing the role of making out bills and keeping the books without really playing their role. In regard to enterprises that produce quick results with little investment, we should bypass financial appropriations and take up bank loans. Many plants need only a few thousand yuan to resolve their problem; some need a few tens of thousand or a little more than 100,000 yuan. In such cases, the bank should supply them with loans. If such loans are handled with good adaptability, the banking network is going to be expanded. In fact, this proposition became true in 1979 in the experimental points for economic management reforms in Sichuan Province. With more decisionmaking power, the enterprises were able to keep part of their enterprises fund in addition to a certain amount of their depreciation fund. However, even the combination of the depreciation fund, the major overhaul fund and the development fund was not sufficient to cover the financial needs of the old enterprises in their effort to adjust to the market demand requiring improvement of product quality and varieties by taping unused potential and carrying out renovation and transformation. It was this situation that required the banks to take in the various funds of numerous enterprises in order to make middle and short-term loans for equipment and installations to enterprises in most urgent need. By the middle and short-term loans we refer to here, we mean loans of 3 to 5 years maturity for the former and less than 1 and 1/2 years maturity for the latter. At that time the comrades of the Sichuan provincial party committee issued an instruction to stop making uncompensated appropiations out of the provincial government expenses and ordered that middle and short-term loans be made instead through the People's Bank of China by reason of the bank's wide coverage in urban and rural areas by its branches and its constant and extensive contacts with the industrial and commercial community, thereby having the benefit of giving play to the economic effects of the loans. Along with this, they proposed that the banks be given the decision power in making loans and that the various departments concerned be limited to the right of making suggestions, leaving the decision on the loan, its amount and the length of its maturity to the discretion of the banks. In 1980, in order to suit the situation of readjusting the national economy the People's Bank sponsored middle and short-term loans for equipment and installation throughout the nation. The total amount of the loans was set at 5 billion yuan, 2 billion were of middle and short-term loans of general nature to be controlled by basic-level banks, and 3 billion of which were special-item loans to be ratified by the State Council in the fields of textile and light industries, electronics, communications, railways, the metallurgical industry and so on. By the end of 1980, loans outstanding amounted to 4.54 billion yuan, 1.95 billion of which fell into the category of middle and short-term loans of general nature, and 2.6 billion of which were special-item loans. Loans paid back during the current year amounted to 560 million yuan.

The issue of middle and short-term loans for equipment and installation has been much welcomed by the enterprises. Having successfully achieved its technological transformation with the aid of long and short-term loans, the Zhongnan rubber factory of Chongqing municipality presented a silk pennant which read: "We are not of the same family yet we go beyond family ties: with one heart and one mind, we strive together for the four modernizations." The leading cadres of Chengdu textile mill said: Bank loans have supported our mill in increasing production and income. It is just like using good steel at the cutting edge of the knife." The collective enterprises commended the loans as "sending charcoal in snowy weather." The leading comrades of the local party and government organs of Jiangsu Province and the departments in charge of the enterprises made the comment: "The middle and short-term loans of the People's Bank have given us a solution to the problems which we tried to solve for so many years in the past, but to no avail." On the other hand, there are also some comrades who think that the middle and short-term loans made by the People's Bank have over stretched the capital construction front, squeezed out government revenue, encouraged excessive issue of bank notes, and done damage to the principle of dual management of government funds and bank credit.

In March this year, the People's Bank of China summoned a conference in Tianjin to exchange experiences in making middle and short-term loans, and delegates from various provinces and municipalities made a preliminary review of the past and summed up the past experiences. Since practice is the sole criterion for testing truth, it is the objective facts and actual practice that we take as the context for probing the question as to what roles the middle and short-term loans have played and what problems are to be solved.

(1) The middle and short-term bank loans for equipment and installations have forcefully accelerated the readjustment of the national economy.

Short-term bank loans are not large in amount. However, they have had a strong and extensive effect on the national economic life, mainly seen in the following aspects:

1. They facilitate the rapid increase of the production of consumer goods.

The national conference of light industry departments at provincial and municipal level in March this year revealed that "making middle and short-term loans is a good way." Last year a total of 970 million yuan of loans was made to light industries, which played significant role in increasing the production of consumer goods in short supply. In the first year, success was achieved in increasing production capacity for making bicycles, sewing machines and wristwatches by 1,500,000, 90,000 and 1,000,000 units respectively. In the same year, the production of beer increased by 25,000 tons, high-quality wine by 210 million tons and leather shoes by 200,000 pairs. The conferees asked for more middle and short-term loans for this year, 500 to 600 million yuan in amount, so that 1.3 billion yuan of taxes and profits might be generated this year and an increase of production of such goods achieved to withdraw 4.2 billion yuan of currency from circulation. Shanghai Municipality planned to designate 10 factories to produce more of the "3 major consumer durables" [television sets, bicycles and wristwatches] for the light industry sector. The light industry sector of Shanghai Municipality asked for 30 million yuan of loans this year so that 1.9 billion yuan in goods might be increased in production and additional taxes and profits totalling 1.19 billion yuan might be generated. If an additional 30 million yuan of loans are made in 1982, 296 million yuan more of the 3 major consumer durables will be produced and an increase of taxes and profits of 1.19 billion yuan will be made. All these loans can be repaid in 1982.

With the help of the middle and short-term loans, rapid growth of the production of brand goods has been achieved, and a heartening prospect has emerged. The Hangzhou yellow rice wine, originally manufactured in the traditional way, attained an annual production of 8,000 tons only, which was insufficient to meet the demand of Hangzhou inhabitants and had to be supplied on a ration basis. With 134,000 yuan of equipment loans from the banks and with the backward production methods improved and production mechanized, an increase of production of 120,000 tons has been made possible. Manufacturing started in November last year, by year end output value increased by 1,080,000 yuan and taxes increased by 800,000 yuan. Now Hangzhou yellow rice wine is being supplied without rationing. Beijing beer has been in short supply, as the two breweries making it are old factories constructed before liberation with obsolete equipment and outdated production technique. With 3.3 million yuan of bank loan for the purpose of getting more storage vessels, renovating equipment and improving production technique, production can be increased by 5,000 to 10,000 tons this summer. The People's Bank also made a loan to Shunyi County brewery to reconstruct its abandoned plant and annual production is expected to be increased to 20,000 tons. The Kuandian food factory of Liaoning Province produced biscuits which were black and hard. The local inhabitants sent some of the biscuits to RENMIN RIBAO and commented that "throwing these biscuits could kill someone." A bank loan was made to the factory to purchase an infrared ray electric over. The biscuits produced there now smell wonderful and taste sweet, and production has been increased by 280 percent. In Fuxin Mongol Autonomous County of Liaoning Province, no factory for producing soybean sauce has been constructed since liberation and supply had to be provided by Shenyang intermittently. With a loan of 40,000 yuan, a soybean sauce workshop was constructed and in 1 month's time production was started with enough output to satisfy the needs of the people. In Sichuan Province, a bank loan of 140,000 yuan was made to the factory producing the Wuliangye liquor, and an increase of production of 1,000 tons was expected in order to satisfy market demand, both domestic and abroad. As indicated by statistics of Liaoning Province, of the total middle and short-term loans, one-third has been allotted for the purpose of improving product quality and increasing product varieties in order to market more high quality famous brand products.

2. It helps the enterprises divert production to marketable consumer goods, develop cooperation and accelerate readjustment.

The Changan Country pottery and porcelain factory of Shaanxi Province, a collective enterprise, had taken losses of more than 500,000 yuan in the past few years because of high costs and poor quality products and lack of markets. A decision was made by the department in charge to convert this factory into a cotton weaving mill, and a bank loan was granted to purchase 250 weaving looms, which were installed and began production in June last year. By the end of the year, 1,500,000 meters of khaki were produced with a value of 2,000,000 yuan. The mill made a profit of 50,000 yuan and provided employment to more than 500 workers who had been laid off as the result of the closure of some factories in the country. The Chongwen chemical fibre factory of Beijing, which had been producing cords for fishing nets with little sales, was merged into the second woollen sweater factory, with the result that 200 transverse machines were needed. At the beginning of last year, a bank loan of 200,000 yuan was granted to the factory and the original plant was used to install the machines to begin production. By yearend, more than 90,000 woollen sweaters were produced, increasing output value by 1,860,000 yuan and yielding 429,000 yuan in taxes and profit. The Nanshan knitting factory of Chongqing was originally a producer of quartz sand, and was converted into a producer of sleeveless vests because of insufficient sales. With a bank loan of 500,000 yuan, production lines of weaving, bleaching, dying and sewing were set up. Production began in May last year, and by yearend 170,000 good quality vests underwear were produced. With full utilization of its designed capacity, the factory can produce 400,000 pieces of clothing and supply 400,000 yuan of profit. In the case of the heavy rolling mill of Chongqing Steel Corporation, which modified abandoned equipment into 265 rolling presses to produce small construction steel products, with 70,000 yuan of its own and a bank loan of 50,000, construction began in March and production started in May last year. Some 422 tons of rolled products have been already produced, making a profit of 120,000, and the bank loan has been repaid already. It is expected that with the capacity of the pressers fully utilized, 500 tons of rolled products can be produced annually, increasing taxes and profit to 170,000 yuan.

Through the middle and short-term loans, the banks have enhanced cooperation among the enterprises in terms of specialization. With a bank loan of 6 million yuan, the Dalian bicycle factory increased its production capacity of 26-inch and 28-inch bicycles from 180,000 to 300,000. Thirteen enterprises including shipyards and heavy machinery factories were urged by the local authorities to help make equipment and provide wheel rims, cranks and other parts. The banks also joined in to provide funds. These enabled production of 26-inch bicycles to increase rapidly to 26,000.

According to the statistics of Hanzhou, Zhejiang Province, only 13 percent of the middle and short-term bank loans were used for civil engineering construction. In the case of Dandong City, Liaoning Province, the percentage is only 7 percent; in Wuhan, it was only 6 percent. Most of the loans were used for the purchase of machinery equipment. The national total of 4.2 billion yuan of middle and short-term bank loans has provided more than 3.5 billion yuan of purchasing orders for the machine-building industry, not including the funds owned by the enterprises brought along into the deals by the bank loans. This is a forceful impetus for making the machine-building industry produce for the light and textile industries and offer its services to the enterprises in tapping unused potentials and undertaking renovations. This has played a role in enlivening the machine-building industry and stopping its production decline and taxes and profits fall. Therefore, the middle and short-term bank loans have played the role of hitting two birds with one stone, not only increasing production of the light and textile industries but also enlivening the machine-building industry. This helps to break the suffocating situation and benefits the linking and normal operation of the various sectors of the national economy.

3. It supports the enterprises in every way to save energy.

Saving energy is an important strategic measure in the process of readjustment, as it is expected that the increase of energy needs caused by increased production is to be met by energy saved. To save energy, it is necessary to activate tens of thousands of enterprises and to wage a mass campaign. Through the support of bank loans, it is possible to achieve much with little money and to get comparatively great economic effects in a short span of time. By the end of February 1981, the brank bank of Shanghai had made 7 loans for energy saving, totalling 308,000 yuan. As energy-saving yields quick results, four of the loans have already been repaid. The 26th contton textile mill took a loan of 26,000 yuan for converting 8 single-speed air blowers into 3-speed blowers. The transformation was completed in June last year, and more than 300,000 kwh of electricity were saved in 2 months. By yearend the loan was repaid with the savings in the consumption of electricity. In the case of the Shanghai solvent factory, with the increase of a 8 spiral-plate heat-exchangers, 2.5 tons of steam have been saved per hour. This means 1,200 tons of oil saved annually. The factory has already repaid the loan with savings from energy consumption. The Beijing smeltery, a producer of reclaimed copper, took a bank loan of 150,000 yuan to purchase a packing machine to press the small copper pieces into cakes. This enables the switching of multi-feeding to single feeding of the electric furnace, whose power consumption has been reduced from 200 to 110 kwn per ton of copper smelted, and coal consumption in earthen furnaces has been reduced from 290 kilograms to 273. Last year, 280,000 kilowatt hours of electricity and 54 tons of coal were saved, and 60 more tons of copper ingots were produced. Taxes and profit were also increased by 250,000 yuan. The Nanhai sugar refinery of Guangdong Province, by taking a bank loan of 1 million yuan, completed its project of electric generation by residual heat and started operation before the sugar refining season. In the past, 740,000 kwh of electricity were required from a major power brid. Now the factory has enough electricity for its production and household consumption. In addition to these, 340,000 kwh of electricity are supplied to a major power station. Some 9,000 tons of coal are saved annually and profit has increased by 470,000 yuan. With the completion and operation of the power generation project by residual heat in 5 sugar refinery factories, it is expected that 30 million kwh of electricity will be added and 32,000 tons of coal saved. The vacuum flash factory of Hangzhou originally had 3 oil burning boilers, consuming 2,700 tons of oil annually. In August last year, a bank loan of 300,000 was granted to the factory to convert the boilers into coal-burners. Operation began in December. Not only has oil consumption stopped, but expenses are also reduced by 210,000 yuan annually. The Hangzhou brewery had 3 Lancashire boilers, notorious coal gluttons. With a bank loan of 75,000 yuan, the boilers were modified into fast-feeding boilers, which saved 155 tons of coal monthly and increased output value by 400,000 yuan, and taxes and profit by 100,000 yuan. The Jingshan boiler subsidiary equipment factory of Hubei Province, a producer of boiler ash cleaners, took a bank loan of 125,000 yuan and purchased 5 important pieces of equipment. Production has been increased to 1,600 cleaners to be supplied to 320 purchasers throughout the country, capable of saving 181,000 tons of coal for the state and increasing electricity generation by 4.1 billion kwh. The rate of certified products for these cleaners has been raised from 55 to 98 percent. Output has been raised by 150 percent, costs reduced by 44 percent, and net profit increased by 490 percent. In 10 months' time, the loan was repaid in full. The Chongqing branch of the People's Bank, in its operation of loans for small hydro-electric generation sponsored by Sichuan Province, granted a loan of 1.2 million yuan in support of the Qijiang hydroelectric station. In July last year, 32,240 kwh of electricity were produced and the needs of local industrial and agricultural production were met. The total loans for small hydroelectric generation construction in the nation as a whole amounted to 240 million yuan. Some 160 projects were completed during the year, adding 280 million kwh of power generation.

4. It gives support to communications, transportation and the tourist trade, and increases export and employment.

Transport and communications comprise a weak link in our national economy at present. They should be the sectors to be developed and strengthened in the process of readjustment. Through the operation of middle and short-term loans, the banks have accelerated the development of transportation and communications. As Zhejiang is a coastal province, it has vast coastal waters and many seaports and abounds in waterways and river networks, enjoying predominance in water transport. Despite all this, these, in 1979 6 million of cargo shipments were left undelivered. The same unfavorable status was also found in the old age of shipping vessels and serious waste in energy consumption. While the combined output capacity of the 38 shipyards of the province amounts to 45,000 tons, the annual target for production was only 29,000 tons last year, only 65 percent of capacity. The fact that concrete boats have a 40.2 percent deadweight ratio against their load capacity and the age of the wooden vessels surpasses 30 years indicates the necessity of renewal and transformation. Last year, loans granted by banks to the water transport businesses in the province totaled 1 million yuan for constructing 152 vessles. This added 18,000 tons of construction assignments to the shipyards, bringing their operation in basic terms to full capacity as well as rendering help in cleaning 5,212 tons of steel products and some machine and electric products in stock. "Suffocation" in three areas has been relieved.

Loans have been also granted to Hangzhou tourism, services, food and beverage and cultural businesses by the bank. A bank loan of 30,000 yuan has been granted to the city gardening company in support of its business in constructing fish ponds and breeding gold fish. Its operation increased income by $40,000 due to export of its products, and raised profit by 30,000 yuan. Loans have been also granted to the garden and woods travelling service company for the purpose of purchasing sightseeing buses, and constructing mountain villas for toursits, thus integrating food, lodging, transportation and entertainment into a whole. A bank loan of 290,000 yuan has been granted to the Leshan and Emei mountain tourist district of Sichuan Province for the purpose of four sightseeing buses and two yachts. Tourists can take the buses from the city right up to Emei mountain, and cruise on the yacht to enjoy the sight of the Dafo monastery and the Wulong monastry. A loan has also been granted insupport of purchasing mobile cabins for Emei mountain and an additional 340 beds so that tourists may stay on the golden summit overnight and enjoy the sight of sun rising in a sea of clouds next morning.

Bank loans are also extended to give play to the local predominating trade and promote exports. Zhejiang Province is well known abroad for its laces and arts and handicraft articles. These are labor-intensive products, mainly made by handiwork of village women and of collective enterprises. They had difficulty in development for lack of funds in the past. The mountain climbing shoes made by Leqing industrial arts shoe factory are marketed as far as the EEC and have a high rate of earning foreign exchange. However, this factory lacks equipment and its workshops are congested. With a bank loan of 600,000 yuan, it expanded its production capacity from 2 to 6 million pairs of shoes. Last year, an increase of production of 2 million pairs boosted output value by 7.5 million yuan and taxes and profit by 900,000 yuan, and earned $3.4 million. Xiaoshan lace was once awarded a gold medal by the state. In November 1979, a bank loan of 200,000 yuan was granted for purchasing equipment to expand production. It took only 4 months for the project to go into production last year. Through middle and short-term bank loans, Shenjiang Province increased its foreign exchange earnings by as much as $13.9 million. Firecrackers and fireworks are traditional export products of Guangdong Province. Bank loans amounting to 800,000 yuan were awarded to Nanhai firecracker works and Nanhai Red Flag firecracker works to expand their plants. Some 12 million yuan worth of firecrackers were exported, an increase of 10.6 percent compared with the previous year. Fireworks exports increased by 19,000 boxes. This year production can be increased to 23,000 boxes, which can earn $1.46 million. The 3 sub-branches of the People's Bank in Jiangling, Honghu and Taianmen, Hubei Province, made loans amounting to 1.53 million yuan in support of enhancing production of industrial arts shoes, plastics flower and other products, which enhanced output value by 19,290,000 yuan and increased foreign exchange earnings by $11.1 million. Statistics of Shanghai and the provinces of Zhejiang, Guangdong and Hubei alone indicate that through the support of middle and short-term bank loans, foreign exchange earnings were increased by $53 million.

The support given by middle and short-term banks loans to reproduction in the enterprises implies growth of employment of young people. Bank loans amounting to 1.41 million yuan extended in support of 14 light industry and textile products in Wuchuan County of Guangdong Province increased output value by 11 million yuan and taxes and profit by 2.94 million yuan, and provided employment for 1,340 persons. Last year in Hubei Province, a total of 14.99 million yuan of loans were extended to 47 labor-intensive projects, mostly producing arts and handicraft articles, apparel, shoes, hats, leather, leather shoes and other products, and employment was provided for 9,500 persons awaiting employment. Last year in Liaoning Province 48 loan projects, totalling 22 million yuan, for the No 2 light industry system provided employment to 20,000 young people awaiting employment.

As indicated by the facts mentioned above, middle and short-term bank loans have played an important part in the readjustment of our national economy. Leftist mistakes bogged down the national economy in a vicious circle, giving undue emphasis to the development of heavy industry, setting high targets and requiring large-scale capital construction. Thus led to financial deficits and over-issue of currency, and had unfavorable impact on the market as well as on prices. This disabled our country financially in further developing the energy and communication industries, in making more investment in the light and textile industry as well as in providing more employment for young people awaiting employment. After more than 1 year's experience, by now we are beginning to see a new road whereby despite the financial difficulties of our country we can develop production of consumer goods and the light and textile industries at a comparatively rapid speed, save energy by various ways in order to develop our communication and transportation industries, make the machine-building industry shift to the track of serving the light and textile industries, enhancing production of consumer goods and rendering service to the export industry as well as helping industries to divert to other production and to cooperation by specialization, increasing employment, government revenues and commodity supply, withdrawing currency from circulation, and extricating the national economy from its vicious circle and setting it in motion in a healthy cycle. In this respect, the middle and short-term bank loans for equipment in installations comprise one of the important economic levers by which our country can rid itself of the economic difficulties and transform the vicious cycle into a healthy one. In 1980, output value of light industries of Liaoning Province increased by 3.6 billion yuan, 700 million of which were created by middle and short-term bank loans, 19.5 percent of the newly-increased output value. The percentage for the city of Dandong was 20.8 percent, for Jinzhou, 26.1 percent, and for Fuxin 33.5 percent. In Shandong Province, of its increased industrial output value in 1980, 22.4 percent was facilitated by 47.4 percent for Shouguang County in 1979, and the percentage increased to 56 percent for the period January-September 1980. The middle and short-term bank loans for equipment and installations by steps have gained an important position in facilitating enhancement of production of light and textile industry as well as in readjusting the proportions of our national economy. Such loans are becoming an important part of treading a new road for the development of our economy.

(2) The middle and short-term bank loans have provided a new approach for enhancing investment results.

By replacing government appropriations for fixed capital investments with bank loans, the middle and short-term loans made by the People's Bank have effectively enhanced investment results.

Our capital construction investment results were inefficient in the past. From 1952 to 1978, 60 billion yuan of capital construction investments were made, only 40 billion of which however actually took the form of fixed capital assets. From 1952 to 1979, 35 billion yuan of industrial investments were made. In the same period, taxes and profit collected amounted to 86 billion yuan. By and large, investments were redeemed in 10 years. The length of investment redemption is much longer than in Japan and the United States. Aside from this, there is the tendency for investment efficiency to decrease by degrees. As indicated by calculations of the first ministry of machine-building, the length of time of investment redemption was 3 and 1/2 years in 1st 5-year plan and 7 and 1/2 years in the 3d 5 year plan, and there has not been a single redemption for investment projects since 1970.

Despite the fact that the operation of middle and short-term bank loans has been carried on for only a little more than 1 year, a road has been trodden leading to better investment results. As indicated by the statistics of the first light industry bureau of Liaoning Province, 39.39 million yuan worth of middle and short-term bank loans can generate 180 million yuan of new output value, 42 million yuan of taxes and 29 million yuan of profit. In 7 months' time, the loans will be repaid in full. The investment result may be stated as follows: each yuan of equipment and installation loans generates 12.7 yuan of output value annually, and add 2 yuan to the state accumulation. This means that the time span for investment redemption runs from 6 to 8 months.

Why then do the middle and short-term bank loans yield comparatively better results? This is so because the loans are used for tapping unused potentials and undertaking reforms and transformation of the old enterprises, making full use of the original plants, installations and equipment, technological force and management organs. At present, many old enterprises are characterized by low economic efficiency, high consumption of energy and raw materials, poor product quality, high costs, low profit rate, and slow turnover of funds. One important reason for this is the slow renewal and transformation of fixed assets and the lack of decisionmaking power for renewing and transforming equipment on the part of the enterprises. Little funds have been devoted to the transformation of old enterprises. Let us take the textile industry of Changzhou, Jiangsu Province, as an example. During the period 1949 to 1978, 2.05 billion yuan were accumulated for the state. For the same period only 16 million yuan of investment were made by the state. This total value of fixed assets in 1978 amounted to 139 million yuan. As stipulated, there was only a retained share of 2.8 million yuan which could be used for renewal and transformation. This was just enough for tinkering here and there, and patching up just to get by. Many renovation programs had to remain untouched. This of course shackled the development of production and improvement of technology. Since the fixed assets of an enterprise wear out bit by bit and the compensation fund is also drawn bit by bit, there is the process of drawing out by stages and putting it to use in combination. Hence comes the situation where many enterprises draw their funds for later use, keeping the funds temporarily idle while other enterprises want to put the funds to use before the withdrawals, and require an advance. All these spell the necessity of the banks' involvement in the process of technological renovation of the enterprises, as well as their function in regulating funds in the field of fixed capital. The banks' issue of middle and short-term loans marks the beginning of such involvement. As indicated by the investigation undertaken by the textile bureau of Shandong Province in respect to bank loans last year, it was found that investment can be saved more than 50 percent in tapping unused potential, undertaking reforms and transformation, and time for construction can be reduced more than 1 year in comparison with new construction. For example, by making use of the plant originally owned by a tractor factory, the second dyeing and weaving factory of Yantai City completed in less than 1 year a trimming and clearing line capable of producing 10 million meters of polyester fabric annually, reducing civil construction by 4,300 square meters and saving investment by half. In the case of Liaoning Province, generally speaking, the middle and short-term bank loans averaged 100,000 yuan per project last year, and the turnover of the loans took less than 1 year. Each yuan of loans for equipment and installations generated 5 yuan of output value and provided 1.56 yuan for state accumulation, whereas in the case of newly constructed enterprises, the turnover of the loan took 2 of 3 years and each yuan of the loans generated 2.5 yuan of output value and 70 cents of taxes annually. Through a bank loan of 550,000 yuan, the Shenyang City Brewery increased beer production by 6,000 tons. A new brewery producing 5,000 tons of beer annually would require an investment of 5 million yuan and would take more than 2 years to build. Over the years, in the first light industry system Zhejiang Province, the ratio of capital investment to new output value has been found to be 1:4, while that for the second light industry system has been found to be 1:7. In the case of equipment and installation bank loans, the ratio has been 1:11, surpassing capital investments in efficiency by 100 percent. All these facts prove the validity of the resolution made by the party Central Committee and the State Council regarding the replacement of government appropriations for capital construction investment by bank loans in the years to come. These facts also vindicate what the leading cadres of the State Council have in their mind: namely, instead of setting up new outfits everywhere, we should mainly depend on the existing enterprises tapping unused potential and undertaking renovation and transformation in the years to come.

The following factors may be mentioned as regards why the middle and short-term bank loans yield comparatively better investment results:

1. Under the guidance of the party committees of various levels, and with cooperation between various departments and the banks, macro-analyses and micro-investigation have been combined, and attention has been paid to both overall balancing and to keeping to the terms required by the loans, thus making the economic results of the loans a certainty. Issuing middle and short-term bank loans gives rise to involvements to various aspects of the national economy: the overall balancing taken by the State Planning Commission, the planning in tapping unused potential and undertaking renovation and transformation done by the State Economic Commission, the allocation of construction supplies and work force under the charge of the State Capital Construction Commission, the ordering of equiopment by departments in charge, state revenues of the government divisions, profits, materials provided by various supply departments and the handling of the three wastes under the charge of the environmental protection departments. Consequently, close cooperation is required among the various departments to make analyses in product design, source of raw materials, size of construction, economic effects and so on. In the meantime, assurance must be given to the loan decisionmaking power of the banks, and full responsibility must be given to the credit officer of the banks at the basic level to check on the conditions of construction and production, the economic effects after production and the ability to repay, and to refuse loans to those who do not meet the requirements, in order to effectively resist blind and duplicate construction. We should strengthen the leadership of the party and the government, and give play to the banks in their capacity as economic organizations. It is the combination of the two that brings the loans into conformity with objective reality and gives us better loan results.

2. An early start of operation of the projects and better investment results can only be guaranteed by strengthening economic responsibility of the enterprises and arousing their initiative through the medium or bank loans as an economic lever.' The middle and short-term bank loans are different from investments supported by uncompensated state financing. The former require repayment by a definite date, and interest payment. It is exactly this which directly links with the economic interests of the enterprises and their employees, and operates either as a pressure or as a motivation force, making the enterprises follow strict budgeting and expediting construction, operation and repayment of loans. It is said in the enterprises: "Since investments from the government require no repayment, the more we have the better. In the case of bank loans which require repayment of principal and interest, we have to stick to very strict budgeting." In this way, the enterprises do their best to accelerate the progress of their projects, and to strive for going into production early in order to get the benefit early and to return the bank loans early. The Pingdu tannery of Shandong Province did not wait for the completion of its civil engineering project. Upon the arrival of its newly-arrived 18 pieces of equipment, the company installed the equipment in the old workshops and temporary work shed in order to start production earlier. By the end of last year, 150,000 pieces of leather had been produced. A total new output value of 1.44 million yuan and 210,000 yuan of profit were realized, and the bank loans were returned 1 year ahead of time.

3. Strictly stick to giving the banks the loan decisionmaking power. This gives the banks the authority to lend as well as exert pressure, and ensures that they can resist duplicate and blind construction projects as well as those that do not yield any economic results. This is the crucial link in enhancing economic efficiency.

Making the banks responsible for playing the role of regulating the national economy through the economic lever of making bank loans is a great encouragement to the bank cadres, inspiring them to take the responsibility, to challenge hardship and difficulties and participate actively and passionately in this new task. In Liaoning Province, banks of the city, county and down to the very lowest level, have generally given stress to this task, and have assigned the task to directors, section chiefs and specially appointed persons. In Jianli, Hubei Province, a responsibility system for equipment loans has been set up with specially-appointed administrative personnel. Very earnest and responsible work has been done to make micro-investigations for the loans. The Tianjin branch made a case-by-case investigation of the loan projects transmitted from their higher authority; 24 projects were found unqualified for the loans because of lack of marketability or assurance of material supply, or unsatisfactory preparatory work, and these projects were strictly barred from the loans. At the end of its investigation, the Chongqing branch canceled 23 projects for reason of duplicate and blind construction, uncertain supply of materials, competition for raw materials, inadequate supply of energy and serious pollution. On the other hand, once a loan has been approved, the banks would cast in their lot with the borrowing enterprises, pay constant attention to the progress of the project and offer their help in good time. A bank loan was awarded to the Xian hosiery knitting mill for the purchase of 40 knitting machines. According to the plan, delivery of the machines was to be made at the end of last year. The credit officer of the bank, however, asked the Shanghai offices of the bank to contact the enterprises concerned, and was successful in moving up the delivery date 5 months. By yearend, 180,000 pairs of hosiery were produced, and profits were increased by 72,000 yuan. The loan was also returned ahead of time.

4. Give full play to the predominance of the banks. There are more than 30,000 banks at the basic level, having constant contacts with 400,000 enterprises. The banks have been giving working capital loans to the enterprises and are well-informed of the conditions of the various sectors as well as of the individual enterprises. We should make use of this advantage, and combine macro- and micro-analyses to make the middle and short-term loans yield good investment results.

The financial system of our country is composed of the People's Bank of China, the Bank of Agriculture of China, the Bank of China, the People's Construction Bank of China, the Rural Credit Cooperatives and other financial organizations. These banks each have their own predominance and should be given full play in respect of their specialties. Our country has made the decision that the uncompensated government appropriations for capital construction investment will gradually be replaced by bank loans in the future, will be responsible for different tasks. Achievements have already been made in loans for small hydroelectricity generation by the Bank of Agriculture of China, in loans of foreign exchange by the Bank of China, and in loans for big and medium-scale capital construction by the People's Construction Bank of China. For the medium and short-term loans to be extended to the several hundreds of thousands of enterprises, which banks are in the best position to take the responsibility? Some comrades proposed that since the medium and short-term bank loans fall into the category of simple and expanded reproduction of fixed assets, and since the People's Construction Bank is more experienced in supervising the construction work of capital construction, is it not reasonable then to deposit the depreciation fund, the major overhaul fund and the enterprise fund of the enterprises, one and all, into the People's Construction Bank? Likewise, the medium and short-term loans should also be handled by the People's Construction Bank. If our observation is purely made in the direction of capital construction, it should be admitted that this proposal is reasonable. However, whether the medium and short-term bank loans are effective in economic results depends first of all on their conformity with the macro-analysis of the national economy as well as on the supply, production and sales condition of the enterprises, the marketability of their products, the quality of their products, source of raw material and energy and their operation and management. In these respects, the People's Bank enjoys certain predominance. The People's Bank's suborganizations have a wide coverage over the urban areas and countryside, with more than 30,000 organizations in total. It is the everyday business of these organizations to handle the incoming and outgoing routine work of deposits and remittances, and loans for working capital for every of these enterprises. Besides, it is the duty of the credit officers to analyze the production and the supply and sales conditions of every enterprise and to be familiar with the crucial points of production development of the enterprises. For example, in the case of a working capital loan to the Qingdao Second Chemical Fiber Factory which had long been overdue for repayment, the People's Bank learned that the quality of the polyamide fibers produced by this enterprise had been poor and their price rather high. Besides, the enterprise suffered from single product output, lack of sales, overstocking of products, and hence business losses. The reason for all this was found in the backwardness and incompleteness of equipment, irrational technology, and processing of semifinished products out of the province, making the cost of production more expensive. The remedy for the enterprises lay in technological renovation, the completion of equipment, and the renewal and replacement of equipment. The Qingtao local offices of the People's Bank at the basic level granted an equipment loan of 190,000 yuan to this enterprise to support its purchase of a resilience fibre machine, a pellet banking machine and other equipment, which finally led to the successful production of resilient polyamide, a new product, which achieved good marketability. Accordingly, the enterprise was able to turn losses into profits. It turns over 200,000 yuan of profit to the state and repaid every cent of the working capital loan accumulated over the years which totaled 500,000 yuan. The Xianyang shoe factory of Shaanxi Province suffered a loss in 1979 of 4,000 yuan to outdated styles of its products. A loan of 90,000 yuan was granted to the factory to purchase a rotating plastics injection machine and 9 horizontal sewing machines. With these machines put into production, production quality was improved, varieties of product increased, and the products were accepted in the international market. Last year, output value went up 125 percent, and a profit of 92,000 yuan was made. The Pingdu brewery of Shandong Province had difficulty in marketing its dried yam white wine. It thus overstayed its working capital loan. Last year, a loan of 170,000 yuan was extended to the brewery to help purchase facilities to manufacture ginger wine, which turned the local unmarketable wine and ginger into ginger wine, which was in short supply. Production began in May, and the working capital loan, 210,000 yuan in total, was repaid in October. If the problem of funds in the production process is artifically and metaphysically cut into two portions, the working capital loans and the middle and short-term loans for equipment, with the former to be operated by the People's Bank and the latter unrelated to the People's Bank, this is just like treating the head when the head aches and treating the foot when the foot hurts. It makes it very difficult to have an overall observation in order to grasp the crucial aspects for seeking a solution. Why is it that our enterprises are less efficient economically in comparison with those of the advanced foreign countries, and that the working capital tied up is much larger in volume that that of those countries? This has much to do with the obsoleteness of equipment and failure to form sets of equipments, backward technology, low quality and high cost of products as well as with poor sales, overstocking and the typing up of large volumes of working capital. One crucial step in accelerating the turnover of working capital lies in putting special stresses on tapping unused potential, and undertaking renovation and transformation by the enterprises, thus seeking solution in the production process. What we did in the past was copied indiscriminately from the Soviet Union. We believed that the banks could only extend seasonal and temporary working capital loans, and equipment loans were regarded as a forbidden area for the banks. This resulted in advocating the contract of working capital every year, only to be followed by the queer phenomenon of typing up more working capital. The very purpose of undertaking middle and short-term loans for equipment is to free the hands and feet of the bank in order to handle flexibly the middle and short-term loans and the working capital loans so as to solve the crucial production problems of the enterprises, to make the enterprises use their working capital in a more rational way and to activate the working capital loans which have been tied up for a long time.

Since the People's Bank acts as a bookkeeper for the country as a whole and handles deposits, remittances and loans for various enterprises, it is well informed of economic news and market conditions and it can examine the projects presented by the enterprises from the macro as well as from the micro viewpoint. This is another advantage of the bank. The project of the Tianjin lighter factory was started in 1974; its product was regarded as a new product and was expected to make a headway in the international market. In 1980, another loan, 300,000 yuan in middle and short-term equipment loan, was awarded to this project. When this project came to the examination of the bank, the commercial credit assessor reported the obsolescence of its product and its excess stockpile in the Tianjin warehouse. The foreign trade credit assessor reported that its products sold sluggishly abroad and were not well accepted. Upon this information, the bank made timely reports to its superior authority and the project was canceled. Sui County of Hubei Province, which produces 1 million jin of fresh tussah cocoon annually, planned to set up a tussah reeling mill, and requested a bank loan of 500,000 yuan. With inter-office information among the bank, three questions were made clear. First, Xiangyang and Yun counties produce 2,000,000 jin of fresh cocoons every year, and the reeling millin Jun County needed a supply of 3,500,000 catties. This meant that with the old mill short of supply, a new mill would be duplicate construction. Second, the product does not yield profit. Beginning in 1980, the government stopped its subsidy. Third, tussah silk of our country has been exported to Eastern Europe, but what is needed there is mulberry silk. The bank reported all this to the country party committee, the project was canceled in the end, and loss was avoided. It is for this very reason of the bank's predominance in this respect that Sichuan Province and Chongqing Municipality entrusted their local revenues to the People's Bank to be lent out as middle and short-term equipment loans, mercantile industrial loans for equipment and loans for small hydroelectric generation, based on the belief that this is good for the enhancement of investment yields. Of course, in addition to the People's Bank, the Bank of Agriculture, the Bank of China, and the Bank of Construction should all undertake middle and short-term loans within their own scope of business. A monopoly exercised by any one bank is inappropriate.

Through practice, we have already found a new path to enhance investment results on the questions of funds. The appearance of government financial deficit and the need of investment in such sectors as light and textile industry, energy, communications and transport urges us to change our course and switch to the new approach of low requirement in investment, quick results and rapid turnover and to middle and short-term equipment loans. As facts have indicated, the middle and short-term bank loans have turned out to be a success. Generally speaking, such loans can be repaid within 1 year, much shorter than our previous investments, which needed 10 years. Needless to say, this is achieved under the condition of applying the loans for the purpose of tapping unused potentials, undertaking renovation and transformation of the existing enterprises. However, the latent possibilities of tapping unused potentials, undertaking renovation and transformation of the existing enterprises are enormous; "It is gold everywhere'" and enhancing production, increasing accumulation and improving the people's life by way of tapping unused potential and undertaking renovation and transformation of the existing enterprises have great prospects.

3) The middle and short-term bank loans enhance economic effects as indicated by micro-analysis and promote overall balance as indicated by micro-analysis.

The middle and short-term bank loan is a new product. Some comrades have raised all sorts of questions and are doubtful about it. To them, the middle and short-term bank loan does yield economic efficiency as indicated by micro-analysis, but the reverse is true from the standpoint of macro-analysis, since the loan stretches the capital construction front, ties up government revenue, destroys overall balance, and impedes readjustment, and is therefore undesirable. Our opinion is that these questions are basically settled, as indicated by our practice for more than 1 year that has just past. The following is our analysis in regard the main problems:

1. Is the capital construction front stretched by the middle and short-term bank loan?

The middle and short-term bank loan is mainly utilized in purchasing top-notch equipment and improving technology. The original plant is utilized and no civil engineering project is involved. Currently, the situation of the capital construction front is as follows. While there is a lack of steel products, lumber and cement, there is a surplus of bricks, tiles, lime, sand and stones. There is also surplus machine-building capacity. The middle and short-term bank loan fits quite well into the capital construction front situation, by reducing civil engineering projects to the minimum and putting the majority of the funds into machinery and equiopment. Of these loans, part of the special-item loans handed down by the various ministries do involve some civil engineering. For those projects that involve civil engineering, the banks strictly stick to the regulations of capital construction. When a loan is sought, the enterprise must produce a ratified project report, preliminary plans, budgetary estimates and construction progress plans. The banks refuse to extend a loan, if things do not follow the regulations. As for the supplies needed by the special-item projects, 50 percent are provided by the State Planning Commission and State Economic Commission, while the other 50 percent are provided by the local authorities. The supplies needed by the ordinary middle and short-term bank loans are supplied by the provinces and municipalities in a unified way. It should be pointed out that quite a large part of the special-item loans made in 1980 were assigned to existing projects by the various ministries of the central government which used the middle and short-term loans to complete the projects. For example 13 such projects were involved in Tianjin with loans amounting to 13.67 million. One of these was the Tianjin second cotton textile mill project, which was reconstruction and expansion work after an earthquake, involving almost 40,000 square meters of civil engineering construction with total investment of 40 million yuan. The project had been started in 1978 and was still under construction in 1980 and had a shortage in funds of 1.6 million yuan. The bank granted it a loan of 1.5 million yuan and the project was completed. Trial-running for production was made on 1 July 1980. From the viewpoint of the enterprise, 40 million yuan in investment has been saved by a loan of 1.4 million yuan. Due to the insufficiency of state investment, the Beijing wool-spinning factory, the Qinghe wool-spinning factory, and the Fourth wool-spinning factory were unable to put into production projects with imported equipment involving a total investment of 32 million yuan. A bank loan of 1.12 million yuan was granted in 1980 and the projects were finally completed. The Li An wool-spinning factory of Yanan City made an investment in constructing a new yarn-spinning workshop costing 6.44 million yuan. An actual investment of 4,040,000 yuan had been made since construction started in 1977, and the main body of the project had already been completed. With the help of the People's Bank, which extended to it a special item loan of 2.4 million yuan, the project was completed and put into production in July last year. By the end of last year, 49.8 tons of knitting wool were produced with an output value of 700,000 yuan and profit amounting to 197,000 yuan. It is the requirement of bank loans to make small investments with quick results and rapid turnover. Usually, no civil engineering is involved and long drawn out time-consuming "beard projects" are not allowed, since they stretch the capital investment front. For the present, the excessive length of our capital investment front is the outcome of the "leftist" influences which have brought about blind and duplicate construction over the years. The middle and short-term bank loans were started in 1979, amounting to 300 million yuan in the initial year. Such loans should not be blamed for the excessive length of our capital investment front in the past few years. In 1980, part of the middle and short-term loans were used to complete some civil engineering projects. Such loans played the role of cutting down the "beard projects," and shortening the capital construction front.

2. Have the middle and short-term bank loans tied up government revenue?

With regard to the repayment of middle and short-term bank loans for equipment, the State Council has made the following stipulations: "Enterprises under ownership of the whole people, can use all the increased profits, the fixed asset depreciation fund and the fixed asset taxes to repay their loan after operation of the project. If this proves to be insufficient, the enterprises may be exempted from the industrial and commercial tax for the increased portion of its production so that the tax funds may be used to repay the loan. Enterprises under collective ownership can use all their after-tax accumulation funds and fixed asset depreciation fund to repay their loan (during the period of repayment, the departments in charge are not allowed to draw on profits for the state and the various funds). If this is insufficient, the enterprises may use the income taxes and the industrial and commercial taxes on the increased products to make the repayment." This is a reasonable stipulation and is good for ensuring that the bank are strict in examining every loan and guaranteeing its economic effects.

The bank has persisted in adhering to the stipulations of the State Council in not "exacting money beyond the limit," and in not exerting unfavorable effects on the government's revenues. Some loan projects can be evaluated individually and some cannot be so evaluated. The reason for this is the overall enhancement of productivity, yielding larger economic results than those of the newly-constructed part. This is precisely the subtle contribution of tapping potentials and undertaking renovation and transformation. An agreement has been made among the branch bank of Tianjin, the department in charge and the government financial authority: When the economic results cannot be evaluated individually, the annual increment of profit after the loan project goes into production should be held for repayment of the loan, and partial repayments should be made as partial results come into effect, and it is forbidden to repay the loan by drawing on the base-point profit made before the loan project goes into operation. In the implementation of this measure it is the credit officer of the bank, the officer in charge of government finance and the enterprise who decide through consultation the amount to be repaid. For example, a special-item loan of 3.77 million yuan was granted to the sewing machine factory of Tianjin in 1980, which in the same year increased production amounting to 4.8 million machines, and profit and taxes by 960,000 and 560,000 yuan respectively. The bank, the government financial authority and the enterprise came to an agreement in a practical and realistic way through consultation, namely to make a repayment of 730,000 yuan on the special-item loan. The Tianjin branch bank reported the repayments of the loan as the occasions arose, and the government finance department never raised any objections.

The assertion that bank loans have tied up government revenue has much to do with the method of calculation. Some people calculate the growth rate of government revenue in accordance with the rate of increment of total value of industrial output, and refer to this as the natural growth rate. On this basis, the repayments of bank loans are regarded as deducting items and are deducted from the government revenue, and bank loans are deducted from the government revenues in the current year. In some places, profit targets are assigned in accordance with the rate of industrial growth of the current year, and repayment of bank loans by the enterprises is regarded as an income-reducing factor. There is no such thing as natural growth in the world. The increase of value of output is the outcome of many factors. The middle and short-term loan for equipment extended by the banks have already become an important factor in increasing the output value of the local industries. In some places, bank loans, are responsible for 20 to 25 percent of the results achieved. The practice of repaying bank loans according to the economic effects of the loans in order to facilitate extending bank loans to other enterprises not only helps the constant growth of industrial production but also the further growth of government revenues. This practice is totally in conformity with objective economic laws, and is in no way blameworthy. In 1980, the total middle and short-term loans of all banks across the country increased the national accumulation by 1.15 billion yuan, 560 million of which went to the banks as repayments of loans, while the remaining 590 million became additional revenues for the government. After the entire repayment of the loans, from the second year onward, the total accumulation will become government revenue. Therefore, instead of having reduced the government revenue, the middle and short-term bank loans have increased it.

3. Have the middle and short-term bank loans increased currency in circulation?

The regulation of currency in circulation is controlled by the People's Bank in two ways. On the one hand, the banks take in demand deposits and personal saving deposits from the various government bodies, social institutions and individuals in order to grant working capital loans to the enterprises and to regulate short-term funds. It is alleged that the middle and short-term loans of the People's Bank lack sources of funds in the long run. But this is simply not true. The People's Bank has taken in several tens of billion yuan in long-term deposits, but has only extended several hundreds of million yuan in middle and short-term loans. It has indeed taken a very prudent attitude. When the government finance is in deficit requiring overdrafts from the banks, should the banks stop the regular loan activities mentioned above? As indicated by our experiences of the past, we cannot do this. We certainly should not give up eating for fear of choking. During the war of resistance against Japan and the war of liberation, the bank had to issue more bank notes to support the war. Yet, the banks did not stop granting agricultural loans in wartime, as such loans rendered help to the peasants in rehabilitating their homeland under the scourge of war, and in restoring agricultural production in order to give forceful support to the revolutionary war, to serve the needs of the armed forces and the people, and to win final victory. When the major cities were liberated, with inflation still unchecked, we did not stop extending industrial and commercial loans. It must be understood that the solution to the problem of excess currency in circulation depends in the end on development of production. With production developed there will be more commodities, more government revenue, and more currency withdrawn from circulation, and the possibility of the disappearance of government financial deficits as well as the achievement of budgetary and bank credit balance. At present, in order to control the increase of currency and to withdraw more currency out of circulation, it is not only necessary to increase government revenue and reduce government expenses as well as to refrain from taking overdrafts, but also to increase bank deposits from the enterprises and the people and to cut down loans with poor economic effects. Currently, most of the bank loans are taken up as working capital funds in industry, commerce, foreign trade and material supplies. We should indeed make better studies to find out how to accelerate the turnover of working capital, and to reduce tied-up funds and waste in order to economize and to reduce the usage of loans. As for the middle and short-term loans, they are small investments, quick in results and rapid in turnover, which can be repaid within 1 year. They have achieved notable economic results in increasing commodity supply and government revenue. They have also played their role in helping the enterprises improve their production, and in enlivening the working capital and the working capital bank loans. Such loans are not factors stimulating currency increase and credit expansion, but rather factors withdrawing currency from circulation and reducing credit expansion step by step. Far from stopping the middle and short-term bank loans for equipment, we should further improve these loans and expand their scale, as they are already a powerful economic level for developing the light and textile industries, for activating the madhine-building industry, and for enlivening the national economy. Those comrades on the monetary and financial front should free themselves from misgivings. Instead they should be bold and assured, and do their best to do good work in extending the middle and short-term loans so as to find a road of our own for enhancing investment results as well as a new approach for rapidly developing the production of consumer goods, for accelerating the withdrawal of currency from circulation, and for wiping out government deficits and excess currency in circulation.

4. Is the extension of middle and short-term loans for equipment in violation of the principle of dual management of finance and credit?

The difference between government finances and banking lies in the fact that government revenues and expenses are uncompensated, whereas bank deposits and loans are compensated. The taxes and profits received by the public financial bodies are all uncompensated. Contrary to this, the deposits and savings received by the banks as well as the agricultural, industrial and commercial loans extended by the banks are all compensated. If this is taken as the basic principle governing the dual management of government finance and bank credits, then it follows that the extension of middle and short-term loans are the rational and normal.

As for the practice copied from the Soviet Union, with the capital construction investments and the fixed quota working capital to be appropriated by the government with the banks only responsible for providing seasonal and temporary working capital loans to the enterprises, and branding all these as the principle underlying the dual management of government finance and bank credit—these things are far from proper. This is the practice of the Soviet Union. It is in fact a funds-supply system of the nature of eating from a common big pot. As proven by decades of experience of our country, the uncompensated allocation of government appropriations for capital construction investment and fixed quota working capital gives rise to waste of funds and decreases economic efficiency. This practice has been basically nullified by the economic reforms of our country under way, which expand the decisionmaking of the enterprises, and allow the enterprises to retain their share of the depreciation fund and the major overhaul fund and to set aside part of profit as their own development fund, and by the State Council's decision to replace step by step the uncompensated allocation of government appropriations by bank loans to finance capital construction investment. The practice of dual management of government finance and bank credits in the Soviet Union was formulated in the 1930's. By the 1970's this practice can no longer be carried on. Beginning in 1976, loans have been extended in the Soviet Union by the State Bank to capital construction projects awaiting completion in 5 or less than 5 years. In 1978, 275.9 billion rubles of bank loans were issued in the Soviet Union, 68.4 billion of which were long-term loans.

In short, the middle and short-term loans for equipment undertaken by the People's Bank of China have enhanced economic efficiency, as indicated by micro-analysis, and have opened a new road for enhancing investment results. They have also strengthened overall balancing, as indicated by macro-analysis. By effectively giving support to the light and textile industries, they have facilitated the readjustment of proportions among agriculture, light industry and heavy industry. By giving support to the production of consumer goods, they have provided the material basis for readjusting the proportion between consumption and accumulations. They have not overstretched the capital construction front. On the contrary, they have helped in completing certain projects, and have shortened the capital construction front. They have increased government revenue, and lent a helping hand in eliminating government financial deficits. With respect to their size, they are of small size among the bank loan lendings and repyaments, and are characterized by rapid turnover and comparatively good economic effects which comprise a positive factor in withdrawing currency out of circulation. They have nothing to do with increasing currency in circulation. The middle and short-term bank loans for equipment have great vitality and very good prospect of development. As these are early days for their operation, hence the lack of experience, a small part of the special-item light and textile industry loans have yielded less notable results, or played a role in giving rise to duplicate constructions. From now on, we should constantly supplement our experience and conscientiously do our work well in this field. We must cultivate our expertise, especially in the areas of economic investigation and research, economic information and technical specialists, and technical economic specialists, in order to improve our bank loans and economic information work and to strive for the realization of the party's guideline of readjustment, restructuring, rectification and improvement.

CSO: 4006/23

BRIEFS

300 BILLION YEN LOAN FROM JAPAN--Tokyo, 26 Aug (JIJI PRESS)--Japan plans to provide 300 billion yen (about 1,277 million dollars) in loans to China to help continue its plant construction projects, government sources told JIJI PRESS Wednesday. The plan would be formalized next week and offered to China early next month to obtain Beijing's (Peking) agreement by 20 September. Chinese Vice Premier Gu Mu could visit Japan for final adjustment, they said. Japan would give 100 billion yen (about 426 million dollars), originally earmarked for hydropower plant and tunnel projects, as a commodity loan and another 100 billion yen in a deferred payment credit. The remaining 100 billion yen in a deferred payment credit. The remaining 100 billion yen would be provided by banks, including the governmental Export-Import Bank of Japan. However, the Finance Ministry is strongly opposed to the bank loan on the ground that Japan is now trying hard to reconstruct its public finance. Thus the amount could be reduced at the next week's talks among ministries concerned. China, which has scrapped many plant construction contracts concluded with Japanese businesses due to its economic readjustment, has been asking Tokyo to extend huge loans to keep other plant projects alive. [Text] [OW261505 Tokyo KYODO in English 1358 GMT 26 Aug 81]

LIAONING CURRENCY WITHDRAWAL--As of 20 September, Shenyang Municipality had withdrawn 127.74 million yuan from circulation, 38.12 million yuan more than in the corresponding 1980 period. [SK261129 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 25 Sep 81 SK]

TAX EVASION IN GUANGDONG--Guangdong has scored definite achievements in conducting investigations in tax evasion. According to reports by all prefectures and municipalities from May to July, 48,446 enterprises had conducted self-investigations and they had made supplementary reports on 10.42 million yuan of taxes that had been evaded. The taxation department organized forces and investigated 11,768 enterprises; and they discovered 23.45 million yuan in taxes that had been evaded. By the end of July, a total of 20.32 million yuan of those evaded taxes had been handed in to the state treasury. In addition, during the period, 12.86 million yuan of tax in arrears had been cleared up and delivered to the state treasury. [HK161242 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 30 Aug 81 HK]

CSO: 4006/8

BRIEFS

COAL SUPPLY FORUM--Tianjin, 24 Sep (XINHUA)--According to the National Coal Supply Production and Technical Research Forum recently held in Tianjin, it is necessary to change the coal supply method to conserve coal. The new method will blend coal that contains a large quantity of heat with coal that contains a small quantity of heat and process it into a new kind of coal. [Beijing XINHUA Domestic Service Chinese 0029 GMT 24 Sep 81 OW]

PETROLEUM SOCIETY MEETING--Changsha, 28 Sep (XINHUA)--The Chian Petroleum Society held its second annual meeting in Changsha from 16 to 22 September. More than 400 scientists and technicians from the Ministries of Petroleum Industry, Geology, and Chemical Industry; the Chinese Academy of Sciences; various institutions of higher learning and PLA departments concerned were present. Society President Hou Xianglin, who is also vice minister of the petroleum industry and member of the scientific council of the PRC academy of sciences, presided over the meeting. The participants took note of the petroleum industry's temporary difficulties caused by production slumps at the country's several major oilfields. However, they pointed out that it is still possible for the country still to maintain an annual oil output of 100 million dun by tapping the old oilfields' potentials and developing new petroleum outcroppings where there has been an oil reserve. [Beijing XINHUA Domestic Service in Chinese 0036 GMT 28 Sep 81 OW]

OIL, GAS FINDS--NCNA--Beijing 24 Sep--Chinese marine geologists have completed a petroleum geological survey over an area of 1 million square kilometers of coastal waters during which they discovered six major oil and gas depressions, greatly expanding China's marine petroleum and gas reserves. These six big oil and gas depressions are the Bohai Depression, the South Yellow Sea Depression, the East China Sea Depression, the Pearl River Estuary Depression in the South China Sea, the Beibuwan Depression and the Yingge Depression. [Text] [Beijing RENMIN RIBAO in Chinese 25 Sep 81 p 1]

CSO: 4006/24

INDUSTRY

SHANGHAI TEXTILE INDUSTRY URGED TO INCREASE PRODUCTION

Beijing RENMIN RIBAO in Chinese 27 Aug 81 p 1

[Article: "Strengthen Political and Ideological Work, Carry out System of Economic Responsibility, Reform Products and Technology; Accelerate Speed of Development of Shanghai's Textile Industry; Shanghai Textile Bureau Mobilizes All Employees to Make More Contributions to Elimination of All Difficulties and Pursuit of Increased Production and Income"]

[Text] Reporter Wu Fumin [0702 1788 3046] reports: Strengthening political and ideological work, carrying out the system of economic responsibility and product improvement and technological reform are three important measures recently issued by the Shanghai Textile Bureau to accelerate development. They mobilized 450,000 employees in the system to eliminate all difficulties, guarantee completion of the year's output of 14 billion yuan, an increase of over 900 million yuan over last year; and the part of profits turned over to the state of 3 billion yuan, an increase of nearly 2 billion yuan over last year.

Since 1977 the rate of growth of Shanghai's textile industry has been over 10 percent for 4 years in succession and in the first 7 months of this year the industry has completed over 8.05 billion yuan gross value of industrial production, an increase of 5.5 percent over the same period last year and has reached a state of saturation in terms of time, space, equipment and manpower.

When summarizing the work of the first 7 months, the bureau's Party committee analyzed the national situation and was dissatisfied with the rate already achieved. They felt that in the period of national economic readjustment, for the nation to accumulate forces requires a certain rate; improving the people's standard of living also required a certain rate. Whatever the difficulties of Shanghai's textile industry, it should use all means to increase their rate. The bureau's leadership sent down to the factories asking for help, invited the factory cadres for a conference and together with the subordinate industrial companies and offices within the bureau they settled accounts one by one. From investigation and study they found measures to accelerate the rate of development.

Raising the rate of attendance is a breakthrough in strengthening ideological and political work. In the first half of this year, absenteeism was 2.7 percent higher than for the same period last year and the rate of attendance was only 89 percent. The bureau leadership feels that strengthening ideological and political work now requires that we take the clearcut stance of supporting healthy trends and attacking perverse trends and not accomodate ourselves to backward consciousness among some employees. The bureau Party committee clearly demanded that factories mobilize those employees who absent themselves so their children can work to subordinate their personal interests to the interests of the nation and return to work at an early date. They also stipulated that employees will not be permitted to request leave to take care of personal enterprises. Those who have stayed away from work for a long time without good reason, after discussion by the plant employees organization, may lose their seniority or be dropped from the plant. The bureau commended advancement in a big way, propagandizing the idea "every person has a share of responsibility for the resurgence of the motherland" and maintain vigorous enthusiasm of employee ranks to gradually increase the rate of attendance.

Another important part of strengthening ideological and political work is to smash selfish departmentalism and complacency and to organize activity to emulate, learn from, catch up with, and help others. The Shanghai woollen industry has 10 worsted mills of which the efficiency of the third and sixth woollen mills is above 90 percent, but that of the deficient mills is only 78 percent. If all of the bureau's mills achieved the level of the advanced mills it would increase the annual output of worsted woollens by 330,000 square meters. The difference between the highest and the lowest costs of the 10 major commodities of the cotton textile industry is 11 percent, if the deficient mills reached the levels of the advanced mills it would uncover a potential of 5 percent - 6 percent. Under the prodding of the bureau and the companies, activity to "learn from the advanced, find disparities and compare contributions" has already been started systematically.

In the process of carrying out the system of economic responsibility, the Shanghai Textile Bureau has also discovered new problems. Some mills in grasping production have "thoughts about the future" and once they have reached a certain speed, "hold back a trick or two." Through investigation, the bureau's Party committee decided to in adopting methods to change rewards within the bureau to encourage enterprises to go all out to increase production, the more they surpassed the more they get to resolve everyone's "thoughts about the future." The bureau's Party committee also decided that through comparison and assessment according to the 6 norms for rectifying enterprises which were stipulated by the State Economic Council, to classify enterprises and carry out a method of no ceiling on bonuses for advanced enterprises, the more they worked the more they got. For the few enterpries which were poorly managed, they could consider reducing or not awarding bonuses.

The three measures for accelerating the speed of development proposed by the Shanghai Textile Bureau are to improve product reform and technological reform, to change shipping commodities to the interior into shipping technology and through reducing domestic sales release energies for expanding exports; to improve commodity escalating foreign exchange and create even more high quality and high price goods; make way for popular goods which fraternal provinces and cities can already produce and open up the territory for new varieties with Shanghai's characteristics, constantly develop new woven goods; vigorously expand the clothing industry and increase economic benefits.

8226
CSO: 4006/498

BRIEFS

HUBEI INDUSTRIAL OUTPUT--Wuhan, 11 Sep (XINHUA)--Last year, the total industrial output of Hubei Province's prefectures and counties rose 15.2 percent over 1979. Their total industrial output in the first 7 months of this year again rose 10.6 percent over the same period in 1980. [OW141431 Beijing XINHUA Domestic Service in Chinese 0212 GMT 11 Sep 81 OW]

GANSU INDUSTRIAL-COMMUNICATIONS CONFERENCE--The Gansu Provincial People's Government recently sponsored a work conference of the industrial and communications front to devise ways to popularize economic responsibility systems and advance production in the last quarter and early next year. To this end, the conference put forward the following five tasks: 1) continuous efforts should be made to grasp well production of light industrial and consumer goods; 2) continuous attention should be paid to readjusting heavy industrial production in an effort to serve others; 3) a good job should be done in organizing transport facilities; 4) the fulfillment of the annual profit plan should be ensured; and 5) a good job should be done to make good arrangements for 1982 production plans. [SK271110 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 26 Sep 81 SK]

CSO: 4006/8

BRIEFS

SHANGHAI HOUSING CONSTRUCTION--The Shanghai municipal work conference on rural construction sponsored by the municipal capital construction and agriculture commissions ended on 16 September. The conference is the first of its kind in the municipality. In the past 4 years an average of 5 million square meters of housing was built in the rural areas every year. The figure is expected to reach 8 million square meters in the next few years. [OW211305 Shanghai City Service in Mandarin 1130 GMT 16 Sep 81]

LIAONING RESIDENTIAL CONSTRUCTION--In the January-September period, total floor space of housing under construction in 12 municipalities and prefectures in Liaoning Province came to some 8 million square meters, an increase of 80,000 square meters over the corresponding 1980 period. Floor space of housing completed and utilized reached some 2 million square meters. The floor space of housing completed in 1980 was 30 percent more than in 1979, surpassing total construction for 1976, 1977 and 1978. This is the third best record in our country. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 26 Sep 81 SK]

CSO: 4006/8

COUNTY FOREIGN TRADE COMPANY DOING WELL

Shanxi SHANXI RIBAO in Chinese 17 Aug 81 p 1

[Article by Xiang Zhao [0686 3564], Zhi Feng [1807 1496], Jian Hua [1696 5478], Zhi Xin [1807 0207], and Wan Quan [5502 3123]: "Yuncheng County Agricultural-Industrial-Commercial Foreign Trade Company Is Doing Well")

[Text] The Yunchen County Agricultural-industrial-commercial foreign trade company formed by state-operated, collective, and individual enterprises has earned 910,000 yuan in foreign exchange for the state and a net income of 250,000 yuan over the past 6 months.

The foreign trade company was established in the second half of last December. Some 260,000 yuan were raised as capital. The former county state-operated foreign trade processing plant put all of its fixed assets into the company as share capital, accounting for one-third of the total amount of money for shares in the company. One-third of the remaining money for shares in the company came from the scattered funds raised from among commune members and individual laborers. Each share was valued at 100 yuan and dividends were paid based on the amount of shares held. Of the total amount of profits, 55 percent was paid out as dividends based on the number of shares, 30 percent was set aside for enterprises, and 15 percent was taken as labor insurance fees and bonuses for workers. Of the 103 workers, 11 are state employees, and the others are rural commune members and urban youths waiting for jobs.

The export company has four plants whose main lines are to slaughter and freeze the meat of cattle, horses, donkeys, and mules released from service; to process and freeze sparrows; and to deliver goods of the state grain and oil export corporation to the port of Tianjin. The plants have also developed processing of scores of types of goods such as leather shoes, fur linings, and fur bedding.

Half a year's practice has demonstrated the good points of this export company: 1) The superiority of each side is brought into play to the advantage of the state, the collective and the individual. With the expansion of the operation of the export company's processing plants, the problems of funds, land, equipment, and manpower are solved. The processing plants, which previously lost money over the years, are now making great contributions to the state. Production teams have utilized their equipment capacity that had long remained idle. With part of the commune members working with enterprises, an outlet is opened for absorbing the manpower made surplus with the introduction of the responsibility system. Scattered amounts of cash not required by individuals for immediate use are pooled and put into constructive undertakings, giving them material benefits. Recently, the company paid half-year dividends of 10 yuan per share in advance, totalling 26,000 yuan. 2) Animal products are put to multipurpose use, thereby turning waste into treasure. In the past, cattle eyes, bladders, donkey tongues, and donkey hearts were thrown away as waste. Now, they are used for multiple purposes. By processing these wastes into industrial and pharmaceutical materials, income is increased. This item alone generated a net income of 40,000 yuan in the first half year, of which 10 percent was set aside and paid to the customers. 3) A group of commune-brigade enterprises have been revived. Dongliu brigade's precast slab plant was shut down because its products found no market. After joining in the combined operations, the company provided the plant with funds and raw materials and underwrote the sale of its products, with the result that the plant earned a net income of 70,000 yuan in half a year.

9780
CSO: 4006/491

FRAUD, CORRUPTION IN PRODUCING 'WELFARE PRODUCTS' DESCRIBED

Shanghai WENHUI BAO in Chinese 24 Aug 81 p 1

[Article: "Four Harmful Effects of 'Welfare Products'"]

[Text] So-called "welfare products" turned out by plants and enterprises have brought on quite a few evil effects, severely affecting the use of state raw and processed materials and the arrangement of production plans, lashing at normal commercial affairs, scooping state revenues, and lending themselves to evil practices. This should be taken seriously and rectified immediately. Such is the conclusion drawn by the municipal finance bureau from a large amount of data after making an overall investigation.

On 29 June and 22 July, WENHUI BAO published letters from readers criticizing the "welfare products." Leading comrades of the municipal people's government took a serious view of this matter and instructed the departments concerned to make investigations. The municipal finance bureau has wound up its investigation and sent an investigation report to the municipal people's government. The Shanghai trade union council is going on with the investigation.

According to the municipal finance bureau's report, so-called "welfare products" are extensive in scope and are increasing in variety. Among these products are table fans, floor electric fans, folding deck chairs, standing desk lamps, wall lamps, sofas, television sets, furniture, high-grade candy, etc. Some plants are contemplating the production of washing machines. According to incomplete figures, 49 units under the Bureau of Metallurgical Industry, the Electromechanical Bureau No 1, the Electromechanical Bureau No 2, the Shipbuilding Bureau, and the Navigation Office have turned out 41,276 electric fans (the vast majority being floor electric fans), 3,318 deck chairs, 3,000 wall lamps, 280 standing table lamps, in addition to sofas, television sets, etc. Some units under the instruments and metals, textile, light industry and pharmaceutical industry organizations have turned out such products. Some scientific research units, schools, shops, etc have also produced so-called "welfare products."

Citing massive data, the investigation report analyzes the grave situation arising from the practice of fraud and the encroachment on state interests in the process of producing and handling so-called "welfare products."

In the name of "caring for the life of its workers," during the spring festival this year the Shanghai Soda Water Plant packed 30,454 jin of six kinds of high- and medium-quality toffees--Chocolate (market price 3.10 yuan per jin), Swan (2.30 yuan per jin), Xilinmen (2.15 yuan per jin), Kelimu (2.62 yuan per jin), Kuaile Taifei (1.90 yuan per jin), and Huasheng Niuya (1.55 yuan per jin)--into 2,734 5-jin boxes and 8,392 2-jin boxes. Practicing fraud they put on labels saying "101 (low-grade) assorted toffees." They then sold the candy at 0.833 yuan (lower than cost) to the Guanshengyuan Confectionary Shop. They asked the shop to supply the plant workers and other cooperating units with candy at 1.05 yuan per box against red and blue "candy purchase coupons" issued by the Shanghai Soda Water Plant. Five jin were supplied against each red coupon and 2 jin against each blue coupon. Each of the plant workers was given one red coupon and two blue coupons. Some cooperating units also got some "candy purchase coupons." This amount of candy scooped 27,000 yuan from state revenues.

The Shanghai Optical Instruments Plant, which lacked production orders last year, was assigned by the higher leading department to produce 5,000 double-duty floor fans. The bureau arranged the allocation of materials to the plant, the bank gave the plant a loan, and the finance department allowed the plant a 1-year tax deduction. However, the plant, breaking up the whole into parts, transformed state planned products into "welfare products," transferred more than 3,000 fans not yet fitted with parts elsewhere, and "sold" the fans to the Huamei Lamps and Lanterns Shop in Luwan ward under the label "floor lamps to be disposed of." Arrangements were made for the plant trade union to issue 3,130 coupons (60 were issued to Huamei), against which purchases could be made at a price about 100 yuan lower than the market retail price. Calculated on the basis of 3,130 fans, the state would lose tax and profit receipts amounting to 300,000 yuan.

The municipal finance bureau has found from its investigation that the "welfare products" turned out by some units have brought on a chain of undesirable consequences: 1) State interests are encroached upon. Calculated on the basis of 50,000 "welfare electric fans" produced in the municipality, each causing a loss of 70 yuan in tax and profit to the state, the total amount of losses would come to 3.5 million yuan. 2) The party is defamed and social values are corrupted. When handling "welfare products," quite a few enterprises, learning the "art of building relations," gave "welfare products" to various units to cultivate "friendship." In this way, state funds flowed into the hands of small groups and individuals through these loopholes. 3) The unity of workers is undermined. When distributing "welfare products," certain leading cadres and economic office personnel, being in a favored position, picked the big and took more, thereby giving rise to contradictions between cadres and the masses and among the masses and undermining their unity. 4) Violations of law and discipline are induced. Some plants producting "welfare products" kept separate books and followed incomplete procedures. Items moving in and out were not recorded and book entries were thrown into confusion. This opened the door to corruption, embezzlement and violation of law and discipline.

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CSO: 4006/491

LABOR AND WAGES

BRIEFS

GUANGZHOU LABOR, EMPLOYMENT CONFERENCE--The Guangzhou municipal labor and employment work conference, which lasted for 3 days, concluded on 28 August. The conference summed up the experience in making arrangements for employment in the first half of this year and studied how to do a good job of promoting labor and employment in the second half. The conference noted that organizing labor service companies is a relatively good way of making arrangements for employment in the future. They cost little to operate but can provide a great deal of employment. The conference also noted the great achievements scored in labor and employment work this year because of the flexible policy adopted. In the first 6 months, the municipality has arranged jobs for more than 48,500 people awaiting employment, fulfilling 52.7 percent of the annual task. The proportion of youths among people engaged in individual business undertakings has increased from 5 percent when the business undertakings were first initiated in 1979 to its present 46.3 percent. [HK161242 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 28 Aug 81 HK]

CSO: 4006/8

TRANSPORTATION

BRIEFS

RAILWAY TRANSPORT REGULATIONS--Beijing, 23 Sep (XINHUA)--A set of new regulations governing railway freight transportation will be adopted beginning 1 October this year. With these 55-provision regulations, which will replace the 1971 regulations, the railway departments will be able to serve various economic departments according to economic law and under better administration as the new regulations clearly stipulate the rights and obligations of the consignors and the consignees as well as their economic responsibilities. [Beijing XINHUA Domestic Service in Chinese 1528 GMT 23 Sep 81 OW]

RAILWAY QUARANTINE--Taiyuan, 24 Sep (XINHUA)--China's railway quarantine network has developed from a regional into a national one as more quarantine stations have been set up in most provinces, municipalities and autonomous regions in the country and more quarantine officers have been trained. This has enhanced effective control of the spreading of livestock disease from one place to another, promoted development of animal husbandry and developed foreign trade. During the 10th annual convention on railway quarantine, which ended in Taiyuan, Shanxi, on 23 September, experimental measures governing the scope of quarantine by the railway veterinarians were adopted. [Beijing XINHUA Domestic Service in Chinese 1530 GMT 24 Sep 81 OW]

CSO: 4006/8

STATE COUNCIL SETS UP TWO ECONOMIC RESEARCH CENTERS

Beijing GUANGMING RIBAO in Chinese 30 Aug 81 p 1

[From our reporter Xie Jun [6200 6511]: "State Council Sets Up Two Research Centers to Recruit Specialists"]

[Text] Following the establishment of the Economic Research Center in August last year, the State Council set up a Technological and Economic Research Center not long ago. A group of specialists in social science and natural science and with a knowledge of the overall economic situation have entered Zhongnanhai to serve as consultants on the economic development of our country.

The mission of the Economic Research Center is to concentrate on studying realistic problems of strategic, comprehensive and long-range significance by integrating theory with practice. The main task of the Technological and Economic Research Center is to conduct, from the standpoint of the overall economic situation, a feasibility study of the important technological and economic measures and construction projects handed down for discussion.

Over the past year, the Economic Research Center has held many discussions on the restructuring of the systems of labor, banking, taxation, pricing, and finance, and has put forward various plans and schemes. Centered on the growth of the national economy and the problem of overcoming the present economic difficulties, the center made a monographic study and put forward diverse measures and proposals for developing production of consumer goods, reorganizing the enterprises, improving the foreign trade policy, and cutting down commercial floating capital. The proposals put forward by the Economic Research Center have received great attention from leading comrades of the Central Committee and quite a few of the proposals have been accepted.

Recently the Technological and Economic Research Center convened specialists in railways, communications, electric power, geology, environment, and economics to take the initial steps to expound and prove a report by a vice premier on the exploitation of Shanxi's coal resources. After making a careful analysis and study, the specialists subscribed to the idea advanced by the vice premier. At the same time, they put forward some views and proposals concerning the scope and policy of exploiting Shanxi's coal resources.

Among those joining these two research centers are social science and natural science workers from scores of research units of the China Academy of Sciences, the China Academy of Social Sciences, and the central ministries and commissions. The Economic Research Center and the Technological and Economic Research Center have set up their own standing secretariats responsible for leading and organizing the activities of both research centers. The two standing secretariats are respectively under the charge of Xue Muqiao (5641 2550 2890), adviser to the State Planning Commission and director of the State Planning Commission Economic Research Institute, and Ma Hong (7456 3163), vice president of the China Academy of Social Sciences.

9780
CSO: 4006/491

SONODA ON IMPORTANCE OF FREE ECONOMY TO PRC

OW220035 Tokyo KYODO in English 0018 GMT 22 Sep 81

[Text] New York, 21 Sep (KYODO)--Foreign Minister Sunao Sonoda said here Monday that Japan, the United States and Europe must cooperate in bringing the Chinese economy into the mechanism of the free economy.

Sonoda said Japan is not disappointed with the fact that the "Japan-China economy" has not expanded by leaps and bounds.

Speaking at a luncheon meeting of the Japan Society in New York, the foreign minister said China should not be looked at as a market now. Rather, he added, China should be regarded as whether it is together with the United States from the viewpoint of strategic importance.

He stressed that it is important for China's economy to be incorporated into the mechanism of the free economy and that Japan, the United States and Europe must cooperate for that purpose.

Sonoda said the lowering of level of balance of power is important for the maintenance of perpetual peace and stability. He emphasized the need for nations to strive for disarmament and arms reduction.

Sonoda said solidarity and cooperation with the United States is the "most important cornerstone" of Japan's foreign policy. He said the Soviet Union's increase in military power and advance in the Third World have raised tension in East-West relations and cast dark clouds on world peace.

Sonoda said the economic stagnation has lowered the comprehensive power of the Western world, and obstructed the economic growth of the Third World. The foreign minister said Japan will continue to try to have dialogue with nations with which it has different interests. He said it is also important for Western nations to cooperate with the Third World. He said Japan will also promote dialogue between North and South and extend economic cooperation.

Sonoda said he hoped in his meeting with Soviet Foreign Minister Andrey Gromyko Wednesday to find a clue to the opening of dialogue with the Soviet Union, keeping in mind that Japan's basic policy is to seek return of the northern territories.

CSO: 4020/5

GENERAL

QINGDAO WORKS OUT DETAILS OF ECONOMIC RESPONSIBILITY SYSTEM

Shandong DAZHONG RIBAO in Chinese 23 Aug 81 p 1

[Article by Chang Fengchen [2490 7364 5256] and Cui Sulan [1508 4790 5695]: "The Relations Between Three Sides Are Correctly Handled by Qingdao Enterprises"]

[Text] Correctly handling the relations between the state, enterprises and individuals and firmly implementing the economic responsibility system, the industrial and communications enterprises in Qingdao municipality have achieved the results of more revenue for the state, more profits retained by enterprises, and more income for individuals. Industrial production reached a record level in June and achieved good results in July after beating the intense heat of summer.

This year, Quingdao municipality has put into practice the system of economic responsibility among industrial and commercial enterprises by making various industries underwrite profits and arranging for various bureaus, factories and enterprises to sign contracts to underwrite profits. But the protracted influence of the "left" ideology produced a number of problems in the distribution of wage bonuses within enterprises, hindering further implementation of the responsibility system. For example, some enterprises could not draw a dividing line between indiscriminate distribution of wage bonuses and distribution according to work, not daring to let those workers making a greater contribution get larger bonuses. In solving this problem, leading comrades of the municipal committee and government and the responsible persons of the economic committee, finance committee and labor department went to enterprises to investigate and study. They summed up four manifestations of indiscriminate distribution of wage bonuses, and drew a distinction between indiscriminate distribution according to work. After that, on the basis of proposals from cadres and the masses, a system of "contracting production with remuneration linked to output" as the main form was put into practice. So far, 61 enterprises in the municipality have put into practice the system of "contracting production with remuneration linked to output." Among them, 55 state-operated enterprises projected profits accounting for 54.7 percent of the total amount projected by state-operated municipal enterprises. In implementing the economic responsibility system, they took special care to solve the three following problems:

1. Correct handling of relations between the three sides and guarantee of more revenues for the state, more profit retention for enterprises, and more income for the workers. In drawing up measures for contracting production, they began by working out different measures according to the characteristics of different enter-

prises. There are three measures: 1) In the case of enterprises making large profits, profits are taken as the keypoint of contracting production. In this way, profits are closely linked to the immediate interests of enterprises and their workers, and more income will be made for enterprises and individuals on the basis of guaranteeing increased revenues for the state. For example, the Qingdao Dyestuff Plant underwrites 11 million yuan in profits against a state projection of 8 million yuan for the current year. If the plant reaches the target underwritten, each of its workers can draw 180 yuan in above-target wages. If profits top the target by an additional 1 percent, each worker can draw 1.80 yuan in additional above-target wages. If the plant fails to fulfill the profit plan, for each 1 percent unfulfilled, 0.5 percent of total wages will be withheld. 2) When the quality of products is guaranteed, output is taken as the keypoint of contracting production to encourage the workers to produce more. The Quingdao Watch Factory contracts production with output as the keypoint. Under the terms of the contract, if the factory fulfills the plan for 900,000 watches, each worker can draw above-target wages amounting to 90 yuan. If output is between 900,000 and 1,250,000 watches, for each additional watch made, an additional above-target wage amounting to 90 cents will be issued. If output exceeds 1,250,000 watches, for each additional watch made, an additional 1 yuan will be issued. 3) Production is contracted on the basis of calculating taxes and profits. The Qingdao Cigarette Factory contracts production. Under the terms of the contract, the factory is to reach the target of 175 million yuan in taxes and profits. After the target is reached, each worker can draw above-target wages amounting to 170 yuan. For each 17.5 million yuan generated in taxes and profits, each worker may draw an additional 17 yuan. These three measures unify the interests of the three sides, guaranteeing more revenues for the state in the first place.

2. All the contracting enterprises have put into practice different forms of economic responsibility system internally to overcome egalitarianism and bring the positive factors into play. Previously, the Qingdao Printing and Dyeing Mill calculated bonuses according to points, "eating partly from the big pot." After contracting production, the mill stopped "eating partly from the big pot," and introduced three-level accounting, linked remuneration to output, checked output at the group level and held individuals responsible for their work. Under this system of responsibility the workers can see how much contribution each meter of cloth makes to the state and how much income each worker gets. Furthermore, corresponding responsibility systems have been instituted for various working procedures and cadres of various service departments and offices. As a result, the whole mill is seething with activity. July output was up 8.6 percent over June and profits were up 19 percent.

3. In the light of reality and taking into account the degrees of profit-making possibilities and the irrational state of product price, tax receipt and profit, the problem of preponderant difference between above-target wages issued by different enterprises to their workers who perform more or less the same magnitude of labor is solved. In implementing the responsibility system of contracting production with remuneration linked to output, the municipal committee and government heard the views of the masses, thoroughly weighed the relationship between the magnitude of above-target labor and the above-target wages, and initially solved the problem in diverse ways. For example, in the case of those enterprises which have small margins but pay heavy taxes, taxes and profits are calculated together; in the case

of those enterprises that contribute more but make less profits, the proportion of above-target wages is appropriately increased so as to bring them into line with the wages issued by the enterprises in general. Soda ash, the main line of the Qingdao Chemical Fertilizer Plant, is a product with a small margin. The state has not set any profit target for the plant this year. After introduction of the economic responsibility system--contracting production with remuneration linked to output--each worker can draw 180 yuan in above-target wages when 1 million yuan profits are made. This will satisfactorily resolve the contradiction between a larger contribution and less remuneration in the case of enterprises that make less profits. The Qingdao Tonghai Rubber Factory makes large profits, and the contract stipulates that after fulfilling the above-target profits underwritten, each of its workers may also draw 180 yuan in above-target wages, but this is only equivalent to 10.6 percent of the above-target profits realized.

When remuneration was linked to output and one's heart, contracting production worked. The economic responsibility system implemented by Qingdao industrial and communications enterprises has smashed the iron rice-bowl and removed the big pot. The results of an enterprise's operation are directly linked to the economic interests of the workers. Cadres and workers concern themselves with their enterprises and production, and industries and communications are becoming more prosperous every day.

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DEPARTMENTS URGED TO ENCOURAGE INDIVIDUAL COMMERCE

Jian DAZHONG RIBAO in Chinese 27 Aug 81 p 3

[Article by Liu Zuoqing [0491 4373 3237]: "Questions Related to the Development of Individual Commerce"]

[Text] The present level of productive forces in our country determines the necessity of letting diversified sectors of the economy exist side by side. The state-operated economy is the main body and leading force on the market, but it is not possible for it to purchase all of the several hundred thousand and even several million kinds of products produced by the material production departments in society to satisfy the diverse demands of the broad masses of the people. Therefore, despite the fact that the quantity of products handled by the state-operated commerce is large, the variety of products handled and the scope of services performed are, after all, still limited. At the same time, the state-operated commerce suffers from certain limitations of time and space. Individual commercial enterprises, including the catering trade, service trades, and repair and spare parts shops, can make up the deficiencies of state-operated commerce. The individual commercial enterprises, which mainly carry on manual operations with a small amount of capital and for small margins, are so flexible and adaptable that they can change the direction of service any time in accordance with changes in market supply and demand. In their case, business hours may be extended or shortened according to business conditions. As to localities of business, individual commercial enterprises may make do with whatever is available. Shelters may be converted into shop fronts, stalls may be set up and wares hawked in the streets. Many fresh foods can hardly be handled by large stores and many types of manual repairs and darning which are beyond the capacity of state-operated repair trades, which are comparatively mechanized, can be handled by self-employed laborers and individual producers. Thus, in making good omissions and deficiencies, individual commerce is indispensable to the socioeconomic life. Furthermore, individual commercial enterprises which absorb a large number of unoccupied laborers provide an avenue for solving the employment problem for youths awaiting jobs.

By the end of April 1981, the number of individual commercial enterprises reached 1,520. Although their growth rate has not been fast enough, they have initially demonstrated their role as a force not to be ignored. Difficulties in getting catering service, clothing and repair service are beginning to diminish. Some famous dishes are gradually being brought back, and many "neglected lines" in repair trades are appearing and increasing in number. But even so, they are still far from the objective requirements of society. In 1957 the number of individual commercial enterprises averaged 18, occupying 700 square meters of floorspace per 1,000 residents, but by the end of 1980 the number of such enterprises was only 3, occupying 330 square meters of floorspace per 1,000 residents. This shows that viewed from the actual requirements of society as a whole, individual commerce should be further developed.

There are many reasons why the development of individual commercial enterprises has been adversely affected. For one thing, individual commercial enterprises have long been accorded a low social status. As a result of the left ideological influence, some people look down upon the individual economy as a capitalist undertaking, and because of this they consciously or unconsciously view it in a different light. Individual industrialists and businessmen themselves are not at ease, and their children tend to do everything to prevent them from starting up individual enterprises lest it should jeopardize their chance of going to school, finding jobs and lest they be marked. In short, public opinion has not yet given the green light to individual commercial enterprises.

Second, another problem worthy of attention is that too much interference comes from certain departments. There is not a unified system of administration. Anyone who wants to start a business must go through a number of departments and links, often taking several months from the time of sending in an application to the time of obtaining approval from the commercial department, industrial-commercial department, urban planning department and, in some cases, from the public security department. After the start of business, some departments will impose more restrictions, withhold aid, indiscriminately interfere and even ban the business.

Third, failure to insure the source of goods directly affects the vitality of individual commerce. For example, no practical and feasible measures have been worked out to provide goods under state control such as aluminum plates, soldering tin, and tinplates required by the repair trades. Owing to lack of coordination and connection between the bureau level and the wholesale departments, it frequently happens that the repair trades are unable to obtain spares and fittings such as bicycle parts, needles and thread, buttons, shoe nails, etc.

Fourth, state-operated enterprises, collective enterprises and individual enterprises are not yet treated equally in terms of political status and economic remuneration. Although the principle has been laid down as far as the central authorities are concerned and although employment obtained through recommendation by the labor department, employment obtained by getting organized, and employment obtained through one's own efforts are all regarded as employment, the gaps between them are wide in the real world. Individual enterprises are far behind collective enterprises, not to mention state-operated enterprises.

Below are some proposals made to the departments concerned for their reference concerning the development of individual commercial enterprises.

First, go a step further and mold public opinion in favor of individual commerce and propagate the importance of diversified channels of circulation as well as their position and role in the economic growth. In particular, it is necessary to get rid of the incorrect views on individual economy, to imbibe the spirit of the current policy of employment, to set minds free, to go all out, to open all avenues, and to pursue concrete policies to aid the growth of individuals commerce.

Second, strengthen leadership and unify the administration. The individual economy is characterized by dispersion, great flexibility, and fewer limitations of time and space in operation. It creates favorable conditions not provided by state-operated enterprises. But it also brings with it drawbacks: scattered operation making it difficult to manage, profit-making aim making it difficult to guarantee commodity quality, and possibilities of practicing fraud and evading taxes. This makes it necessary to strengthen leadership and unify administration with regard to the aim, direction, location and means of operations. But the principle of management should be "control without stifling, stimulate without throwing into confusion." The following tendencies should be avoided: As soon as stress is laid on management, all departments advance simultaneously and control it to such an extent as to stifle it. Or any slight rectification and stimulation will throw it into confusion. We maintain that laws should be made with the object of unifying administration. Provided a business license is issued by the industrial-commercial bureau and the consolidated tax or administrative fees have been paid, these certificates and documents should take legal effect at once, and no one may interfere arbitrarily.

Third, delegate some authority to the lower level. Judging by the tendency of development, the individual economy will go on developing and individual commercial enterprises will continue to increase. At present, they are stocked with goods from grade-2 wholesale units. The amount of funds involved is small, as is the quantity of stocks laid down piecemeal. This situation gives great trouble to grade-2 wholesale units. Is it advisable to consider delegating wholesale authority to the ward level so as to make it convenient for small business to replenish stocks while minimizing the trouble to which grade-2 wholesale units are put? Or can arrangements be made under which purchasers are entitled to wholesale price or a price approximate to wholesale price if the purchase exceeds a certain quantity? This will make it convenient to replenish stocks and promote sales, which in turn will accelerate the circulation of commodities.

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GENERAL

ARTICLE DECRIES RELIANCE ON 'IRON RICEBOWLISM'

Guangzhou YANGHENG WANBAO in Chinese 16 Aug 81 p 2

[Article by Chu Ruigene [0328 3843 5087]: "On 'Rice Bowls'"]

[Text] It is said that some foreign scientists and technicians working at sites in our country are diligently studying in their dormitories during after work hours, delaying sleep. When our reception personnel urge them not to work so hard, the answer they receive is "That won't do, if we do not understand the latest knowledge in our fields, we won't be able to keep up and our bosses will fire us, breaking our ricebowls. It is not like China with its superior socialist safeguards where one will not be unemployed due to incompetence or dereliction of duty!"

The foreign scientists and technicians still "study diligently, delaying sleep" in their after work hours and our reception personnel still urge them "not to work so hard." You can see that this causes me to lose my appetite a little. To continue with a look at the first half of the foreigners' reply, it seems two things can be said: In addition to the private sector employment system being too cruel, if one does not diligently study new knowledge, then the enterprise or factory will lag behind times and the company boss' own "ricebowls" would also be "broken" and how could he possibly insure the "ricebowls" of those below him! The problem is seen in the following words: "It is not like China with its superior socialist safeguards where one will not be unemployed due to incompetence or dereliction of duty!" It shows clearly in their words, it seems to be praise (many of us Chinese love to hear these words) when actually it sounds to me more like a slap in the face.

Ha! "with superior socialist safeguards where one will not be unemployed due to incompetence or dereliction of duty"--this links socialism with the "iron ricebowls"! The foreigners are not really talking nonsense. Our current lifestyle is just so.

To be sure, "socialism" has many superior characteristics, otherwise people would not cherish it and a lot of people with lofty ideals would not sacrifice for it. Nevertheless, this superiority lies in a system of destroying man's exploitation of man. The leaders pushed themselves onward diligently creating material and spiritual wealth. And yet it absolutely does not lie in entering a socialist society and carrying an "iron ricebowl." "Incompetence" and "unemployment" notwithstanding, this ricebowl cannot, in the end, be lost.

However, over the past several years, our perception of socialism has actually been connected with the "iron ricebowls" and the maddening thing is that it depends on this. You see, clearly written upon the banner of socialist distribution principles the words: "From each according to his ability, to each according to his work," and "More pay for more work, he who does not work does not eat." The "does not eat" is the broken "ricebowl." For a considerable time, there has not been particular mention of "More pay for more work" and even less mention of "He who does not work does not eat." Thus, "From each according to his ability, to each according to his work" also seems to be nothing more than empty words.

Does the "iron ricebowl" have any supporters? Some, they are sluggards, those who do not strive to make progress, bureaucrats. The problem is in the reliance on this "iron ricebowlism," which is no different than the development of the flourishing mouth. The laborers' hands degenerate, socialism loses its abundant material base, it then exists in name only. At this level, our lesson is extremely profound.

I think that 80 percent of those who urge others "not to work so hard" are incapable of working that "hard" themselves. Today's Chinese who work diligently around the clock and quietly immerse themselves in hard work are not in the minority. However, there actually are those few people who not only do not "work hard," but also urge others not to "work hard," and some even take those who do "work hard" as fools! The reason these people do not "work hard" is that they find joy in their own way, and in addition to an awareness problem, objectively speaking, one big reason, is that they are given an "iron ricebowl" to carry.

It is said that in recent years, some foreign specialists, who have come to assist us in our industrial construction, place extreme emphasis on the system of a scheduled vacation at home. In addition to a reunion with family, the even more urgent objective of their vacations is to take an opportunity to understand and grasp the latest domestic and international scientific and technical achievements in their fields and keep abreast of the latest methods in order to avoid stagnation of their knowledge and lagging behind technically or even breaking their ricebowls. With these foreign scientists and technicians working so diligently and with their spirit of constantly improving, it is no wonder that it is not deeply pondered by those comrades who carry the "iron ricebowls" or "go by the sure fishing boat."

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EMERGENCE OF NATIONALIST CAPITALIST INDUSTRIES LIMNED

Nanjing XINHUA RIBAO in Chinese 14 Aug 81 p 3

[Article by Wang Ke [3769 0668]: "The Emergence of China's Modern National Capitalist Industry"]

[Text] The seeds of capitalism were laid very early in the protracted period of the development of feudal society in China. China would have gradually entered into a capitalist society even without the invasion of foreign capitalism. Starting in 1840, foreign capitalism invaded China on a large scale which has changed the course of capitalist development in China. As a result, China progressively lapsed into a semi-colonial, semi-feudal society.

The first group of modern industries to emerge in China were not established by the Chinese people, but by the foreign capitalist aggressors. Following the Opium War, the foreign capitalists, aside from launching an all-out effort to promote sales of their industrial products in China and plundering local products and specialities, ignored the sovereignty of China by presumptuously investing in manufacturing facilities. These plants were mainly for ship repairing and various processing industries. The former was to suit the needs of the development of the shipping industry in China (foreign steamships would need inspection and repair on their arrivals), and the latter to suit the need of processing raw materials and local products and specialities pillaged from China. For instance, in order to rob eggs, they first had to process them into egg powder and then to ship the powdered eggs out. For this reason, they established powdered egg plants. According to statistics, from 1843 through 1894, some 100 plants of various sizes including ship repairing, brick tea, silk reeling, sugar refining, egg powder manufacturing, cotton ginning, printing, packing, match, cigarette, ironware, and so forth were established by foreign capitalists.

Modern industries operated by the Chinese themselves started some 10 years later than that of the foreigners. The first modern industries set up by the Chinese people were not civilian industries operated by private individuals, but the armament industry operated by the government. In the course of putting down the Taiping Revolution, the feudal overlords, witnessing the devastating effectiveness of Western weapons, spent funds from the state treasury to set up modern arsenals mainly for the purpose of fighting against people's uprisings. The first arsenal, the "Anqing Armament Plant," was set up in 1861 by Zeng Guofan in Anqing. From then to 1894, a total of around 20 arsenals were established by the government of the Qing Dynasty, of which the Jiangnan Manufacturing Bureau in Shanghai, the Tianjin Machinery Bureau in Tianjin and the Fuzhou Shipyard in Fuzhou were comparatively larger in scale. In Nanjing, we also had a Jinling Manufacturing Bureau. With the initiation of the armament industry, it was necessary to develop such supporting industries as mining, smelteries and transportation. At the same time, more capital was needed. Therefore, high-ranking bureaucrats of the Qing government established some industries for civil use and absorbed some capital from the private sector. As a result, modern civilian industries either operated directly by the government, or "supervised by the government and run by merchants," or jointly operated by the government and merchants emerged. In 1872, Li Hongzhang set up the China Merchants Steam Navigation Company which was operated directly by the government under the arrangement of "government supervisory, merchant operated." At the initial stage, government shares of this company totaled 1.9 million taels, while that from private sectors totaled 0.73 million taels. According to statistics, up to 1894, there were a total of 30 civilian enterprises either operated by the government, or supervised by the government and undertaken by merchants, or jointly operated by the government and merchants.

China's national capitalist enterprises did not come into being until 1872. It is generally felt that China's first modern national capitalist enterprise was the Jichanglong [4949 2490 7127] Silk Reeling Plant in Nanhai, Guangdong. It was a plant operated by an overseas Chinese who returned to China to make this investment after he had seen silk reeling plants abroad operated by foreigners were very lucrative. Another enterprise, the Fachang [4099 2490] Machinery Works in Shanghai started to utilize machinery earlier than 1873. In 1878, another mechanized flour mill, the Yilaimou [6318 0171 3664] Flour Mill owned by our own nationalist capital emerged in Tianjin. In the 1870's, plants set up with China's nationalist capital totaled about 20 in number and that number increased gradually in the 1880's. Up to 1894, there were more than 70 plants including such industries as silk reeling, cotton ginning, cotton textiles, flour, match, paper, printing, mining, public utilities, and so forth.

As far as China's national capitalist enterprises are concerned, not only did they come late as compared with plants set up by foreign capitalists as well as those established by the Qing government, their financial strength was also smaller. For instance, the Johnson Shipyard invested by foreign investors had a capital of 800,000 taels, the Jackson Shipyard had a capital of 750,000 taels, while the Baochang [1405 2490] Silk Mill had 800,000 taels. The capital of the China Merchants Steam Navigation Company which was supervised by the government and run by merchants was more than 2.5 million taels and that of the Shanghai Weaving Bureau came to nearly 0.7 million taels. The capital of each national capitalist enterprise was generally less than 100,000 taels. The biggest single investment among them was only around 200,000 taels.

The plants set up in China with foreign capital were supported by the influence of the foreign capitalist aggressors and that operated by the government or jointly operated by the government and merchants were supported by the feudal influence in China. However, plants operated by China's nationalist capital were inhibited by both of these influences. To compare 1894 with the year of 1864, the net value of foreign goods imported into China increased 4 times, which became the most serious obstacle to the development of our nationalist industries. Moreover, foreign capitalist enterprises relied on special political privileges, powerful financial strength and advanced skills to directly compete with China's nationalist industries. Many of our plants financed by nationalist capital were forced to close down under the competition of foreign products and foreign plants. The Chinese feudal bureaucrats utilized their political power and influence to monopolize various industries and to inhibit the development of the national capitalist enterprises. While Li Hongzhang set up the Shanghai Weaving Bureau, he presented a memorial to the throne requesting the emperor to cut taxes and grant 10-year patent right so that "within the next 10 years only the Chinese merchants are allowed to add shares to the Bureau and no new bureaus will be permitted to establish."

Aside from the fact that the national capitalist enterprises were suppressed by both foreign capitalism and domestic feudalism, they, on the other hand, also relied on both of them. Investors of some national capitalist enterprises were compradors themselves. These enterprises also had to purchase machineries and certain raw materials and engage technicians from abroad. Some enterprises were even indebted to foreign banks. Still other investors of some of these nationalist industries were themselves bureaucrats or landlords. They requested the Qing government for support and to cut taxes. China's national capitalist industries found it hard to develop without relying on foreign capitalism and domestic feudalism.

China's modern national capitalist industry was on the one hand oppressed by foreign capitalism and hampered by domestic feudalism, and on the other hand it did not cease its link with both foreign capitalism and domestic feudalism but on the contrary relied on them to develop. This dual nature was manifested at the very beginning of the emergence of China's modern national capitalist industry.

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GENERAL

WEIHAI PROMOTES CONSTRUCTION OF RURAL TOWNS

Jinan DAZHONG RIBAO in Chinese 22 Aug 81 p 1

[Article by Ning Yunjiu [1337 6663 0036] and Jiang Shiting [1203 0013 1694]: "Weihai Municipality Achieves Remarkable Successes in Strengthening Construction of Rural Towns"]

[Text] Remarkable successes have been achieved by Weihai Municipality in carrying out programs to integrate the city with villages for promoting progress in the rural areas, actively developing commune and brigade enterprises and strengthening construction of rural towns.

In Weihai Municipality, agricultural population accounts for 80 percent of the total population of the municipality. Each farmer has an average of 0.77 mu of cropland. In order to open up a new path for carrying out construction, the city party committee has since 1970 suggested that the superior features of the comparatively more flexible human, financial and material resources in the collective economy should be brought into full play and enterprises under collective ownership should be vigorously developed. In order to accelerate the rate of urban industrial development, solve the problem of the shortage of industrial workers in the city, and at the same time prevent the city from over-expanding, the city party committee has spread the experience gained by the First Carpet Plant in integrating workers with peasants and the city with rural areas, and in diversifying products in rural areas to promote the development of commune and brigade industries. In 1975, when responsible comrades of the provincial party committee conducted an investigation in Weihai Municipality, they affirmed this experience. They pointed out that it is the right approach to engage in urban-rural as well as worker-peasant integration and to diversify products. It is necessary to build the seats of communes into small towns. With the support of the higher authorities, the city party committee has strengthened its confidence and set up a Commune Industrial Bureau to organize various communes to do a good job in planning the construction work of rural towns. Since then, commune and brigade industries as well as the construction of small rural towns have taken on a new aspect. Especially since the 3rd Plenary Session of the 11th CCP Central Committee, the pace of the construction work of 6 towns of the municipality and the rate of development of enterprises operated by communes have been greatly accelerated. In 1976, the output value of commune industries in the whole municipality reached 8.73 million yuan and profits reached 1.97 million yuan which increased 87.8 and 51.1 percent respectively compared with that of the previous year. In 1977, the output value reached 16.12 million yuan and profits 3.35 million yuan, an increase of 84.7 and 70.3 percent respectively compared with that of the previous year. In 1980, the output value of commune industries of the whole municipality reached a new high of 27.72 million yuan and profits reached 4.51 million yuan, an increase of 10 and 24.1 percent respectively compared with that of 1979.

Since the program for developing commune and brigade industries was put forward in 1970, Weihai Municipality has undergone three different stages from initial probing to planning to construction. The development of commune and brigade industries enabled 6 rural suburban communes of the whole municipality to accumulate large funds for the construction of rural towns. New enterprises have been set up one after another. Factory buildings, buildings for accommodating sales departments and administrative units as well as dormitories also have been completed. These towns have gradually become political, economic and cultural centers in rural areas and thereby serve as links and bridges between Weihai municipality and the rural areas. According to incomplete statistics, investment made by various communes of the whole municipality for town construction totaled more than 20 million yuan. The investment made in each town averaged 3 million yuan. At present, more than 70 industrial enterprises have been set up in these towns by communes only recently aside from such units as supply and marketing cooperatives, banking offices, credit cooperatives, tax bureaus and grain bureaus which have already been there. Among the industrial enterprises, there are 56 factories, 6 communication and transportation stations and 6 engineering contractors. There are also 41 service industries including 6 sales departments, 13 restaurants, 4 hotels, 6 photo studios and 6 barbershops. The collective income of these industries and services totals 37.52 million yuan, with an average of 5.36 million yuan going to each commune. At the same time, the number of cultural and entertainment facilities also have gradually increased. There are now 6 cultural centers, 5 libraries (study rooms), 2 movie theatres and 5 middle schools in 6 towns.

Owing to the fact that the construction of rural towns is based on the enterprises operated by communes, it has given an enormous impetus to the city industries. In 1980, the aggregate value of industrial output of the whole municipality reached over 360 million yuan which increased 4.5 times compared with that of 1970. At the same time, it has helped to reduce expenditure and increase revenue of the state and thereby preventing the city from heading toward lopsided overdevelopment. At present, commune and brigade plants in rural areas of the municipality as a whole have more than 8,400 people doing processing work for city industries as "staff members working outside of the plants." These people amount to 60 percent of the existing permanent working force in the city itself. In 1980, commune and brigade enterprises centered at rural towns paid 1.57 million yuan in taxes directly to the state. Furthermore, the development of industries centered around rural towns has brought about a booming rural economy and promoted rural construction. At present, in rural areas all over the municipality, each brigade has an average of 4 enterprise projects. Since 1975, more than 15,000 houses have been completed which account for 35 percent of the total number of households in rural areas. The total construction area is 720,000 square meters and each individual farmer has an average area of 4.4 square meters. The rise of rural towns has helped to make things convenient for the masses and liven up the rural economy.

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GENERAL

FOREIGN INFLUENCES NOTED IN SOCIALIST MODERNIZATION

Guangzhou YANGCHENG WANBAO in Chinese 12 Aug 81 p 2

[Article by Liao Jianxiang [1675 1696 4382]: "A Bold Exploration of the New Relaxation of Restrictions on Things Foreign"]

[Text] The Party Central Committee has decided to implement special policies and take flexible measures in the two provinces, Guangdong and Fujian. This was a great economic policy decision following the Central Committee's Third Plenary Session. The practice in the two provinces during the last 2 years shows that the implementation of this decision has not only brought about obvious results in the economic development of the two provinces, but has also created new experiences and explored new approaches to economic system reform and development of our socialist economic construction. It holds very great significance.

The meaning of the special policies and flexible measures can now be summarized as the three "relaxations," i.e. the relaxation of policies directed abroad, the relaxation of domestic restrictions and the relaxation of authority over the lower echelons. The one outstanding point among them is the even greater relaxation on things foreign.

Speaking from the viewpoint of socialist ecnomic construction this relaxation on things foreign is a sweeping reform. From the viewpoint of economic development, this relaxation is a developing country following a modern strategic choice and an important policy. If this work is to be carried out well, we must continue to liberalize ideas, improve awareness, and give emphasis to summarizing histroical experiences.

During the past 2 years, the Province of Guangdong has accumulated some significant experiences in running a pilot special economic zone and in the implementation of the special policies and flexible measures, and has discovered some new problems to be solved. We must experiment boldly, advance steadily and seek a new approach.

1. The relationship between special policies of the two provinces and the overall national situation should be handled properly. Guangdong's relaxation on things foreign must be truly "special," truly "flexible," and truly "advanced" properly to solve the problems of domestic policy relaxation and broadening of local authority. Otherwise, they will be neither "special" nor "flexible." In this

instance, the problem of the relationship between the overall national situation and the local areas must be handled well. The "special" policies are to create experiences for Guangdong Province in order to give impetus to the entire nation. Of course, the special policy cannot have an unfavorable impression on the overall situation. For example, economic development plans and foreign trade export programs should be under the direction of a unified national plan and, with the provinces as the dominant factor, the pieces put together giving local levels their rightful sovereignty. Of course, export trade should be integrated under one set of foreign policies to avoid giving foreign businesses an advantage. We cannot force prices down domestically or else the profits will flow out of the country. Full play should also be given to local enthusiasm in commodity flow, however, it should serve the unified national plan. Exports outside the plan should be handled by the province alone. Past experience has shown that regulating things to death and reining in too tightly with various procedures affects the implementation of special procedures and is a great problem which must be solved conscientiously.

2. Utilize favorable local conditions to select the form of economic and technical cooperation. Currently, several methods using foreign capital in the development of economic and technical cooperation have been adopted. Such methods as finished product processing, compensatory trade, joint venture, and joint production have shown obvious results. We still must very carefully summarize the experiences of how to take local conditions and characteristics into consideration when selecting from the different projects the one which will be the most favorable to the development of the enterprise and most favorable to both sides in achieving equanimity and mutual benefit. In some cooperative projects, once put into operation, raw materials, power, transportation, and sales all flow normally and production expands to the benefit of both sides. However, in some projects, problems of raw materials, wages, capital interest, profit splits, equipment compensation, etc. are not properly resolved creating abnormal production, unequal profits, and few material benefits. In the future, emphasis should be given to summarizing these experiences and solving this problem.

3. The construction of the special economic zone must be done well. In 2 years of construction on a special economic zone, great achievements were realized and we initially tried to gain experience. For instance, the comprehensive special economic zone in Shenzhen established various businesses in industry, trade, agriculture, livestock, housing, and tourism; the Zhuhai special economic zone takes tourism as its primary industry; and the city of Shantou will use foreign capital to rebuild old buinesses and develop a special economic zone which relies on export processing, tourism, and other industries. These situations all comply with the theory of implementing plans in line with local conditions and the principle of striving for substantial results. The urgent problems currently requiring solutions are: How do you enact the total social, economic development plan for each of the special zones? How can the construction of basic installations be hastened to solve the problems of power, water supply, communications, factory buildings, roads and transportation in order to provide various services and facilities for economic development? How can various preferential policies be enacted to attract the capital of foreign investors and draw in technology? How to enact economic legislation and regulations on labor, contracts, insurance, customs, tax revenue, etc. relevant to the speical zones? How to revise swiftly the tedious entry and exit procedures for the zones to achieve a simplified procedure, improving efficiency and making entry and exit from the zones convenient? Currently there

are over 350 different kinds of special economic zones in the world (including the socialist nations of Yugoslavia and Romania, the wealthy capitalist nations of the Netherlands and the United States, and the developing countries, Singapore, Pakistan, and others). All of these nations have gone through the work of constructing special economic zones. Our special economic zones are a place to come into contact with foreign entrepreneurs. It is also the best place for foreign business circles to observe our special policies and flexible measures. Foreign investors will display their economic management experiences in the special economic zones. We must try to find new approaches and experiences here.

4. We must improve research in international economic and technical information and international markets. Our socialist economic construction will be gradually closer to the changing relationships of the international economy. We have the necessary research organizations to assemble international economic/technical information and gradually to establish specialists and a strong computer retrieval system. We can grasp international economic trends, develop markets, and make economic forecasts to provide the basis for foreign economic activities allowing us to take the initiative in such activities facilitating even greater achievements.

We already have an excellent beginning in relaxing the restrictions of the strategic measures for the economic development of the socialist modernization and the victorious prospects are inspiring.

9795
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CAUSES OF POLAND'S ECONOMIC PROBLEMS ANALYZED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 3, 81 pp 75-79

[Article by Xu Guihua [1776 2710 5478]: "An Analysis of the Economy of Poland"]

[Text] The strike which swept over all of Poland in July 1980 attracted great attention throughout the world. This incident had a significant political and economic background as well as deep historical roots. Here let us analyze its economic causes.

Same Old Stumbling Block

This strike was touched off by the Polish Government's decision to raise meat prices.

Everyone who is familiar with conditions in Poland knows that several labor disputes in Poland in the past were attributed to the increase in commodity prices, mainly the prices of foodstuffs and meat. In the mid-1950's--or, to be exact, in 1956--as we recall, the Polish Government, then confronted with economic difficulties, adopted measures to restrict consumption and raise commodity prices. This resulted in the Poznan incident. In December 1970, the Polish Council of Ministers again decided to raise the prices of 46 types of foodstuffs and daily necessities, thus increasing the cost of living of each household by 20 percent. On the day following the announcement of the price hikes, the workers at the Gdansk Shipyard started a strike which later spread to Gdynia, Sopot, and Szczecin. In June 1976, the Polish Government again announced an increase in the retail prices of certain commodities (mainly foodstuffs) by an average of 39 percent. The price of meat was increased 70 percent. News of the price hike led to another strike which threatened to engulf the whole country. Sensing trouble, the government rescinded its decree 24 hours after the announcement, and the price hike was declared null and void. The situation then calmed down. The [strike] in July 1980 was already the fourth general strike. Why is the question of price hikes--for foodstuffs and meat in particular--so delicate and sensitive in Poland? Why should the Polish leaders continue to hit the same old stumbling block? These questions should be carefully analyzed and explored.

For a long time there has been a scarcity of consumer goods in the Polish market, while price fluctuations and currency inflation have now assumed serious dimensions. In recent years, the decline in production caused a shortage of supplies accompanied by price hikes and currency inflation. This has added to the people's discontent. According statistics, the Polish people spend on meat and foodstuffs 50 percent of their total expenditures for daily consumer goods. Therefore, an increase in the prices of foodstuffs and meat is not only a matter of concern for the households but also has a strong impact on the broad masses. The contradictions on this score are as a rule particularly serious. In the case of meat, for example, the contradiction between supply and demand in recent years has been intensified, we may say, to an intolerable extent. The latest price hike was a 60-percent increase for more than 20 kinds of meat. There was neither previous consultation with the masses nor any attempt to explain to them the difficulties. Therefore, the announcement of the price hike was like the igniting of an explosive, and it was followed by a sudden outburst of the people's long-suppressed anger. As a West German weekly journal put it, "The workers were indignant when the increase in meat prices was announced by the government. Now the indignation has been transformed into action, and this is no surprise at all."

Polish Government leaders have tried to ease the tense economic situation by reforming the economic system. Since the relationship between economic readjustment and economic reform was not handled well, the shortage of supplies in the market became even more serious. Since the beginning of 1973, Poland has begun to reform its economic system and to practice the so-called "new economic system," the main purpose of which has been to decentralize and delegate more power to the lower levels. However, instead of treating economic readjustment as an urgent task in dealing with the various national economic imbalances, the Polish authorities promoted the so-called "new economic system" as their foremost concern. This resulted in new chaos in the national economy. As a U.S. scholar said: "Instead of easing economic tension, the reform was frustrated by this tension."

To ease the contradictions, the Polish Government has often adopted the method of freezing prices and raising wages. Thus, every upheaval has been followed by a substantial wage increase. From 1950 to 1955, there was an average annual increase of 4 percent; from 1956 to 1957, it sharply increased 20 percent. Similarly, from 1960 to 1970 the average annual wage was increased by 1.8 percent, and from 1971 to 1972 it again sharply increased 22 percent. As an article in the British quarterly journal SOVIET STUDIES said: "Increasing wages for political reasons not only makes the market more unbalanced (because of currency inflation), but also creates difficulties for economic reform," because "a double logic (of winning popularity and showing an appreciation of value) on the question of distribution can bring economic reform to a standstill." This shows that liberal promises and substantial wage increases will in the long run increase economic difficulties and exert greater pressure on the market. This will lead to another cycle of intensified contradictions.

Decline of the "Granary of Europe"

In November 1979 a Hungarian research worker, comparing Hungary with Poland, said: "Agricultural development is of very great significance. For several years we have overcome various difficulties without too much effort, for the important reason that our market supply is good. Poland is different. Instead of solving any problems, price hikes have on two separate occasions caused great trouble. Meat prices have been raised three times in our country without bringing about any important political change. Therefore, agricultural development is a very important political issue."

These words are very significant and to the point. In Poland, many labor disputes have been caused by meat and foodstuff price hikes, for the important reason that the market supply has not been under control. In the final analysis, the failure of agricultural development is the root cause.

Poland originally was an agricultural country. In view of its favorable conditions for the development of agriculture and animal husbandry and its rich agricultural regions, people commonly called it the "granary of Europe." However, because of its economic policies and its entire economic structure, agriculture there is still very backward, compared with not only the developed capitalist countries but also with the [other] East European countries. The "granary of Europe" of the past is now in a decline.

Since the abolition of cooperatives (approximately 90 percent of the total number) by Gomulka in 1956, agriculture in Poland has been dependent on dispersed and narrow individual farming households. By 1978, according to statistics, only 23.3 percent of the farmland was publicly owned; the remaining 86.7 percent belonged to individuals. In other words, more than three quarters of the farmland belongs to individual peasants. The ratio of individual economy in cattleraising and livestock production is even higher. In 1978, 85 percent of the pigs, 74 percent of the oxen, 89 percent of the milk cows, and more than 97 percent of the horses were owned by individual peasants. Individual farming households produced 65 percent of the meat, more than 85 percent of the milk and some 92 percent of the eggs. The public sector of the economy in Poland's agriculture is not only small but also inefficient. The state invests heavily in the public economic sector, but there is also serious waste. On the whole, its business results are not as good as those of private farming households. According to statistics, the average amount of fodder and fertilizer used by state farms is two and a half times higher than that used by individual peasants. A Polish journal has said: "If the amount of grain used to produce 1 kilogram of meat by the public sector of agriculture were the same as that used by individual peasants, we could have more than 2 million tons of grain, worth 300 million dollars, each year." Yet individual farming is now on a gradual decline because of its extreme decentralization. According to a news report, since "the majority of young people are not interested in their parents' farms" nowadays, many crops are grown "in an idyllic way by old people of 70 with grey hair. This is far behind the use of modern harvesting tools in efficiency."

Within the agricultural sector, the serious effects of an imbalance between farming and animal husbandry has caused livestock prices to soar. In the past 10 years, the price of livestock procurement was raised by 120 percent, but even by 1978, meat prices had been frozen at the same level throughout the years. Thus the state had to spend a huge amount on subsidies. In 1978, an average of 34.4 zlotys was granted for each kilogram of meat sold. The total subsidy of 91.4 billion zlotys each year was equivalent to 11.2 percent of the workers' wages. In 1980, the total subsidy for meat and other staple food amounted to 200 billion zlotys; this subsidy alone accounted for 20 percent of the government's budgeted expenditures. This is quite a heavy burden for the government. To reduce this burden and ease financial tensions, a price hike was the only way out. This was exactly the cause of the price hike in July 1980.

Shadow of "Economic Synchronization"

Apart from its extremely backward agriculture, one of the causes of the shortage of market supplies in Poland has been the "economic synchronization" of CEMA, with the Soviet Union as the overlord, which casts a dark shadow over the Polish economy. Under this dark shadow, Poland had to unilaterally strive for the development of heavy industry, mainly the processing industry, at the expense of raw materials, fuel, power and other basic industries, and the light and food industries required for domestic consumption. This "economic synchronization" consolidated Poland's irrational economic structure (or the so-called heavy structure) and thus landed Poland in a predicament from which it could not extricate itself.

According to the requirements of "economic synchronization" and specialization, Poland, as a member nation of CEMA, is charged with the responsibility of producing ships, railroad cars, construction machinery, roadbuilding machinery, textile machinery, lathes, selected items of the electric and electronic industries, and complete sets of equipment for sulphuric acid plants, sugar refineries, and papermills, in addition to elements and parts to be used for the production of motor vehicles. Such is the duty of a CEMA member, and every effort must be made to ensure the development of these processing industries in order to meet export requirements. Thus the production of all light industrial goods urgently needed at home were simply discarded. This was one of the important causes of the short supply of daily consumer goods in the home market.

Poland's exports to the Soviet Union consist mainly of various types of finished goods and food. It is true that there has been a certain development in Poland's food industry in recent years, but the market supply situation has not been correspondingly improved, simply because, in the Polish people's own words, these products are "taken away" by the Soviet people. A press report from Moscow said: "Polish consumers will be very unhappy if they know that, while many items of f od can rarely be seen in Polish stores, the stores are full of food items produced in Poland." In August 1980, the Yugoslav news agency dispatched a report from Warsaw saying: "Meat is now very scarce in Poland. Actually, it is more scarce now than ever, because Poland has to keep its miserably low stock for donation to the Olympic event to be held in Moscow. The long lines of prospective customers before the meat stores, which has been a common sight, have become longer than ever."

Fact has shown that the dark shadow of "economic synchronization" over Poland has intensified the lopsided development of Poland's industry and industrial structure and has subjected its market supply to double pressure: On the one hand, its light and food industries, which should be capable of meeting domestic needs, are far from adequate for the continually growing social demand; on the other hand, it must further curtail its already short supplies for domestic consumption in order to meet export requirements--mainly the requirements of the Soviet Big Brother"--failing which, domestic production can hardly be maintained. The West German DIE WELT said in a news report: "Should the supply of oil from the Soviet Union be discontinued, the wheels of Poland will grind to a stop." This should be a good lesson for us: A country should abandon the policy of shutting itself behind closed doors and should actively participate in the international division of work, so as to bring into play its own economic strongpoints and at the same time strengthen and develop its international economic contacts. However, it must also uphold the principle of independence and self-reliance, assert its own sovereignty, and hold the initiative of economic development in its own hands. Otherwise, it will bring untold misery to the state and the nation.

Results of "New Economic Strategy"

"Ice 3 feet in depth cannot be the result of one cold day," goes an old saying. The recent strike in Poland and the economic difficulties now confronting it are the inevitable outcome of the so-called "new economic strategy" carried out over the past 10 years.

In the early 1970's, the strategy of social economic development, also called the "new economic strategy," introduced by Gierek called for the "realization of a second industrialization" and the "rebuilding of Poland" in the 1970's. Accordingly, he put forward the "three highs" policy, meaning high speed, high wages, and high fringe benefits, as a means of "safeguarding high-speed national economic development, suitable improvement of the people's living conditions, and marked improvement of social production."

In the first half of the 1970's, the "new economic strategy" did produce certain good results. For example, from 1971 to 1975 the per capita national income of Poland increased by 9.8 percent annually. The generally high rate of increase gave rise to a "speedy parallel increase of wages and investment rarely seen." However, this fine situation did not last long. In the second half of the 1970's, there was a sharp drop in production. Some large-scale readjustment had to be made in investment, and the actual increases in wages became almost negligible. By 1979, the national income did not increase at all, and compared with the previous year, there was even a 2-percent reduction. Investment was reduced by 8.2 percent, while actual wages increased by only 1.8 percent. The so-called "three highs" had already vanished into thin air. As proved in practice over the past 10 years, the "new economic strategy" has ended in failure.

First, this "strategy" was based on large foreign loans. In February 1970, Gierek, who had been in office barely 2 months, proposed the so-called "active loan policy" before the Eighth Plenum of the Fifth Central Committee of the Polish United Workers Party and advocated large-scale borrowing from foreign countries. In 1970, Poland had 800 million dollars in foreign debts; by 1979 the amount had sharply increased to 19.4 billion dollars, and then to more than 20 billions in 1980. According to present announcments, it has already exceeded 23 billion dollars. It is generally agreed that the foreign debts of a country will reach the "dangerous limit" if the total amount of capital to be repaid, along with the interest, exceeds 25 percent of its total volume of exports or its total foreign exchange earnings. In 1979, Poland had to spend 4.1 billion dollars to repay its foreign debts plus interest. This amount was equivalent to 56 percent of its income in hard currency from exports to the West, and was far beyond the "dangerous limit." In 1980, the amount of debts and interest paid was 8 billion dollars, or equivalent to 130 percent of the total volume of exports to capitalist countries. From this we can see that Poland's foreign debts have far exceeded its capability for repayment.

Secondly, the "policy of active importation of technology patents" was actually a rash action taken on the spur of the moment and was inconsistent with the actual situation. This grandiose scheme brought about grave consequences. To carry out the strategy of "high-speed economic development," Poland formulated a "policy of active importation of technology patents" in 1971. As soon as this policy was adopted, all departments, including some plants and enterprises, joined the scramble for imports, regardless of their actual needs or their capability to repay. From 1971 to 1976, according to statistics, Poland imported from the West more than 280 large projects and some 400 technology patents, altogether costing more than 26 billion dollars. The scope, quantity, and expenditures involved were appalling. First, because of the limited technological force, construction capability, basic installations, and ability to undertake auxiliary projects at home, the construction period for these new projects had to be prolonged a great deal. The construction period for 60 percent of these imported projects was more than 3 years, and some of them became "bottomless holes" for investment. Secondly, because of ignorance of the general situation and technical conditions, many items were imported blindly. Thus, one-third of the imported technology patents were simply shelved instead of being put to use. In the chemical industry departments, 30 percent of the patented equipment could not be used because of wrong choices at the time of purchase. Thirdly, approximately one-third of the imported projects depend on the import of raw materials for production. Because of the continued increase in raw material prices on the world market and the lack of assurance of raw material supplies, a number of newly built plants and enterprises had to stop operation. Furthermore, approximately one-quarter of these projects either could not start operation or failed to acquire their originally designed productive capacity because of inadequate power supply or transportation difficulties. Fourthly, for various reasons, the majority of imported equipment or patents were originally not quite up-to-date, and after several years of construction their competitive power had greatly diminished by the time they were ready for operation. Of the imported-patent products, according to statistics, only 10-14 percent were up to the world standard, and there were very few "commodities that could maintain their foothold on the market."

Moreover, the so-called "speedy parallel increase" of high accumulation and high consumption has led to overall national economic tensions and serious disproportions. From 1956 to 1970, according to statistics, the rate of accumulation was consistently kept at 19.5 to 26 percent, and from 1971 to 1975 the average annual accumulation rate was as high as 37.5 percent. In the same period, the average annual increase in consumption was 9.2 percent, while social welfare funds were increased a great deal to provide free medical care for all the people. The peasants also began to enjoy the benefits of a retirement system. All these commitments were beyond Poland's national economic capacity and further aggravated the already disproportionate relationship.

The "Poverty" of Political Economy

An article in the Japanese SENTAKU [SELECTION] No 10, 1980, pointed out: "Frankly speaking, the problems now uncovered in Poland are neither purely political nor purely economic but are problems of socialist political economy, which is a close combination of the two. According to Marx, they are created by the 'poverty of political economy'." This shows a keen insight. There has long been a common saying in Eastern Europe that Poland has good economists but not a good economy. The reason is that the Polish Government does not regard economic theories highly and fails to apply Marxist socialist theories of political economy to guide domestic construction. Nor does it respect the objective laws of socialist economy, and even less does it follow objective economic laws. That was how it continued to repeat errors in practice and found itself in economic difficulties.

Recently, Poland's new leader, Kania, expressed his intention to ponder the experiences of the past 10 years and to draw lessons from them, so as to "ensure that a repetition of the same errors that led to the present crisis will never happen." At the same time, he adopted a series of measures to solve the immediate problems. This is certainly fine. We hope he can truly draw lessons from past mistakes, carry out thorough economic and political reforms (that is, the practice of economic and political democracy), and then gain better prospects for economic development.

9411
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GENERAL

BRIEFS

LIAONING SMUGGLING CASES--In the January-August period, the Dalian customs office, Liaoning Province, cracked 470 smuggling cases and confiscated contraband goods worth over 510,000 yuan. Some 79 cases involve illegal business transactions among enterprises' staff and workers inside and outside the province. [SK241040 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 22 Sep 81 SK]

CSO: 4006/8

OFFICIALS REVIEW STATUS OF BAOSHAN STEEL COMPLEX

OW270412 Hong Kong AFP in English 2328 GMT 26 Sep 81

[Article by Charles-Antoine de Nerciat]

[Text] Baoshan, Eastern China, 27 Sep (AFP)--An additional sum of more than one billion dollars will have to be invested in the gigantic Baoshan steel complex near Shanghai before it can begin functioning, a construction official said.

Nearly three years after building work started on the complex, the officials in charge remain uncertain about when production will start.

One high construction official at Baoshan indicated yesterday that two billion yuan (1.17 billion dollars) would be needed to complete the first phase of this big Sino-Japanese economic cooperation project including construction of a blooming mill, a blast furnace and electric power plant.

The official, Fang Hesheng, said that since construction began in December 1978 with a big contribution of Japanese capital, two billion yuan had been spent. This covered only 40 percent of the first phase of the project, 25 kilometers (15 miles) north of the big port of Shanghai.

Plans for a second phase, including additional rolling mills and another blast furnace, appear to have been practically abandoned. It was to be built with the aid of American, Japanese and West German capital.

"Technically, we should be able to complete the first phase two or three years after the original target date of 1982," said Mr Fang. But he added that he was not able to specify when this work would be finished.

"That will depend mainly on the investment that is made and the conditions of the current readjustment of the Chinese economy," he told newsmen.

A tentative agreement has just been concluded between China and Japan for Japanese loans totaling 1.3 billion dollars. In exchange, China agreed to continue economic cooperation projects between the countries that were threatened with cancellation, including Baoshan, the biggest project.

But the means of putting the agreement into effect have not been set. Mr Fang underscored that he did not know how much of the loans would be devoted to Baoshan.

But he affirmed that the electricity generating station would be finished during the second quarter of next year and that funds for this have already been allocated. It will be able to produce more current than needed by the steel complex alone.

The official rejected criticisms that have been made about this controversial project, especially concerning its site on marshy ground near the mouth of the Changjiang, China's longest river.

Those in charge are relatively vague concerning the conditions under which the construction is being done by some 60,000 workers. Newsmen visiting the building site spread over 12 square kilometers (4.55 square miles) saw only a very limited number of workers.

"There is much work going on at certain times, but less at other moments," Mr Fang commented. "It is difficult to specify exactly how many workers are on the site now."

The original estimate on the overall cost of the two planned phases made by Nippon Steel Corporation was 5.5 billion dollars.

Preliminary studies were carried out in one year. At least three times as long should have been allowed for the studies, noted another construction official, Xu Bangding.

The men in charge now stressed that the 1982 date set for the start of steel output "was not realistic."

"If we receive funds next year we will carry on our work," Mr Xu added. But he said he was now confident that phase one would be completed.

CSO: 4020/8

TAIWAN SHIP SURVEYS SENKAKU UNDERWATER RESOURCES

OW280547 Naha OKINAWA TIMES in Japanese 28 Sep 81 Morning Edition p 1

[Text] It was disclosed on 27 September that, at a time when the development of seabed resources around the Senkaku islands is being disputed [by Japan, China and Taiwan], a Taiwan resources exploration ship, the "Wodeco," had anchored about 61 km west of Uotsuri Shima [Tiaoyutai in Chinese] of the Senkaku islands and surveyed seabed resources for approximately 1 month.

Since the Taiwan exploration ship had anchored about 5.5 km inside the Japanese side of the East China Sea from the center line between Japan and Taiwan, the Japanese Government requested Taiwan to withdraw the ship. However, the Taiwan side answered the request by dispatching a warship and military aircraft. This was confirmed by patrol boats of the 11th Regional Maritime Safety Headquarters.

According to investigations conducted by the 11th Regional Maritime Safety Headquarters, the "Wodeco" carried out exploration work together with two work boats, taking up moorings since about the middle of August. It went back to Taiwan temporarily when Typhoon No 18 drew near but returned to the area and resumed work on 3 September.

Although the "Wodeco's" location was not within Japan's territorial waters but in the open sea, it is international custom to regard the center line as the borderline when two neighboring countries cannot agree on their respective 200 nautical mile economic zones. However, when the Japanese Government asked that the Taiwan ship withdraw from the center line, the Taiwan side responded by dispatching a warship and two fighter aircraft.

Violations of territorial waters by Chinese and Taiwan fishing boats around the Senkaku islands have occurred in the past, but this was the first time that a warship adn fighter planes were dispatched to support resource exploration.

The 11th Regional Maritime Safety Headquarters dispatched the 1,000-ton-class patrol boats "Yonaguni," "Motobu" and "Hateruma" to the area to watch the activities of the Taiwan exploration ship.

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END

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'JINGJI YANJIU' ON STUDYING CCP RESOLUTION

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[Excerpts of remarks by Dong Furen [5516 6534 4356], Wu Baosan [1566 1405 0005], Wu Chengming [0702 2110 2494], Tian Jianghzi [3944 3068 3189], Liang Wensen [2733 2429 2773], and Pei Junsheng [5952 0193 3932]: "Seriously Study the 'Resolution' to Promote the Study of Economic Theory--Excerpts of Remarks of Some Researchers of the Institute of Economics of the Chinese Academy of Social Sciences in Forum on Studying the 'Resolution'"]

[Text] Editor's note: After the publication of the "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC," some researchers of the Institute of Economics of the Chinese Academy of Social Sciences held a forum on 10 and 11 July to freely express their thoughts on studying the "resolution." The forum was presided over by Comrade Xu Dixin. Participants in the forum were enthusiastic in airing their views and the meeting proceeded in a lively atmosphere. The participants all professed their determination to support the "resolution." They also said that they will continue the in-depth study of the "resolution" and promote the study of economic theory, in order to better serve the needs of the building of socialist modernization. The following are excerpts from remarks made in the forum. [End editor's note]

Dong Furen: Develop Economic Science by Combining Theory and Practice

The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" is a great historic document. By scientifically summing up the experience in socialist revolution and socialist construction, it clearly points out to the whole party and the whole people the direction of advance. The "resolution" is rich in content. Here, I will focus the discussion of my thoughts after studying the "resolution" on the correct road of socialist construction pointed out by the "resolution."

The "resolution" points out that the vital soul of Mao Zedong Thought, that is, its standpoint, viewpoint and method, includes three basic aspects: seeking truth from facts, the mass line and independence and self-reliance. Seeking truth from facts means proceeding from reality in everything, relating theory to reality and combining the general principles of Marxism and the concrete practice of the Chinese revolution. In terms of socialist economic construction, this means starting from the basic national condition, taking Marxist economic science as guiding thought and seeking a road to national economic modernization which is suited to our national condition. In this aspect, our party and Comrade Mao Zedong has made many explorations over a long period of time. After the 3d plenary session of the 11th CCP Central Committee, in its process of summing up positive and negative experience in socialist construction over the past 30 years, the party has put forth this question even more explicitly and has gradually found a correct road to socialist modernization which is suited to our national situation. The "resolution" concisely and incisively discusses this correct road. This is very meaningful. It does not only play a great guiding role in our economic work and the study of the economic theory, but also puts forth a series of issues which require further study for our economic workers and economic theorists. The study of these issues is necessary for the continued enrichment and improvement of the building of socialist modernization in the process of practice. It is also required for developing Marxist economic science by combining theory and practice.

First, we must do an in-depth study of our basic national situation. This is the starting point of socialist economic construction. As Comrade Hu Yaobang said: "To build a beautiful tomorrow, first, we must base ourselves on a relatively correct understanding of today's China. It is not true that we already know too much about China's national situation and the objective law of building socialism. The fact is, we know too little." Indeed, one of the main reasons why for a long time, leftist errors existed in our past economic work was that to a certain degree, we deviated from the national situation of our country and exceeded what was realistically possible. Today, we have acquired a clearer understanding of the basic national situation. However, we cannot say that the necessity of studying the national situation in depth has gained popular recognition. Furthermore, the study of the national situation cannot be done once and for all. We must constantly study our changing national situation with the progress of modernization. We must also see that in big, oriental country such as ours with a population of 1 billion, of which 800 million are peasants, a vast territory and very uneven economic development, not only is the overall situation extremely complicated, even regional conditions vary greatly. On the one hand, we must exert great efforts to study and master the overall and basic situation. This is undoubtedly very important for determining future economic development strategy. On the other hand, the study of the national situation must be conducted by having separate studies according to regions and sectors, in order to avoid over simplification and uniformity in giving guidance to economic work. We, economic theorists, must strengthen our study of the national situation.

Second, we must start from our basic national situation and proceed to study the overall strategic goal of the building of socialist modernization and the specific goals during each of its stages. Only thus can we make our socialist construction advance toward a unified and clearcut goal in a step-by-step manner and in stages and avoid detours as much as possible.

The central idea in determining the overall strategic goal and specific goals during various stages is to resolve the contradiction between the people's growing material and cultural needs and the backward productive forces. In order to gradually improve the people's livelihood on the basis of the continuous development of production, on the one hand, we must study the changes in our people's material and cultural needs as production develops and formulate a consumption model which is suited to our national situation; on the other, we must study how to take effective measures which are appropriate to the various stages and which vigorously develop productivity in order to satisfy the people's needs and better fulfill socialist production goals.

When studying and formulating the overall strategic goal and the specific goals in the various stages of achieving modernization, we must realize the spirit of doing things according to our capability while also actively engaging in struggle. The victory of the socialist revolution has brought out great enthusiasm among the broad masses of people to devote themselves to socialist construction. We must highly treasure the masses' enthusiasm for labor, bring into play our spirit of active struggle and make our socialist construction proceed in the best and fastest way possible. Of course, while bringing into play the spirit of active struggle, we must also proceed from objective reality and emphasize doing things according to our capability. We must see that we still have a weak economic and cultural foundation; we must see that our agriculture is basically done by manual labor, that agricultural productivity is very low, that some peasants lead a difficult life and that the living standard of the broad masses of urban and rural people is relatively low; we must also see that we have a big population which is growing too fast. These basic conditions dictate that our economic construction must proceed within the limits of our capability and that construction scale and growth rate must be compatible to national power. In the past, it was precisely because we one-sidedly emphasized human subjective initiative while neglecting objective economic conditions and one-sidedly emphasized growth rate while neglecting doing things according to our capability that socialist construction suffered losses. We must seriously remember this lesson.

Third, we must create concrete forms of socialist production relations which are suited to our national situation. Man's understanding of scientific socialism has gone through a very long process. When Marx and Engels formulated the theories of scientific socialism, they foresaw the basic features of future society through the analysis of basic contradictions of capitalism and discussed basic principles such as communist society is divided into two stages. These principles have great instructive value for our socialist construction. However, socialist systems have been established in specific countries. There are great differences in the national situations of various countries and thus socialist systems built in various countries have unique features and they cannot be completely identical. Furthermore, man's understanding of the socialist system can only gradually develop and improve in the practice of building socialism. Socialist revolutionary practice in our country tells us that we must correctly differentiate between the basic economic system of socialism and its specific forms. The basic economic system of socialism will be relatively stable during the entire historical period of socialism, while the specific forms must be constantly readjusted and even changes are necessary. On the premise of persisting in the basic socialist economic system, we must consciously reform those specific forms which are incompatible with the development of the productive forces and with the people's interests. The "resolution" pointed out that: "Our task is to create specific forms of production relations which are compatible with each stage and which promote continuous advance according to the requirements of the development of the productive forces in our country." This is a great issue confronting us. This involves the form and structure of the system of ownership of the means of production with socialist public ownership occupying an absolute dominant position, specific management and distribution systems which are compatible with various economic components, a planned economic system making use of market mechanisms, and others. In the past few years, the broad masses of people and cadres have created various specific forms of production relations which are suited to the multi-level conditions of the productive forces in urban and rural areas. Examples of this include the various forms of production responsibility systems which link remuneration with output and which are being popularized in the rural areas, the method of workers of state-run economic units taking charge of management being experimented within cities and others. Practice has shown that the adaptability of various specific forms to the multi-level condition of the productive forces varies and thus their effectiveness in promoting productivity also differs. These problems await our serious summing up and theoretical analysis.

Fourth, the solution of the above-mentioned problems must be based on economic and natural laws. Therefore, how to correctly understand and apply these laws is also an important research topic. Comrade Mao Zedong pointed out a long time ago that we still lack experience in economic construction and we need to accumulate experience. We must know that a contradiction exists in this problem--that is, the contradiction between the objective law of socialist economic development and our subjective understanding of the law. This must be resolved in the process of practice. With practice in the past few years, we have gradually come to know that we must not only master the general formulations of economic laws, but must also study the specific demands they place and the unique features and mechanisms of their operation under the concrete conditions in our country and in various stages of economic development. We must not only study economic laws one by one, but must also study their interrelation and interaction. At the same time, our understanding of economic and natural laws must not only be limited to the qualitative aspect. We must also know the quantitative rules that they ential under various conditions. Of course, to us, there are still many "realms of necessity" in the field of objective laws of socialist economic development. We must continue to sum up experiences from practice and gradually deepen our understanding of economic law in order to make future socialist modernization more harmonious with the requirements of objective laws.

Wu Baosan: It Is Extremely Necessary To Strengthen Study of the History of Economic Thinking

The "Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC" passed by the 6th plenary session is a brilliant document of historical materialism. One part of the document says that: "The study of Marxist theory, of present conditions and history of China and foreign countries and of various fields in the social and natural sciences must be greatly strengthened in the whole party." This is a very significant call. It greatly encourages and spurs on the social science workers. Under such a call and encouragement, what confronts us is how to do a good job in conducting economic science research work. As a research worker in the field of history of economic thought or history of economic ideology, I would like to talk about the present conditions of this field and present my suggestions on strengthening research work.

As an academic field, the history of economic thought or history of economic thinking belongs to the historical portion of political economics. It involves the entire history of the development of economic theories up to the present and its scope embraces both ancient and contemporary periods and Chinese and foreign countries. It has a very wide scope. At present, we only have a relatively systematic knowledge of foreign economic theories from the period after mercantilism up the the formulation of Marxist economic theory--that is, foreign economic theories from the early 16th century to the late 19th century or a span of more than 300 years. This is because Marx had conducted detailed analysis of various economic theories during this period and discarded the dross and extracted the essence in order to formulate his own economic theory. Today, we have great writings such as "A Critique of Political Economics," the "Theory of Surplus Value" and "Das Kapital" as our study guide. With regard to Western bourgeois economic theories after Marx's death, although our writings on the history of economic theories have sometimes mentioned them, we can say that our research in this aspect is still very insufficient. The study of contemporary Western political theories in new China started in the 1960's. At that time, there had been efforts to systematically introduce the major schools of thought and theories. However, this was interrupted by the "great cultural revolution." It was only after the smashing of the "gang of four" that research in this aspect was revived. As to the Chinese portion of the history of economic theories--the study of Chinese economic ideology, although a few writings on the subject have been published, they were actually only a beginning. It must be pointed out that none of the books published in our country on the history of economic theories or history of economic ideology included the history of the development of Chinese economic ideology. This was not due to the negligence of historians of economic theories, but was due to the fact that for a long period of time, writings on this subject in our country were very few and these provide historians of ideology with too little material. We must see that research in this field is closely related to bringing the spirit of patriotism into play. Our history is not lacking in rich and outstanding political ideas, but the contents of all the writings we read on the history of economic thinking came from foreign countries. Can we allow this situation to persist indefinitely? Furthermore, it is time that the study of the history of socialist political economy, including that of our country and that of other countries, be put on the agenda. Not to mention other countries, new China has been in existence for 32 years. During this period, the road taken by the study of socialist political economics has been quite tortuous. To study the history of the development of socialist political economics in our country and in foreign countries will be beneficial to developing socialist economic theory.

Every field of study has its reason for being. Generally speaking, the significance of the study of the history of economic theories lies in studying the past to understand the present. To cite an example, without knowing the shortcoming of the theory of labor value in classical political economics, we cannot fully understand the great significance of Marx's theories of labor value and surplus value. The value of the history of economic theories lies in its ability to provide material for the development of new economic theories. There are many examples in this aspect. The fact that classical political economics was one of the three sources of Marxism is the best example. Furthermore, the history of theories is not totally unrelated to present reality. Marx's economic theories play a guiding role in our socialist construction. This is obvious enough. Even in the case of bourgeois economics, although it deals with capitalist theories of economic management, although it is history, the issues it studies is related to contemporary actual problems. We must not treat it entirely as history. Thus, we must have an appropriate understanding of the importance of the study of the history of economic theories.

At present, there is an important question confronting us--that is, how to view modern and contemporary bourgeois economic theories. Modern and contemporary bourgeois economic theories basically serve to maintain the capitalist system. However, as I said above, they study actual economic problems in capitalist society, such as economic growth, economic projection, rational organization of various factors of production, changes in consumer demand and how to determine the prices of various commodities. It is worth considering whether we can learn something from their studies of these problems. At present, many economists hold the following view about bourgeois economic theories: No matter whether they be classical or contemporary, we must study them in depth and analytically and critically absorb from them things of value for our own use. We must not blindly worship and nor should we summarily negate everything. This is a rediscovery of bourgeois economic theories. That is also my view at present. The key point here is to study them. This is because to decide whether there is anything of value or of use in them and whether they must be categorically negated all depends on studying them in detail, using the Marxist standpoint, point of view and methods. Here, I would like to emphasize that we must learn from Marx. In order to study the law of economic movement in capitalist society, Marx read all the writings on bourgeois economics and wrote detailed discourses on the important writings. He affirmed the scientific elements and discarded the vulgar contents. Through Marx's study, today, we are able to comprehensively understand many important bourgeois economic writings before Marx and during his lifetime. It has been more than 100 years since Marx died. During Marx's old age, because he was finishing his masterpiece "Das Kapital," he was not able to study some important bourgeois economic writings published at that time, including "Theory of Political Economics" by English economist Jervons (1871), the "Principle of National Economy" by French-Swedish writer (Varla) [Wa Er La 3907 3643 2139] (1874). There are even more writings on bourgeois economics published from the time after Marx's death to the present. To mention some of the important ones, there are Italian Pareto's "Discourse on Political Economy," (1896-1897), English Malthus's "Principles of Economics" (1890), Swedish (Wickzel's) [Wei Ke Sai Er 1218 0344 1049 3643] "Discourse on Political Economy" (1901), English Keynes' "A General Discourse on Employment, Interest and Currency" (1936) and Italian-English (Slafa's) [Si La Fa 2448 2139 3127] "Producing Commodities With Commodities" (1960). Of course, there is a lot of dross in the above works. However, we have not seriously studied the above works and other works which were not mentioned. Is it necessary to study them? I think it is very necessary. Let us cite one example. The works of (Varla) and Pareto mentioned above were unknown in British and American economic circles at first. It was not until 1934, after (Schicks) [Xi Ke Si 1585 0344 2448] and (Allen) [Ai Lun 5337 0243] wrote a paper discussing (Varla) and Pareto's theory of general balance that British and American economic circles began to take their theories seriously. It took as long as 60 years before they were recognized. Later, Leontief made use of (Varla's) theory of general balance and mathematical methods to study the input and output relations among various sectors of the national economy. Arrow also used (Varla's) theory and mathematical methods to formulate his new theory on enterprise decisionmaking. This involves the question of the importance of analytical methods. In this aspect, we have many things to study in bourgeois economic theories. As a whole, we must emulate Marx and study and criticize important bourgeois economic works. This is absolutely necessary for us to absorb the useful things and criticize their faults. Furthermore, there are now many Western writings on the study of Marxist economics. We must also study them.

In the past 2 years, the economic circles in Beijing conducted symposia on foreign economic theories. This year, the People's Publishing House has begun publsihing a series of books on foreign economic theories to introduce the major schools of bourgeois economics at present. This is a good beginning in in-depth study of the history of economic thinking. I believe that under the call of the "resolution" to strengthen the study of social sciences, the study of the history of economic theories or the history of economic thinking will also reap rich results.

Wu Chengming: Comrade Mao Zedong's Incisive Analysis of the Chinese Bourgeoisie Enriched and Developed Marxism-Leninism

Comrade Mao Zedong was a great Marxist and a great proletarian revolutionary, strategist and theoretician. The Chinese communists, with Comrade Mao Zedong as their chief representative, made a theoretical summarization of the very rich practical experiencein the prolonged Chinese revolution according to the basic principles of Marxism-Leninism and formed the scientific guiding thoughts suitable for Chinese conditions. The product of this is Mao Zedong Thought, which is the application of the general principles of Marxism-Leninism to the actual practice of the Chinese revolution. Mao Zedong Thought enriched and developed Marxism-Leninism with a series of creative theories. Here, I would like to look at Comrade Mao Zedong's contributions to the treasury of Marxism-Leninism with his incisive analysis of the Chinese bourgeoisie.

The question of how a big agricultural country which was formerly semicolonial and semifeudal should treat the bourgeoisie in the course of democratic and socialist revolution, is an extremely important one. When in 1926, in his "Analysis of the Classes in Chinese Society," Comrade Mao Zedong pointed out: "Who are our enemies? Who are our friends? This is a question of the first importance for the revolution," he had already analyzed the Chinese bourgeoisie in detail and pointed out their trend of disintegration and their dual possibilities of becoming enemies or friends.

First, on the position and role of the bourgeoisie.

China was formerly an economically-backward country with a small peasant economy occupying an absolute predominant position. Capitalism was very weak. Then, how significant was the Chinese bourgeoisie? Some people, judging from this, negated the possibility of a socialist revolution in China or claimed that it could only be an "agricultural socialist revolution." Some people also doubted, after the liberation of the whole country, whether the contradiction between the working class and the bourgeoisie would become the principal contradiction in society.

The Chinese capitalist economy was indeed weak, but it had attained some development afterall. According to estimates, modern industrial output on the eve of liberation was 17 percent of overall industrial and agricultural output. To add the output of handicraft workshops with capitalistic characteristics, the sum made up 23 percent of overall industrial and agricultural production. The income of the modern communications and transportation industry also made up more than 50 percent of overall income from communications and transportation. The capitalist economy was under the control of basic industries like steelmaking and machine-building, major sources of energy like coal and electricity, major lines of transportation like railroads, highways and steamships, the entire national financial system, import and export trade and the markets in major cities. Thus, although the development of capitalist economy was limited, it controlled the lifeline of the national economy. It was precisely on this economic base that the big bourgeoisie collaborated with imperialism and the big landlord class, usurped state political power for a time and became one of the three major enemies of the Chinese people's revolution. It was also in accordance with this historical fact that Comrade Mao Zedong put forth the general line of new democracy and the three major economic programs.

Comrade Mao Zedong also took full account of the positive role of the bourgeoisie, particularly the national bourgeoisie. He pointed out that the national bourgeoisie led the Chinese democratic revolutionary movement at a relatively early period and highly regarded the great contributions and achievements of revolutionary forerunner, Mr Sun Yat-sen. He also pointed out that at that time, it was the social class with the highest cultural level, which had wide social connections and which exercised great political influence. In accordance with its dual character, he put forth the united front policy of unity and struggle. It was only through winning over the national bourgeoisie to join the revolution or to adopt a neutral attitude toward the revolution that the enemy could be isolated to the utmost extent. It was because of such a position and role of the bourgeoisie that the united front policy became one of the three magic weapons of the Chinese democratic revolution led by the proletariat.

After the liberation in 1949, industrial fixed assets in the whole country were worth merely 12.8 billion yuan and most of them consisted of bureaucrat capital confiscated by the people's government. At that time, private industrial capital amounted to merely 2 billion yuan. Thus, during our transition to socialism, could the contradiction between the working class and the bourgeoisie become the principal contradiction in society?

This mainly depended on the historical conditions at that time. During that period, although private capital was small, it still constituted 63.2 percent of industrial production (computed according to total production value) and 85 percent of urban and rural markets (computed according to retail volume). It employed 1.64 million industrial staff and workers and 6.62 million commercial employees, which was about 50 percent of the total number of workers. In order to change the backward condition of our economy, the state-run economy had to develop rapidly, while the capitalist economy which was beneficial to the national economy and the people's livelihood also had to be considerably developed. From 1949 to 1952, private industry was rapidly growing at the rate of 10,000 units each year and total production value increase was 54.2 percent. Under such conditions, its contradiction with the state-run economy and the staff and workers of the enterprises inevitably grew sharper. The bourgeoisie's speculation and profiteering and its attack on the state-run economy and the working class through illegal means became more and more rampant. This reached a peak before the "five antis" movement in 1952. These are irrefutable facts.

After the new democratic revolution won victory in the whole country and resolved the land problem, the principal contradiction in the country became that between the working class and the bourgeoisie. This point was put forth by Comrade Mao Zedong at the second plenary session of the Seventh Party Central Committee in 1949 and was again explicitly discussed by him in 1952. (See "Selected Works of Mao Zedong," Vol 5, p 65) This point and the party's general line during the period of transition which was formulated based on this point is a development of Marx's and particularly Lenin's theory on the period of transition. Lenin's theory on the period of transition started from the fact that "Russia is a very backward petit bourgeois country." However, he pointed out that like other countries, during the early period of transition to communism, Russia had three basic economic forms, that is "capitalism, small commodity production and communism" and correspondingly, there were three basic forces, that is, "bourgeoisie, petite bourgeoisie (particularly the peasants) and proletariat." This period of transition "inevitably had to be one in which the dying capitalism struggles against the growing communism." ("Selected Works of Lenin," Vol 4, pp 84, 85. "Communism" here means what we term as socialist society.) As to the means and methods to deal with this struggle, they differ from country to country. Our party's general line during the period of transition of simultaneously conducting socialist industrialization and socialist transformation was formulated according to the historical conditions in our country. It is well known that this has achieved great results.

Second, on the question of dividing the bourgeoisie into two categories.

A basic point in Comrade Mao Zedon'g revolutionary theory on new democracy was to divide the Chinese bourgeoisie into two categories: One was the big bourgeoisie or the bureaucrat-comprador bourgeoisie which was an appendage of imperialism; the other was the national bourgeoisie which had both the desire to revolt and the tendency to vascillate.

The differentiation of enemy from friend in our new democratic revolution was done according to this class analysis. The revolutionary united front led by the proletariat was also conducted according to this classification. The united front policy asked the national bourgeoisie to join the revolution or to at least maintain a sympathetic or neutral attitude toward the revolution in order to isolate the enemy to the greatest extent. This policy was able to attract a part of the big bourgeoisie into the united front under special conditions, particularly when national contradictions became the principal contradiction. The handling of the Xian incident in 1936 and the establishment of the anti-Japanese national united front was a clear example.

After the victory of the new democratic revolution, the socialist transformation of the system of private ownership of the means of production was also conducted according to the principle of classifying the bourgeoisie into two. Bureaucrat capital was completely confiscated while assets of the national bourgeoisie were peacefully bought out. This spirit also permeated the constitution, various political activities and the handling, education and transformation of bourgeois elements.

It must be clearly pointed out that the classification of the bourgeoisie into two was absolutely not a result of anyone's subjective will and was not artificially prescribed. This classification objectively exists and was historically formed.

Every economic phenomenon has to undergo a process. It has its continuity and its development is divided into stages. This was also true in the case of the development of capitalism in our country. The early enterprises of the Westernization movement were the offspring of officially-run industries of the feudal economy. They had comprador characteristics from the very beginning. Later, during the early 20th century, they developed into northern bureaucrat capital centering on fin ance. During the period of Chiang Kai-shek's rule, they gradually developed into their highest stage--comprador-bureaucrat-state monopoly capitalism. On the other hand, the early modern private enterprises originated from the seeds of capitalism in the feudal society. Going through their initial period of development and intermediate period of development, they reached their peak period in 1936 and started to go downhill after that. The distinction between the big bourgeoisie and the national bourgeoisie was because they were formed from different economic bases. The two continued to disintegrate, interpenetrate and transform themselves. However, on the whole, they continued to maintain different characteristics and carry their mutually contradictory aspect.

Classifying the bourgeoisie into two was also not simply a tactical move designed to take advantage of contradictions, win over the majority and attack the minority. It was the result of the communists' in-depth analysis of class contradiction in society according to the principle of the unity of opposites. Here, Comrade Mao Zedong's theory on the two kinds of contradictions showed great creative insight. According to this theory, we solved the problem of the big bourgeoisie by applying the principle of handling contradictions between the enemy and ourselves, solved the problem of the national bourgeoisie by applying the principle of handling contradictions among the people and achieved great results. Comrade Mao Zedong pointed out: Under the conditions in our country, the contradiction between the working class and the national bourgeoisie belonged to the category of contradiction among the people and the class struggle between the working class and the national bourgeoisie generally belonged to the category of class struggle among the people. Thus, he created a whole series of new methods of class struggle in politics, economics and ideological education and made contributions to the Marxist theory of class struggle. The article "On the Correct Handling of Contradictions Among the People" was published in 1957, but as Comrade Mao Zedong said, methods such as unity-criticism-unity mentioned in the article had been popularized outside the party in the liberated areas as early as the 1940's.

From this, we can also see that the theory of exercising allround dictatorship over the bourgeoisie which was put forth during the "great cultural revolution" and the whole set of stormy methods of class struggle were not only totally erroneous, but were also against the basic principles of Mao Zedong Thought.

Third, on the question of the elimination of classes.

Lenin said: Socialism is the elimination of classes. However, both Marx and Lenin did not concretely discuss the process of eliminating classes because they never encountered this situation. Comrade Mao Zedong took account of this process, although he did not discuss this in detail. However, this problem is clear in the context of Mao Zedong Thought.

The system of private ownership of the means of production is the economic base of the exploiting class. Comrade Mao Zedong led the works of land reform, confiscation of bureaucrat capital and the socialist transformation of capitalist industry and commerce. At the same time, he repeatedly stressed that while effecting this kind of change, elements of the reactionary classes must be given a way out, that jobs must be arranged for national bourgeois elements and that all members of the exploiting classes must be transformed into workers earning their own living. These policies and principles were undoubtedly correct.

Comrade Mao Zedong had always considered the remolding of the elements of the eliminated classes one of the important links in carrying on the revolutionary cause to the end. According to the Marxist dialectical principle governing the relations between existence and consciousness, Comrade Mao Zedong had always advocated that in order to advance the revolutionary cause, everyone must be and can be remolded. As early as 1937, he already put forth in his article "On Contradiction" the point that we must "remold the objective world and remold our subjective world." In 1949, on the eve of the complete victory of the democratic revolution, he put forth the task of remolding the overthrown old ruling class. He said: "When this work is well done, China's major exploiting classes, the landlord class and the bureaucrat bourgeoisie (the monopoly capitalist class), will be eliminated for good." ("On the People's Democratic Dictatorship")

The process of the socialist transformation of capitalist industry and commerce included the education and remolding of the members of the national bourgeoisie from the very beginning. Through the entire process of transforming capitalist enterprises, we did not ostracize the capitalists, but instead involved them in the process of change. As a matter of fact, much concrete work in the transformation process was done by the capitalists themselves. Thus, the process of transforming enterprises also remolded people. After joint public and private enterprises were established, special attention was paid to giving the capitalists jobs in order to enable them to work and study with the workers under the leadership of the party organizations in the enterprises. Thus, after terminating joint public and private enterprises and eliminating exploitation (stopping payment of fixed interest), an overwhelming majority of the bourgeoisie with the capacity to work had been remolded into workers in the socialist society, while an overwhelming majority of the remainder had become patriots who supported socialism.

Thus, in our country, the landlord and rich peasant classes were eliminated as social classes and the same was also true with the capitalists.

After the elimination of the exploiting classes, class struggle still continues in certain realms. The elimination of class differences and the uprooting of the social cause of class differences are long-term revolutionary tasks. However, this must not be confused with the original meaning of class contradiction and class struggle. After the transformation of the system of private ownership was basically accomplished, the Eighth Party Congress in 1956 correctly pointed out: Although we must continue to struggle for the completion of the socialist transformation and the final elimination of the exploitative system, the principal contradiction in our country now is no longer the contradiction between the working class and the bourgeoisie but the contradiction between the people's demand for rapid development of the economy and culture and the present economic and cultural situation's failure to satisfy the people's demand.

In 1957, Comrade Mao Zedong also suggested that the correct handling of contradictions among the people be considered the main theme in our country's political life. He further pointed out that the stormy mass class struggle during the period of revolution had basically ended and that from then on, the forms and methods of calss struggle would be different. These were important contributions to the Marxist theory of class struggle.

Tian Jiang Hai: Vigorously Search For Concrete Forms of Production Relations Which Are Suited to the Condition of the Productive Forces

The last part of the "resolution" pointed out: "A fixed set of models does not exist for the development of socialist production relations. Our task is to create at each stage concrete forms of production relations which are suited to each stage and which are conducive to its continuous growth in accordance with the requirement for the growth of the productive forces in our country." This is a conclusion arrived at by closely applying the basic Marxist principle that production relations must be compatible with the nature of the productive forces to our practical experience over the 32 years since the founding of the People's Republic. This is a significant long-term task being put forth to the broad masses of cadres and people and an important subject of study being put before the economic theorists.

The "resolution" pointed out: "A fixed set of models does not exist for the development of socialist production relations." This is worthy of profound consideration. In the past, there were too many "forbidden zones" in this field: if one proposed to change the system of state ownership characterized by "the nine unifieds ruling the country" ("nine unifieds" pertain to unified allocation and transfer of materials, unified procurement and marketing of commodities, unified financial income and expenditures, unified importation and exportation in foreign trade and unified planning), one was inevitably charged with negating the system of ownership by the whole people; if one proposed that state-run enterprises should assume responsibility for their own profits and losses, one was inevitably charged with engaging in capitalist methods of management; if one suggested the system of paying dues for fixed assets, one was inevitably accused of attempting to change the nature of state-run enterprises; if one suggested the method of having floating wages on top of basic wages, one was accused of changing the socialist system of distribution according to work. Even proposing piecework wages would be looked upon as practicing revisionism. As to fixing farm output quotas for each household, that was viewed as reviving capitalism. Thus, we rigidly restricted our options and were increasingly heading toward a cul-de-sac. Now, the "resolution" has given us a powerful ideological weapon and emancipated our minds. At the same time, it has also increased our responsibility as theoretical workers.

While the concrete forms of production relations are closely related to the nature of production relations they are not one and the same thing. Whether production relations are compatible with the condition of the productive forces is embodied in the concrete forms of production relations. On the other hand, changes in the concrete forms of production relations might also lead to some changes or even partial qualitative changes in the nature of production relations. The basic characteristics of production relations (system of public ownership and distribution according to work) can maintain stability for a considerable length of time, while the concrete forms of production relations are characterized by relative changeability. It is very insufficient for socialist political economics to limit itself to the study of the general law of the production relations adaptability to the nature of the productive forces. In-depth study must also be done on the concrete forms of the production relations and the actual condition of the productive forces.

The actual conditions of the productive forces in each stage of the entire historical period of socialism is different. At present, the level of productivity in our country is generally low and the level of mechanization and automation is also low. Furthermore, economic development is uneven. Industrial productivity is obviously higher than agricultural productivity; in the industrial sector, productivity in heavy industry is higher than in light industry, while development is also uneven within the heavy and light industrial sectors. There is also a big gap between the productivity level in various localities. The level of industrial development in coastal cities such as Shanghai and Tianjin is definitely much higher than inland areas, while the level of agricultural development in suburban areas of big cities and on the plains is noticeably higher than that in remote mountainous areas and minority nationality areas. Thus, the same concrete form of production relations might be compatible with the condition of the productive forces at one time and incompatible at another; it might be compatible with the condition of the productive forces in one area but not in another and it might be suited for the condition of the productive forces in one sector but not in another sector. This requires that when we determine the concrete form of production relations, we must start from the actual situation at a specific time and in a specific place and must not apply the formula of "uniformity." Leading organs must not make rigid and uniform demands, while the basic units must not mechanically copy other people's methods.

At the present stage of socialism in our country, we must take concrete forms of socialist production relations as a major concern in our search and creation of concrete forms of production relations which are compatible with the productive forces. However, we must also deal with their relations with concrete forms of the individual economy and take into account the latter forms. For example:

The concrete form of transition from the individual economy to the collective economy to the economy of the whole people. In the socialist transformation of agriculture, the handicraft industry and capitalist industry and commerce, our party led the masses to create many forms of transition from the private economy to the socialist economy of public ownership which were suited to the actual situation in our country. This was very successful and had great significance. For a considerable period of time from now on, we will have to preserve the individual economy. However, with the development of the productive forces and the change in the masses' demands and looking at the long-term trend, there ought to be a transition to the economy of public ownership. The concrete form of transition to be adopted must be studied. As to how the internal development of the economy of public ownership will be, we must devote even more efforts to its study. For example, we used to think that the order of development of the collective economy in the rural areas would be: from ownership by the production team to ownership by the production brigade to ownership by the commune then to state-run economy. Looking at it now, with the advent of joint agricultural-industrial-commercial enterprises, the delineation of administrative divisions and system of ownership has been bypassed. Thus, it has broken away from the rigid model that was conceptualized in the past.

The concrete form of the combination of the economy of the whole people, the collective economy and the individual economy. At present, various forms of joint economy, including joint enterprises under the system of ownership by the whole people and collective ownership, mergers of state-owned enterprises, mergers of collectively-owned enterprises and mergers of enterprises under the system of ownership by the whole people, collective ownership and individual ownership, have appeared in various areas. The emergence of these forms of joint economy has resulted in the interpenetration of the original economy of the whole people, collective economy and individual economy and brought about a state wherein "each one contains the others." The joining of hands of the economy of the whole people and the collective economy led to changes in the level of public ownership; the three-way merger of the economy of the whole people, the collective economy and the individual economy further caused the integration and transformation of public and private ownership; even the simple merger among enterprises under the system of ownership by the whole people and among enterprises under collective ownership has produced the differentiation between individual enterprises and joint enterprises. These organizational forms of joint economy appeared as an answer to the objective requirement for the development of the productive forces. They are capable of taking advantage of strong points and avoiding weak points and undertaking economic endeavors which individual enterprises or individual operations are incapable of doing. They have created new productive forces. These new concrete forms of production relations should arouse our great attention. Their role, prospects for their future development and other related questions should be subjects for further investigation and study.

The concrete forms of the right to own, occupy, control and make use of the means of production within the economy of the whole people and the collective economy, of the system of management and administration, of labor organization and of the system of distribution. This aspect is indeed controversial. The responsibility system of relating renumeration to output being enforced in the collective rural economy is an innovation. It established the link between the peasants' income and labor results, effectively implemented distribution according to work and mobilized the peasants' enthusiasm. On the contrary, the economy of the whole people such as industrial and mining enterprises has failed to solve these problems satisfactorily. Many enterprises are still practicing egalitarianism. They did not give inadequate bonuses, yet economic results were poor. It seems that some industrial and mining enterprises have no alternative but to adopt the economic responsibility system of basing remuneration on output practiced in the rural areas. However, industry is much more complicated than agriculture. The concrete measures are still to be studied thoroughly. I feel that at present, the key to creating concrete forms of economic relations which are compatible with the condition of the productive forces within the economy of the whole people in industries and mines lies in satisfactorily solving the problem of integration of power, responsibility and profit. We must study how to closely relate the overcoming of egalitarianism to the reform of the wage system and to strengthening the responsibility system through various concrete forms.

Socialist production relations are a completely new production relations in human history. They must be gradually perfected in the course of socialist practice. By searching for and creating concrete forms of production relations which are compatible with the development of the productive forces, we will enable socialist production relations to gradually improve and to better bring their strong points into play. As long as we faithfully observe the principle that production relations must be compatible with the nature of the productive forces, conduct in-depth investigation and study, do a good job in summing up experience and respect the people's will, we will surely be able to create concrete forms of socialist production relations which are compatible with the requirements for developing the productive forces and with the people's interests.

Liang Wensen, Pei Junsheng: Only By Persisting in the Party's Leadership Over the Cause of Socialist Construction Can We Continuously Advance

The past 32 years since the founding of the People's Republic is a history of the CCP's leadership of the people of all nationalities in the country in struggling for the socialist cause. The "Resolution on Certain Questions Concerning the History of Our Party Since the Founding of the PRC" passed by the 6th plenary session of the 11th CCP Central Committee ttok Marxism-Leninism-Mao Zedong Thought as guidance and realistically summed up the party's historical experience and lessons. It fully takes account of and affirms the achievements and successful experiences we had gained, while also taking note of past mistakes and setbacks, incisively analyzing the subjective and objective causes of mistakes and also further pointing out the correct road to socialist modernization which is compatible with our national situation. The "resolution" pointed out: "It is impermissible to ignore mistakes and cover up mistakes. This by itself is wrong and it will lead to even greater errors. However, our achievement in the past 32 years is still the main aspect. To ingore or negate our achievements and to ignore or negate the successful experiences in attaining these achievements is also a grave error." This analysis and judgment conforms with historical truth.

In the past 32 years, although we travelled a tortuous road, under the party's leadership, our socialist economic construction was still able to gain enormous achievements. This provides the development of the building of the four modernizations with a relatively solid foundation and a forward base. We must absolutely not belittle and underestimate this basic aspect.

After the liberation of the whole country, within a short period of 3 years, we healed the wounds left by long years of war, completed land reform in the new liberated areas, confiscated bureaucrat capitalist enterprises and converted them into socialist state-run enterprises, unified economic and financial work in the whole country, stabilized commodity prices and rapidly rehabilitated the national economy which suffered great destruction in old China.

On the basis of the rehabilitated national economy, the party adopted the timely general line for the transition period upon Comrade Mao Zedon'g suggestion. Under the guidance of this general line, we established and developed the socialist economy, started orderly economic construction with industrialization as the central theme, basically completed the socialist transformation of the system of private ownership of the means of production and eliminated the exploitative system. The exploiting class no longer exists as a social class. After some time, most of its members had been remolded into workers who earn their own living. The party effected the change from new democracy to socialism step by step. This is an extremely important change and achievement in our history. The establishment and consolidation of the socialist system is the foundation for any future progress and development.

After socialist transformation was basically completed, the system of public ownership of the means of production has come to occupy a position of absolute predominance in our country. Then, the party led the whole people to engage in overall socialist construction on a gigantic scale. After arduously laying the foundation, we have initially built an independent and relatively complete industrial system and national economic system. The basic industries, particularly the materials industry saw great development; industrial sectors have become relatively complete and many new industrial sectors were established; the machine building industry provided a great amount of technological equipment to agriculture, industry, communications and transportation and other sectors of the national economy; (according to rough estimates, 80 percent of equipment used in basic industries were domestically manufactured); production of the consumer goods industry also developed correspondingly. (Particularly in the past 2 years, the light and textile industries have experienced rapid development and their growth rate has surpassed that of heavy industry.) The establishment of an independent and relatively complete industrial structure enables us to independently build socialist modernization and to possess a greater capability to digest and absorb foreign investment and technology, in order to better implement the policy of self-reliance in the main and foreign aid as a supplement.

Over the 100 years or so from the Westernization movement during the late Qing Dynasty to 1949, our country merely accumulated a total of 12.8 billion yuan in industrial fixed assets. On the other hand, over the 32 years after the founding of the People's Republic, our industrial fixed assets increased by 400 billion yuan if computed by original value or by nearly 300 billion yuan if computed by net worth. This is 20 or 30 times that in the 100 years or so before liberation. Since the founding of the People's Republic, we have built hundreds of thousands of industrial and communications enterprises. This creates favorable conditions for our future efforts to realize the shift from extensive to intensive means in expanded reproduction and the shift from extensive to intensive operations in agriculture. In the foreseeable future, except for some urgently needed items in energy and transportation, basically, we will not build new enterprises but will rely on existing enterprises. In industry, we will mainly rely on more than 40 million staff and workers and the existing 370,000 enterprises to engage in intensive operations. As long as they tap their potentials and engage in necessary technological restructuring, they will be able to create more material wealth. For our technological force in achieving modernization, we will also mainly rely on the millions of technological personnel who graduated during the 1960's and 1970's and who have undergone tempering and the great number of skilled workers who were trained after liberation to create a technological level of the 1970's and 1980's.

With the support of industry and other sectors, significant changes have occurred in the conditions of agricultural production and productivity has tremendously increased. Comparing 1980 with 1952, grain output has increased by 100 percent and cotton output also by 100 percent. With merely 7 percent of total arable land in the world, we have basically solved the problems of food and clothing of nearly one-fourth of the world population and changed the situation of hunger and cold in old China.

On the basis of the development of production, urban and rural commerce and foreign trade also grew significantly. There has also been great progress in education, science, culture, health and sports. The people's livelihood has significantly improved compared with before liberation. In 1980, per capita consumption in urban and rural areas (deducting the price factor) rose by nearly 100 percent over that in 1952. Furthermore, the composition of the people's consumption pattern has also begun to change. The proportion of consumption for food has dropped, while that for clothing and daily items has increased. The health level of both urban and rural people has also improved tremendously and average life expectancy has become much higher. From the former "sickman of Asia" our country has leaped to the present position of "giant of the East." This is a great change which was by no means easy to attain.

Of course, we do not deny that our achievement is still unsatisfactory compared to the great amount of labor expended and natural resources consumed. This was mainly caused by the leftist errors in our economic work. We were too impatient to get results, such as during the time of the "great leap forward" in the 1950's. In particular, an all-encompassing and long-term grave error such as the "great cultural revolution" made us unable to achieve even greater results which we should have been able to.

However, our party has the courage to face its own shortcomings and errors. It is able to take Marxism-Leninism-Mao Zedong Thought as guidance and rely on the unity of the whole party to overcome its own shortcomings and rectify its own errors. Hardly any other political party can do that. Particularly after the 3d plenary session of the 11th CCP Central Committee, through a series of arduous work, the task of bringing order out of chaos in the party's guiding ideology was completed. Today, our party is stronger and more powerful. We can absolutely trust that the CCP, which has been tested by complicated struggles over a long period of time, and has the courage and ability to lead the whole people, and surmount every difficulty to win new victories. Historical truth tells us that without the CCP, we cannot realize a modern socialist China. It is only by persisting in the party's leadership that the cause of building socialism can victoriously advance and continuously progress.

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SHANGHAI PAPER ON DEVELOPMENT AMID READJUSTMENT

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[Speech by Meng Zhaowen [1322 2507 2429], Head of Management Science Study Group of Chinese Academy of Science Given at Beijing Forum on Economic and Social Development Strategy: "Tentative Discussion on the Possibility of High-Speed Economic Development in China During the Readjustment Period"]

[Text] Now the party Central Committee has formulated the eight-character policy of "readjusting reforming, consolidating and improving" to be implemented nationwide to the whole national economy, and it has also pointed out that economic construction must conform to our national condition. This is very correct and fits in with the actual circumstances. The very purpose of readjustment is to make still better progress and to have more rapid development.

Since the third plenary session, with constant criticism on the "leftist" errors in the guiding thinking in relation to capital construction, we have adopted some important policies and measures. As a result, agriculture and light industry have undergone comparatively significant development. The internal structure of industrial production is also undergoing reform and has achieved rather important results. Meanwhile, we have acquired a very deep understanding of our country's national condition as well as its objective economic laws, and dome of the acute contradictions that have been existing in our economy are gradually being revealed. In the process of readjustment and rectification, as quite a number of enterprises are retreating naturally government revenues are being affected and an inertia has appeared in the turnover of funds. Then, is it true that in the process of readjustment we can only take a passive position and keep waiting? Can we not take a more active position? Actually, there are other patterns practicable for the economic development of our country. We can give full play to our economic potential, satisfy the needs of our people, and enable the development of our national economy to proceed at a suitably high speed.

Now the discrepancy between the investment scale of our country and the corresponding supply capacity of such an investment (the net output value of the departments producing the means of production) is comparatively large. The supply capacity is greatly in excess of investment. However, as a result of the lack of investment, a considerable part of our production capacity is being kept idle without playing its role.

In recent years, much has been mentioned in the press about the fact that the growth rate of the means of subsistence has surpassed that of the means of production, and even the fact that the value of output of the means of subsistence has surpassed that of the means of production, and such performances are cited as achievements of readjustment. Actually, it does not follow that the bigger the proportion of the production of consumer goods, the more rational the economic structure. Rather, what we want is an appropriate proportion between the two.

The energy and supply departments take a good proportion, yet they cannot meet the demand. This is mainly due to a poor rate of utilization and the inappropriateness of variety and specification. The proportion of the manufacturing industry is not too large, but a bit too small, and therefore should be increased. In the economic readjustment, the manufacturing industry has been regarded as baggage and is finding it difficult to play its role. This is due to the fact that in the past many general assembly plants and all-purpose plants were inappropriately set up, causing duplication of production capacity and leaving really needs production facilities unorganized as well as many gaps and products in short supply.

Now, the demand in the countryside for industrial consumer products and construction materials is increasing by a big margin. It is estimated that by 1990 the domestic purchasing power will increase to 370 to 400 billion yuan.

In order to ensure equilibrium between social production and consumption as well as all-round development, up to 1990, the scale of investment of several major sectors will be as follows:

1. In order to change the situation of high consumption and low efficiency that has been in existence for a long time in industrial production, it is necessary to undertake the necessary technological improvement in the metallurgy, chemical engineering, machine building, construction material and electric power industries as well as the consumers' sector. Approximately 250 billion yuan will be needed for investment in this aspect.

2. In order to satisfy the current urgent needs and to provide a good foundation for the years after 1990, an investment of approximately 200 billion yuan will be needed for the energy sector and its corresponding sea ports.

3. An investment of approximately 100 billion yuan is needed for developing agricultural production, protecting and improving the econological environment, and for the setting up of necessary food and agricultural product processing industries in the various counties.

4. With regard to investments in facilities for social consumption and welfare, such investments comprised 28 percent of total investments in the first 5-year plan. Later on, it was reduced to 10 percent. The reduction of expenses in this field can only postpone consumption, leaving the contradictions unsolved in actuality. About 100 billion yuan will be needed to make up for what has been postponed. Added to this is the expansion of construction for the coming 10 years. Altogether 200 billion will be needed.

5. About 100 billion yuan of investment will be needed in the field of science and national defense.

The grand total of the above amounts to 850 billion yuan, a rough estimate and an approximate scale for illustrative purposes. As the production capacity of the manufacturing industry will be still expanding year by year, there will not be much of a problem in satisfying the needs of such a scale in terms of the total supply capacity.

In the past, comparatively speaking, we paid more attention to capital construction. Now, we have already a rather large base. If we put the emphasis in development on the improvement of technology, not only time is saved but also effort and money.

Now, in the production sector there are the following shortcomings: high consumption, low efficiency, backwardness in technology and products, and lack of competitiveness on the international market. In the past, due to the lack of funds, generally speaking technological improvement was only undertaken in a fragmentary way and no systematic and overall planning was made. Consequently, the results were not very evident. We must make up our mind and be resolute and thoroughly improve this. The key lies in specifying a definite target and procedures as well as formulating a good plan.

The target for technological improvement is to double the value of industrial output in the 10 years roughly on the basis of the present raw material and energy (with small increments).

In the case of the advanced countries, with the same amount of consumption their value of output exceeds ours by 100 to 400 percent. Our tentative plan is to double the value of output. Despite the difficulty of accomplishing this, it is by no means impossible.

According to this tentative plan, the investment in technological restructuring and renewal of equipment will be 20 to 60 percent less than that in capital construction, and a time saving of one-third to one-half will be achieved. Taking the present total value of fixed assets as the base for estimation, the total investment would be 250 billion yuan. With such a preliminary target and controlling figure, it is possible to consider a general project for technological restructuring.

As to the procedures for technological restructuring, we will start from reduction of energy consumption.

In the period from 1955 to 1975, energy consumption was about the same in Japan and our country, but the value of output in Japan was 400 percent greater than ours. The present level of our industrial technological equipment is about the same as that of Japan in 1955, perhaps a little better. If we begin undertaking this matter right now, we can also achieve the end of modernizing our equipment as well as producing more output for the satisfaction of the people's needs.

Of course, many factors being incomparable between Japan and our country in the matter of energy consumption, it is difficult to raise the rate of efficiency of energy consumption to that of Japan in a short span of time. However, if technological restructuring is made in the field of metallurgy, chemical engineering, industrial ovens, electric power, communications industries and the civil consumption sector as well as the composition of products, it should be said that an increase of roughly 10 percent in the general rate of efficiency of energy consumption is technically possible.

The performance index of the industrial products of our country is comparatively low. Of the 26,000 mechanical products, the design of 60 percent is prior to the 1950's. The energy consumption of boilers, electrical equipment, air blowers and so on is 10 to 20 percent higher than that of the advanced index. In this respect, planned replacements, renewal as well as the development of new products will be needed. Only by ensuring good performance in this fundamental work will it be possible for us to shift our national economy to the track of modernization.

Such a transformation process is only possible on the basis of a developing national economy. It is only with constant factory orders that product designs and technological restructuring can be earnestly undertaken. If the funds of factory orders are blocked, the enterprises will be out of funds for undertaking transformation, and the whole cycle will be interrupted, and everything will become empty talk. Now quite a number of major state-owned factories are operating below capacity and they are looking for assignments by themselves. This upsets the division of production and the system of cooperation, and causes waste in manpower and supplies. This is not the normal state of the national economic readjustment, and is harmful to the future development of production. If we are real believers of Marx's doctrine of labor creation of value, by formulating a good readjustment plan and utilizing the present funds of the enterprises, it is perfectly feasible to motivate the cycle of technological restructuring and the situation will become very favorable.

Of the thermal power plants in our country, about 20 million kilowatts are generated by medium-temperature and pressure, small-sized generators. Their consumption is high and output low. If they are all converted into high-temperature and pressure generators, about 20 million tons of coal can be saved annually. This is also equivalent to the addition of 5 million kilowatts of new generators, which can boost electricity generation by about 30 billion kilowatt-hours. This is equivalent to 10 percent of the electricity generation of our country. If this newly added electric energy is applied to production, about 10 billion yuan of material wealth could be created annually.

Then, is such a transformation possible? In terms of a general installed capacity of 25 million kilowatts, an investment of 15 billion yuan is needed. The needed supplies (including those indirectly needed) are mainly as follows: 10 billion kilowatt-hours of electricity, 1.1 million tons of crude oil, 250,000 tons of steel products, and 19,000 tons of cooper. In terms of the production capacity of the first ministry of machine building and certain other departments concerned, the whole transformation would take about 8 years.

In the process of the transformation of power plants, consideration can also be given to integrated utilization of resources. For example, the utilization of powered coal ashes from the power plants for making cement is a well developed technology. The use of waste ashes in making cement not only increases value of output, but also alleviates contamination of the environment.

The other industries can also identify the key sectors in which technological restructuring should be undertaken first. When part of the energy and supplies are saved according to plan throughout the country, technological restructuring can be extended to a wider scope until it covers the whole country.

The lack of funds is a manifestation of the inadequacy of surplus labor supplied by the society, but this does not imply that such a supply is not feasible. A combined study should be made of the possibility of the supply of funds and its allocation.

There are various ways to find sources of funds, such as expanding the production of consumer goods, the development of tertiary industry, the floating of foreign debts, the importation of foreign capital, and so on. The most important ones, however, are the enhancement of labor productivity and the expansion of planned investment.

In the past, we blindly produced many products which had no use value and were of little economic effect. Moreover, we left out many things which we should have done in our plans. This brought the consequence of the divorcement of funds from physical products, causing the funds to remain idle without making any turnover on the one hand, and leaving no funds for investment for the products which were needed and could have been produced.

If we have a well defined production aim and produce what we need, making the compensation of materials and value completely complementary, then once the needed products are produced, invariably there can be found the corresponding funds in the general capital. Therefore, the problem of funds could cause no problem.

We have been talking about the lack of funds, and yet plants, equipment, manpower, technology, and the reserve of materials are themselves funds. However, without the "prime mover," that is, the planning of investment, nothing can be motivated and no new value can be produced.

Take a 100,000 kilowatt turbogenerator as an example. The generator costs 6.7 million yuan, of which raw materials comprise 49 percent, wages and management expenses comprise 14 percent, and profit and taxes comprise 37 percent. The percentage make-up of the various industries may vary, but roughly speaking all comprise the same constituents.

If the electricity department had not purchased the generator from the turbogenerator factory, the factory would have paid the wages and management expenses just the same and the circulating funds would have been tied up all the same. Thus, the factory not only would turnover no profit and pay no taxes to the state, but would have consumed the profits of other factories. If purchase orders were made, such factories would operate normally. While they turn over profits to the state, the factories and mines that supply the materials also increase their production and turn over part of their profits to the state.

Here, we should notice that the physical form of profit we refer to here is the turbogenerator, which can be used only in the construction of the electric power industry, and nothing else. Hence, we can raise a question in the reverse way. Do we need the generator? If we do, we should organize such production and make it hand over its profit to the state and take its corresponding share of the general capital of the state. To put it in another way, produce what is needed and make physical and value compensation fully complementary.

The factories that manufacture equipment for power stations in our country are operating at partial capacity. If the electricity departments place their orders with the machine building factories, this would necessarily cause a string of other factories to place their orders in turn. The management expenses, wages and other expenses of these factories would in the final analysis also become certain physical material consumption, dependent on other factories for the production of these materials and exchanges are made among these factories. Again, these factories also have their profits to turn over to the state. This is similar to the calculation of the total consumption of the products, in which case the total profits of the factories concerned are equal to the total investment made by the electricity departments, and no financial loss could possibly be involved.

The above analysis shows that the scale of economic activities of our country are 10 to 30 billion yuan less than their normal level. This is the main factor for which government deficit can provide no solution. Adding a number of tens of billions of yuan of investment will not cause government financial deficits. What we should pay attention to is their correct usage and improvement of management methods.

In short, developing production is the fundamental way for getting rid of the latent dangers of our national economy. The same can be applied to our economic tasks. Adopting urgent measures temporarily is quite necessary, but by and large the problem can only be solved in the process of movement and circulation. The series of difficult problems of government deficits, employment, social consumption, and so on, can only find their solution in the process of development. Only in the process of development can we expect to have our economy rationally readjusted step by step. It is development which makes possible the combination of socialist material and spiritual civilization, enlivens our national spirit of working hard to strive for a strong country and enable ourselves to stand on our own feet in the family of nations.

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ECONOMIC PLANNING

DEFINITE GROWTH RATE DEEMED NECESSARY DURING ECONOMIC READJUSTMENT

Beijing GUANGMING RIBAO in Chinese 12 Sep 81 p 3

[Article by Gu Ming [7357 2492] and Tang Shaoming [0781 4801 2494]: "A Certain Growth Rate Must Be Maintained During the National Economic Readjustment"]

[Text] Great achievements have been made in the policy of further readjusting the national economy since the work conference of the Central Committee in December last year. The leftist guiding ideology has been further corrected in economic work; the capital construction projects which were beyond the national capability have been reduced; the overemphasis of heavy industry and the self-serving cycle have been changed; and light industry has been developed. Most gratifying of all is the situation in the countryside where various forms of responsibility system are now in popular use. Despite serious disasters this year, a good national harvest can still be expected. The market is brisk in both urban and rural areas. In the first half of this year, the volume of retail sales exceeded that of the same period last year by 9 percent; people's savings deposits have increased by a fairly wide margin; and the withdrawal of currency is proceeding smoothly. This fine situation has not come easy and should be carefully cherished and energetically developed.

However, we must also note that the readjustment of a national economy, which is seriously out of proportion, cannot be easy. We are now confronted with many prpblems and diifficulties. As things now stand, there are more problems and difficulties in industry as clearly shown by the very slow industrial growth in the first half of this year. Compared with the same period last year, it has increased by only 0.9 percent. This situation should deserve our great attention.

It is quite natural that industrial production may decline during a major readjustment of the national economy. Some capital construction projects have to be halted; some plants have to be closed or half-closed, and others have to be amalgamated or converted to produce other lines of products. Production of these plants has naturally declined. The majority of the plants to be closed, suspended, amalgamated and converted are engaged in heavy industry, and their output value is generally fairly high. In the first half of this year, light industry developed very rapidly; and its output value increased by 11.6 percent. The output value of certain branches of the heavy industry has also increased, but this increase cannot make up for the decline of heavy industrial production as a whole. This is the main cause of the reduced growth rate of the national economy.

We should also note the other factors that may affect the national economic growth rate. The idleness, laxity and inertia in the leading bodies of some enterprises are out of place in the new situation. Some people have even disregarded the state's interests and ganged up with unscrupulous elements in working against the state by violating laws and disciplines. In industrial management, some policies and measures have been formulated without taking into consideration the difference between good and bad management, and thus cannot insure greater economic benefits for well managed enterprises. The result is "eating out of the same pot provided by the state." In distribution within the enterprises, the principle of "more pay for more work, less pay for less work, and no pay for no work" cannot be effectively implemented. The result is, again, "eating out of the same pot provided by the enterprise." Equalitarianism in these two forms has seriously affected the morale of the enterprises and their workers and staff members.

Because of these objective and subjective factors, the rate of industrial growth in the first half of the year has markedly declined.

In the opinion of some comrades, there is no need to worry about the growth rate, because as soon as the proportionate relationship of the national economy is well adjusted, the growth rate will automatically increase. It is true that readjustment is the central task of the moment, and it is beyond doubt that sufficient retreat must be made, if a retreat is necessary at all. Furthermore, there should be a proportionate relationship before a high growth rate is possible. However, we must also be aware that the readjustment is a somewhat long-term task. If there cannot be a certain national economic growth rate throughout the period of readjustment, it will be harmful to national economic development. In addition to developments in future, it may also affect the readjustment going on at present. The question of a national economic growth rate is in essence the question of whether it is possible at all to raise the capacity for expanded reproduction and the people's standard of living, and, if possible, whether the raise will be quick or slow. The growth rate is in direct proportion to this raise, because the quicker the national economic development, the greater will be the increase of social products and the newly created value. The scope of expanded reproduction and the extent of the improvement of people's livelihood are determined by the growth rate of social production and the newly added value. Without the assurance of a certain growth rate, we will not be able to carry out expanded reproduction or to improve the people's livelihood; sometimes, even simple reproduction and the maintenance of the people's present standard of living may be impossible. If such a situation should continue, there will be an economic recession with serious consequences. Therefore, while attending to readjustment as our main concern we must never overlook the question of growth rate, and every effort must be made to maintain a certain growth rate.

Other comrades pointed out that there was also a readjustment in the early 1960's, when the national economic growth rate was very low or even below zero. Since the question of a economic recession did not arise then, they wonder why should there be so much stress on the growth rate now? This question can be easily answered if we will compare the two readjustments. They certainly have many similarities, and we should carefully learn from, and make use of, the experiences of the first readjustment. However, we should pay even greater attention to the study of their differences, otherwise, we cannot solve the present problems. The first difference is that the task involved this time is much heavier and more time-consuming than the previous one, because different sectors of the national economy are now more seriously out of proportion. During the first readjustment, the projects to be halted and the enterprises to be closed, suspended amalgamated and converted were mostly small and indigenous ones, whereas the present readjustment involves many modern projects and enterprises. The situation is now much more complicated. The second difference is that during the first readjustment, some 20 million workers were organized to go to the countryside, and their relocation greatly reduced the burden of the state and the cities. This time, however, instead of any reduction of workers, there is the problem of providng jobs to the young people. If we fail to maintain a certain growth rate now, economic stability can hardly be guaranteed, and even social stability may be jeopardized.

Still other comrades held that since great efforts have been made in overcoming the leftist tendency to strive for high targets blindly, stress on a growth rate now would mean a recurrence of the old malady. It is true that striving for high targets and high speed blindly regardless of a disproportionate national economy and our actual capability has long been the cause of our unhealthy economic guiding ideology, and it is entirely correct for it to be repudiated and overcome. However, this does not mean that we do not want speed--a fairly high speed based on our actual capability. We are at all times convinced that with the elimination of exploitation under the socialist system, we should, and can, have a higher rate of national economic growth than that of capitalism, and we did have high national economic growth rates in the 1950's and 1960's. There is a basic difference between the high growth rate achieved under correct ideological guidance and based on the superiority of the socialist system on the one hand and the kind of growth rate obtained under leftist ideological guidance and through rash acts which are detrimental to the proportionate relationship of the national economy on the other. We should not call it a recurrence of leftist ideological malady at the very mention of growth rate. Of course, we should not, and cannot, demand a high growth rate during the present readjustment; however, we cannot be without a certain growth rate either. As long as we have an accurate understanding of this problem and adopt the necessary measures, we should be capable of maintaining a certain growth rate.

To increase the national economic growth rate in light of the present situation, it is very important that we should carefully wind up the work of halting projects and closing, suspending, amalgamating and converting the enterprises, so that their productive capacity can still be utilized instead of being left idle. Unused productive capacity, either in the form of machinery or labor power, means consumption instead of production of wealth, and this is a great waste for the society. Therefore, we must quickly help these units convert to the production of readily saleable goods and minimize the period of suspended business operation. In this connection we are experiencing serious difficulties in dealing with the metallurgical and machinery industries. They are now endeavoring to adapt themselves to the new situation by readjusting their orientation of service. Instead of going around in circles aimlessly, their production process is now geared to serving agriculture, a light industry and people's daily life, with gratifying results. For example, even such a large metalurgical enterprise as the Anshan Iron and Steel Company has changed its orientation of serving only the heavy industry and newly set up three production lines specially for the production of high frequency electric welding tubes and galvanized sheets urgently required by the light and textile industries. Besides meeting these requirements, the company has also developed its production and increased its profits. To cite another example, the machinery manufacturing departments under the First Bureau of Machine Building in Tianjin has readjusted its orientation of service since 1980, and supplied hundreds of special machinery items and thousands of sets of auxiliary equipment in addition to designing and setting up a number of production lines and offering various technical services for the light and textile industries. Furthermore, it has produced hundreds of thousands of durable consumer goods for the market. Needless to say, heavy industry departments have the responsibility of carrying out renovating and outfitting jobs for the national economy with up-to-date technology. In this connection, we should take a long-range view of the situation and work out our plans accordingly. For example, large power generating and coal extraction equipment will still be required in the next several years, and the production of such equipment take a long time. Therefore, this production should be planned now. Furthermore, we have in our country a large number of boilers with high energy consumption and low efficiency. If we have the determination to carry out technical renovation, we should plan for these boilers to be renovated within a certain time, so that their energy consumption will be lowered and their efficiency raised.

To raise the growth rate of the national economy, we must now carefully attend to the work of enterprise consolidation and the establishment of an economic responsibility ststem. These are the most practical methods of tapping the potentials of enterprises, improving the economic results, and accelerating economic development. The key to enterprise consolidation is to streamline the leading bodies and at the same time strengthen ideological and basic work among the enterprises; and to raise economic management efficiency, provide more active supervision, and overcome departmentalism. Enterprise consolidation should go hand in hand with the establishment of the economic responsibility system. Only a system of economic responsibility can effectively overcome equalitarianism--which is now qutie serious--and arouse the enthusiasm of the enterprises and their workers and staff members. Some localities have adopted the system of responsibility for profits, and some enterprises under favorable conditions have adopted the piecework wage system or above-quota piecework system, all with remarkable success.

There is still great potential to be tapped in raising the growth rate of our national economy. The fixed assets of our state-run enterprises are by no means little, but the economic results have been very poor. In 1978, for example, the ratio of fixed assets of state-run enterprises throughout the country to their total output value was approximately 1:3. If we can only raise the ratio of output value by 1 point, it will mean an icrease of tens of billions of yuan. Therefore, as long as we can make all out efforts to continue the work, which has proved to be effective, we can certainly overcome the difficulties, tap the potential, and maintian a certain growth rate during the readjustment period.

9411
CSO: 4006/503

BRIEFS

GUANGZHOU ECONOMIC RESPONSIBILITY SYSTEM--With the approval of the Guangzhou Municipal Revolutionary Committee, six Guangzhou industrial bureaus, namely the Light Industrial Bureau, the Number 2 Light Industrial Bureau, Electronics Industrial Bureau, Petrochemical Industrial Bureau, Rubber Manufacturing Bureau and the Machine Building Bureau implemented an economic responsibility system of signing contracts for profits in the entire trade, beginning this year. In implementing this economic responsibility system, the six trades upheld the principle of submitting basic production quotas to the state and dividing and retaining a certain portion of profits for a period of 3 years. For profits obtained as a result of overproduction, the light industrial, the number 2 light industrial, rubber manufacturing and machine building bureaus are allowed to retain 35 percent of the profits, submitting the remaining 65 percent to the Municipal Financial Bureau; while the Electronics and Petrochemical Industrial Bureaus are to equally share their profits with the Municipal Financial Bureau. The industries must ensure the fulfillment of production quotas and are responsible for losses, if any. The profits retained are to be used for technical revolution and welfare of the workers. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 10 Sep 81 HK]

CSO: 4006/27

BANKS URGED TO SUPPORT ECONOMIC DIVERSIFICATION IN COUNTRYSIDE

Jinan DAZHONG RIBAO in Chinese 28 Aug 81 p 2

[Commentator's article: "There Are Good Opportunities for Financial Institutions To Support Economic Diversification in the Countryside"]

[Text] In the past 2 years, rural financial institutions in our province have continually readjusted the structure of their agricultural loans. Heavy support for farmland capital construction by communes and production brigades and concentrating solely on grain production, has gradually shifted to a program of continued sufficient support for grain production, and heavy support for economic diversification. The proportion of all agricultural loans used to support economic diversification has been gradually increasing, and this is playing a remarkable role in enlivening the rural economy and increasing the peasants' income.

Success in supporting economic diversification is attributed to the efforts of the units in implementing the spirit of the Third Plenary Session of the 11th Party Central Committee, eliminating "leftist" influences, emancipating their mind and adopting flexible policies. Some units are not so successful mainly because they are lagging behind in these respects. Hereafter, if we want to insure the availability of capital for the rapid development of economic diversification in our province, we must eliminate "leftist" influences and have a better understanding of the importance of developing a diversified economy.

Some comrades in the rural financial institutions have a certain psychological "fear" of supporting economic diversification--the fear that the loans granted may not bring about good economic results and consequently cannot be redeemed. Therefore, they are beset with worry at the thought of extending loans to support household sideline occupation. We agree that stress on economic results and worry over the redemption of loans are justified, because, if the economic results are poor--meaning business losses--and the loans cannot be redeemed, not only the state, but also the collectives and the commune members have to suffer losses. However, in stressing economic results, we should also pay attention to our work. These comrades should cooperate with the relevant departments in conducting serious investigations and study and keep themselves well informed of the conditions of resources. After careful comparisons, they should help the chosen collectives and commune members bring out their local strong points and adapt measures to local conditions in developing their production. At the same time, they should avail themselves of the strong points of banks, such as their wide range of contacts and their abundant sources of information, and take the initiative to arrange contacts for the communes and production brigades or to clear the channels between production and marketing. As long as these jobs are accomplished, there will generally be good economic results. Many banking centers and credit cooperatives have gained good experiences in so doing. Some comrades have said: "There are many strong points available; the main question is whether or not people will look for them." These words make a lot of sense.

In the countryside, many commune members are very adept in sideline occupations and stand out because of their increased income. As long as their business is legitimate under party policies, their income is right and proper. We must not be afraid of giving these peasants continued support simply because they have already made more money than others have. All commune members, rich or poor, should be actively supported in their household sideline occupations. Of course, misuse of loans or even speculation and profiteering must be checked, and the banks or credit cooperatives can, in coordination with the relevant departments, use credit as a means to combat illicit activities carried out in the guise of sideline occupations.

Another tendency is that some comrades are keeping their eyes on only the large projects which may yield immediate benefits and ignore the small ones which may not yield profits so quickly. These comrades are concerned with only single transactions but not comprehensive ones, and with only the immediate but not the distant future. As a result, support for economic diversification economy fails to make much headway. We believe that as long as they can make a right choice, it is quite proper for them to support some communes, production brigades or teams, and even individual commune members in undertaking large projects suitable for the local conditions; but small projects cannot be ignored. Both large and small projects should be encouraged, because some small projects, such as the raising of rabbits, tuyuan /0960 0337/ and sables can be very profitable. We have to increase the sources of revenue and make greater efforts in this direction. The projects may be small, the varieties of products may be complex, and the profits may be little; however, we will have more to gain from increased sources of revenue. There should be coordination between long- and short-range plans. We should give priority to the support of such projects as industrial sideline production which yield quick benefits, but we should not neglect those steady and reliable projects requiring long periods to yield products of long lasting value, such as the planting of trees, including fruit-bearing trees. In developing long- or short-range projects, we should help the communes and production brigades work out their plans in such a way that long-range projects will stimulate the short-range ones, while the short-range ones will help maintain the growth of the long-range ones.

Our province has abundant natural resources, and there are great potentials for developing diversified economy. There are also widespread banking facilities, and a close relationship between credit and production in the vast countryside, with good opportunities for the financial institutions to support the development of economic diversification.

9411
CSO: 4006/506

BRIEFS

JILIN SAVING DEPOSITS--After the big increase in 1980, bank saving deposits of Jilin Province have increased in the first 9 months of 1981. The amount has risen to 1.3 billion yuan, an increase of 235 million yuan over the figure at the end of 1980. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 29 Sep 81 SK]

SHANDONG URBAN DEPOSITS--From 1979 to mid-September 1981, Shandong Urban Deposits registered a 730 million yuan increase, surpassing the increased sum of the 1949-1978 period. In the January-August period of 1981, provincial urban deposits registered a 240 million yuan increase. The urban deposit sum has reached 1.4 billion yuan. These urban banks have prefulfilled their annual deposit plan by 100 days. According to statistics compiled at the end of September, the per capita deposits of staff and workers throughout the province reaches 275 yuan, surpassing the 1978 deposit by nearly 100 percent. Provincial urban deposits have accounted for a fourth of the funds obtained by the Provincial People's Bank. [SK301000 Jinan Shandong Provincial Service in Mandarin 2300 GMT 29 Sep 81]

CSO: 4006/27

ALTERING MAKE-UP OF ENERGY RESOURCES TO CONTROL POLLUTION

Beijing HUANJING BAOHU [ENVIRONMENTAL PROTECTION] in Chinese No 3 1981 pp 1-5

[Article by Zhao Zongyu [6392 1350 3603]: "Altering the Composition of Urban and Rural Energy Resources to Control Environmental Pollution"]

[Text] In recent years, because of the imbalance between the buildup for production and environmental protection, large and small industries have increased in number, and pollution of large areas in cities and villages is becoming more serious day by day. Especially because the composition of energy resources (fuel) is irrational, pollution brought about by the "three wastes" and energy losses have been very great, and must be solved. Energy resources and the environment are related to the building of modernization and the people's health and they are very important. Therefore, as the national economy is being further readjusted and during this period of further political stability, in order to stand firmly in the buildup of production and progress steadily, it is urgent that the two fundamental jobs of energy and environment be done well. In the following, several opinions are proposed as personal views as reference for concerned departments.

(I) The Question Concerning Alternation of the Composition of Energy Resources in Cities

Cities are the points of most concentrated human activity, they are also the places where science and technology and culture are most concretely manifested. Whether the composition of energy sources in cities is rational or not, whether it is advanced or not, whether it is beneficial to the lives of the people and the labor environment are all gauges of the level of modernization of energy resources in cities. Our nation's cities use coal as their main source of energy. Coal constitutes over 80 percent of the cities' energy resource, and most of it is directly burned. The rate of utilization of heat is low (15 percent), the loss is serious, and massive amounts of harmful substances and trace amounts of harmful substances including radioactive elements such as radium, uranium and thorium and other poisonous substances are released. The pollution is frightening, and urgently awaits reform. In urban reform plans to be launched soon, energy should be the key point and it should be taken into consideration. The goal of reforming the energy resources in cities is to use clean or cleaner energy resources to replace dirty energy resources, to use energy resources that are convenient to transport and to store to replace energy resources that are inconvenient to transport and to store, and to use highly efficient or more efficient sources of energy to replace energy resources with a low efficiency.

The energy resources that have not been purified or processed and which can only be used once such as the various solid combustible substances, crude oil and natural gas that contain higher contents of sulfur, nitrogen and oxygen compounds are unclean, inconvenient and uneconomical energy sources. Purified and converted reuseable energy sources and thermal electric power, hydroelectric power and nuclear power stations that have implemented effective safety measures, environmental protection measures and ecological protection measures are clean, convenient and economical sources of energy. Problems of environmental protection and economic problems related in varying degrees and in general and such new sources of energy also exist. There are many specific ways to reform the composition of energy sources in cities. Those already known are mainly the following:

1. Gasification of coal as an energy source for civilian use in cities.

Practice over a long time at home and abroad has proven that the method of altering the composition of energy sources in cities that is recognized by all, that is technically most mature, that is economically most feasible, that is most efficient for environmental protection (large areas) is coal gasification. Abroad, in industrially advanced nations, the popularization of civilian coal gas is above 85 percent (it is 98 percent in Japan, it is above 85 percent in the United States and France), and large and medium sized cities have all basically established coal gasification for a long time. Some highly modernized cities are also developing electrification. Electric power for civilian use constitutes 30 to 40 percent or more of the total amount of electric power. In our nation, the population using gas is only about 10 million people, only 1 percent of the 1 billion people. Of the 224 large and medium cities so named throughout the nation, only about 60 have relatively outdated coal gas or oil gas facilities and supplies of liquified petroleum gas. The gap between our nation and foreign nations is large. The quality of the city environment is dropping day by day, energy in cities is wasted day after day and year after year. The state's city construction departments have already paid more attention and gasification in cities is beginning. As the national economy is being further readjusted and at this moment when investment by the state and provinces and cities is difficult, if the present method of unified arrangement by the state and carying only about key points is not changed, gasification will be delayed further and may be difficult to realize. It is suggested that the General Bureau of City Construction of the State Capital Construction Commission organize the appropriate provincial, municipal and design departments to establish a city coal gassification construction company, cooperate with each other, use coal gas shares and coal gas loans to solicit funds and propose new types of designs varying in scope for coal gasification standards in cities, accept commissioned designs for city gasification and construction so that the work of gasification in cities can progress steadily and according to plans which may use some, but not a lot of the state's construction investment, so that large area pollution in key cities can be quickly controlled and the energy waste in the cities can be eliminated early.

2. Coal gasification for urban industrial energy. Our nation's industrial consumption of energy constitutes over 65 percent of the total consumption of energy. Large and small industries in the cities are relatively concentrated. Industries in large cities use 75 to 80 percent of the energy. The amount of primary energy directly burned in the various types of boilers throughout the nation reaches over 50 percent of the total energy consumption of the whole nation. Among them, 200,000

industrial boilers directly burn 200 million tons of coal, the average thermal efficiency is only about 50 percent. The nation's boilers burn 25 million tons of petroleum. After the State Council firmly demanded to substitute coal for oil, during the past two years, the burning of oil has been lessened by 5 to 6 million tons. But the oil burned away by each power network of the electric power departments is still about 13 million tons, which urgently needs replacement [by coal].

According to estimates, in 1980, the nation burned 15. million tons of petroleum (including about 7 million tons of crude oil). This amount should also be replaced [by coal] as much as possible. Because the composition of industrial energy resources is not rational, the resulting energy waste and problems of environmental pollution have become more serious and they should be reformed urgently. Coal gasification of energy resources (fuel) for industrial boilers, heating furnaces and kilns is a worldwide trend. Our nation has more coal than oil and it is an even more urgent task. Coal gasification of industrial fuel is different from coal gasification for civilian use. Civilian coal gas uses mainly medium heat value coal gas (4,000 kilocalories/cubic meter). Coal gas for industrial use can be low heat value coal gas (1,000 to 2,000 kilocalories/cubic meter). After establishing low heat value coal gas, combustion gas turbines/steam turbines can be used to establish a foundation for joint cyclic power generation to increase the thermoelectric efficiency to 40 to 50 percent and to create conditions for the development of electrification of energy resources in cities. In addition, to solve the problems of environmental pollution by oil burning boilers and heating furnaces and the shortage of oil resources, besides coal gasification of energy for industrial use, coal liquefaction is also in the research and experimental stage (with or without transition through COM coal and oil mixtures). Power stations burning oil are not interested in coal gasification mainly because they are unfamiliar with the operation and they have difficulty handling such operation. If coal gas supply companies can be established with investment by the power industry or with bank loans and if they can sign supply contracts with the power plants, then under the guidance of the national policies of limiting the use of oil for fuel because of the shortage of oil resources, the power industry will be glad to cooperate and do the work of burning gas well.

3. The questions concerning the supply of gas for civilian use utilizing natural gas, gas produced in oil fields and liquefied petroleum gas must be considered first in regions which have oil and gas fields, oil refineries and petrochemical plants. According to surveys conducted by the Comprehensive Survey Committee of the Academy of Sciences, the use of natural gas to supply civilian use can save about three times as much coal as boilers. The use of liquefied petroleum gas to supply civilian use can also save about three times as much coal as boilers. Therefore, it is far more economical to use these energy resources to supply civilian use and they will be more beneficial to urban environmental protection. This can only be realized when concerned units increase their understanding of the importance of environmental protection give play to the great cooperative spirit of socialism, and there is vigorous support by state policies (including energy price policies).

4. The massive amount of low temperature surplus heat, including cooling water of 40° C to 50° C which is relatively difficult to utilize, waste steam, surplus flue heat (converted to low temperature water) can all be used in the network of pipes supplying heat for civilian use and for medium and small industrial and commercial

enterprises in cities. Obtaining heat sources without increasing the supply of fuel will greatly benefit energy conservation and environmental protection in cities. This can be realized only by developing the superiority of socialism and if the state or the localities establish some regulations for energy conservation.

5. New energy resources which may be utilized should be appropriately developed and the composition of energy resources in cities should be improved. Our nation has many regions which have exploitable geothermal energy. Over 2,700 localities with exposed geothermal energy have been discovered throughout the nation. Geothermal energy discoveries have been made in each China, the northeast, the Hanzhong region, Xizang, Yunnan, Guangxi, and Guangdong, Fujian, Hunan, Xichuan and Taiwan provinces. Some are in cities and suburbs (such as Beijing and Tianjin cities) which are convenient to utilize. Our nation's solar energy resources are also relatively rich. Most of the regions have over 2,200 hours of sunshine throughout the year. Collective facilities in cities (including offices, residence halls, enterprises) can utilize solar energy to provide heat, for cooling and air conditioning. Most of the new energy resources are not concentrated, the supply of energy is unstable, the investment in facilities is large, large scale utilization is still difficult but they are suited for small scale utilization and they are being developed at an accelerated rate at home and abroad. Utilization of oceanic energy, wind energy and biological energy and such energy resources by the cities is limited, but they are more suited for utilization by farm villages. But utilizing garbage for generation of electricity or for gasification in cities is a necessary measure for environmental health. Such facilities have been established a long time ago abroad and the municipal authorities should actively realize this.

6. Establishment of nuclear power stations in key cities, especially large cities that have a shortage of coal, less electric power, no oil and where the environmental problem is serious must be actively realized so that the composition of energy resources in cities can be reformed to advance towards electrification and gasification. Nuclear power stations have already proven now that the technology is mature, they are economically feasible, they are clean and safe, and they can provide energy on a large scale. Our nation has a relatively rich reserve of uranium resources that have already been discovered. Also, we have already trained some reactor research, design and construction teams, and we have the basic capabilities to develop nuclear power generation with our own efforts. Economically, investment in nuclear power is generally 50 percent higher than the investment required for building thermal power stations, but with the fuel supply system of the thermal power stations, the investment may even be larger. Nuclear power generation may cost 20 to 50 percent less than thermal power. The greatest benefit is that building one nuclear power station with a capacity of 300,000 kilowatts can save 1 million tons of coal a year, reducing the amount of shipment of 1. million tons of coal and 200,000 to 300,000 tons of ash and dregs. At the same time, nuclear power stations do not have a combustion process, there is no release of chimney gases and harmful substances. The effects of radioactivity under a series of safety measures is negligible, several times less than the radioactive pollution from uranium, thorium and radium contained in the unsettled ash produced by a coal fired thermal power station of the same scale and similar to the radioactive pollution released by an oil fired power station.

7. Alteration of the composition of energy for passenger transportation in cities should not be delayed. Passenger transportation in cities develops as

modernization of cities develops. Motorized vehicles continue to increase, the energy consumption continues to rise, and pollution becomes more serious. Pollution due to exhausts from vehicles with internal combustion engines in cities mainly pollutes the air several meters above the road surface and it is extremely harmful to the city residents. According to statistical data compiled by the engineering design institute of the Tianjin City Administration, the amount of transportation in cities has a definite proportional relationship to the value of industrial production, the square meters of capital construction and light industrial products. Abroad, private vehicles develop rapidly, because of a shortage of petroleum, this development has reduced, and the benefits of energy conservation of mass transportation is being advocated, but old habits are difficult to change and the results cannot be predicted easily. Our nation's social system is different, mass transportation is the main means of transportation and it can more easily be realized. But according to understanding, vehicles for private use by each department are developing quickly and there are already over 1.35 million units. The rate of utilization of private vehicles is low, their consumption of energy is 40 percent to 50 percent higher than special transportation vehicles and they constitute 87.7 percent of the nation's total number of vehicles. In Beijing, there are already 200,000 to 300,000 internal combustion vehicles of various types and the annual growth rate is about 10 percent. Annual consumption of gasoline is about 580,000 tons. The pollution by automobile exhaust is indeed serious. Pollution in Shanghai, Tianjin and such large cities is not less than Beijing. The ways to solve this problem are as follows: (1) Trolleybuses, electric subway trains, and elevated electric trains can be used so that electricity can replace oil fuel, thus altering the composition of energy for passenger transportation. (2) Collective traffic management can be strengthened, public transportation and collective transportation should be expanded as much as possible. This can increase efficiency by over onefold. (3) Bicycle lanes or traffic regulations for bicycles should be established to replace motorized power by human power and to use food energy to replace oil energy. This can increase the energy efficiency by several orders of magnitude. (4) The fuel itself can be altered to reduce loss during combustion, such as utilizing active-combustion, highly refined petroleum fuel for internal combustion engines. (5) Non-polluting or slightly polluting petroleum substitutes can be used as fuel, including gasohol produced from coal as the raw material, methane or ethane, or mixed alcohols. (6) The gases produced by refineries and petrochemical plants as by-products can be used as raw materials to produce such high octane additives which have a high purification power as methyl tertiary butyl ether (MTBE) and tertiary amyl methyl ether (TAME) can improve efficiency and can also prevent pollution. (7) An ideal and clean fuel for internal combustion engines is liquefied hydrogen which can be used as a substitute for gasoline. Hydrogen resources are plentiful and it can be obtained anywhere, but the cost of production is high and this is very difficult to realize. In recent years, because of the development in hydrogen manufacturing technology and the jump in oil prices, according to informed sources, some nation's cost for each liter of liquefied hydrogen has approached that of the same volume of petroleum. In the long run, the use of liquefied hydrogen as fuel is technically and economically feasible and also suits the demands of the time, and it may even be unavoidable.

In general, to enable city people to enjoy a healthy life and working environment and to elevate the efficiency of utilization of energy resources to a rational level, the composition of energy resources must be altered. To assure a safe, steady, economical and effective supply of energy resources in cities, measures should be suited to local circumstances, the structure must be multivariate, there must be comprehensive utilization, there must be a major source and secondary sources, priorities must be assigned in order of urgency, and the future must be combined with the present in the development and realization of the goals.

(II) Alteration of the Composition of Rural Energy

The several major problems related to rural energy resources that require urgent solutions are as follows:

(1) The supply of energy to the 800 million farmers still has to be arranged. There are 80 to 100 million farm families that lack fuel for burning three to five months out of a year. The problem in farm villages of "worrying not about what is in the pot but what is underneath the pot" must be urgently solved. (2) Because of a lack of fuel, farm villages mainly depend upon plant energy such as straw, dung, wood and grass for their energy, thus fertilizers of organic matter, nitrogen, phosphorus, potassium cannot be returned to the fields, the soil texture becomes progressively weak, per mu yield has to be maintained by chemical fertilizers, and the situation is critical. (3) At the same time, the make-up of energy resources in farm villages is too irrational. Tools to harness energy are very backward, efficiency is too low and the waste is too great. For example, the thermal efficiency of the stoves in farm villages is only 10 to 12.5 percent. This must be changed. (4) Houses in farm villages are simple, the stoves are primitive, and pollution from burning is serious. (5) Because of a shortage of burning fuel, grasslands and mountain forests have been felled and exhausted, and the ecological balance has been seriously destroyed. (6) Also, processing enterprises of agricultural sideline products have continued to develop, small industries in cities have moved to the countryside, energy resources and environmental protection were not emphasized, and all of these are increasingly threatening the health of farmers and the ability of natural purification in farm villages. In my opinion, these suggestions can serve as reference in changing the composition of energy in farm villages and in increasing the efficiency of energy resources to give us back our "green ocean."

1. The state must take charge of the supply of energy affecting the 800 million farmers and environmental protection, organize concerned sectors and related scientific and technical personnel to study and establish a far sighted and practical strategic blueprint and policy guidelines for rural energy and environmental protection, and draw up a short term (for example up to 1990), a medium (up to the year 2000) and a long range (up to the year 2020) draft for rural energy and environmental protection based on the above. Some people have suggested that the State Energy Commission and the State Agricultural Commission organize studies in environmental protection strategy, policies and plans. Each province and city should also establish corresponding agencies to push forward such work.

2. The state and the localities must be determined to assign a part of the commercial energy resources (at present, this is mainly coal fuel) to communes and brigades for cooking so that straw, animal manure, firewood and such organic substances can be returned to the fields and for increasing the production of useable methane. According to surveys conducted by the agricultural engineering design

institute and the Anhui provincial survey of the Huaibei region, these measures can retain fertility of the soil and can also conserve the use of chemical fertilizers, reduce energy consumption for massive production of chemical fertilizers, they can also protect mountains, forests and plants, prevent leaching and prevent the land from becoming sandy. According to estimates, the gain from increased yields and from conservation of energy resulting from these measures is sufficient to more than balance the transfer of commercial energy. The precious experience should be quickly and energetically propagandized, summarized, popularized and realized.

3. Rural communes and brigades are scattered throughout the entire nation, the energy resources are different, the composition of energy resources should be suited to local circumstances and combined with the actual situation and be selective. At the same time, farming families are scattered, the dwellings and facilities are simple, the experience in using energy is insufficient, the reward from labor is low, the conditions for energy supply should be taken care of. Therefore, the supply of energy to farm villages should be multivariate combination and comprehensive utilization, there must be primary and secondary aspects, the energy must be safe and clean, convenient to use, and it must also be economical and rational and beneficial to conservation. For this, (1) besides strengthening management and increasing the efficiency of energy production by the existing small hydroelectric power stations, small coal kilns and small methane pits, they should also be continuously developed to expand the energy supply to communes and brigades. It is known that our nation has a total of about 70 million kilowatts of small hydroelectric power resources that can be exploited, and those that have already been exploited constitute only about 10 percent. Coal and other combustible mineral resources are found in each province throughout the nation. There are now 1200 counties which have built over 20,000 small coal kilns, 18,000 of which belong to communes and brigades. They produce about 100 million tons of coal. The whole nation has built about 7 million methane pits, but there are one-third that require maintenance and repairs and are "sick pits." (2) Clean bottled fuels such as liquefied petroleum gas are most suitable for use by scattered families in farm villages. Liquefied petroleum gas should be transferred to the farm villages for use when coal gasification in cities is developed and when the supply of electric power to cities can be increased. (3) The farm villages have better conditions for small scale utilization of solar energy, geothermal energy, wind energy, tidal energy. These are all inexhaustible and they can regenerate new energy. But the investment in the facilities for the utilization of these energy resources are frequently larger, so simple, easy, economical and practical methods must be studied. These energy resources can only be popularized under the massive support of national policy. (4) Solar energy is the most significant among the rural energy resources that can regenerate new energy and that has the best conditions for development. Over two-thirds of the nation have over 2,200 hours of sunshine yearly. Solar energy resources are very rich. If solar energy can be utilized well, a lot of improvements can be made in the rural energy supplies and in environmental health. Solar energy is similar to other regenerative natural energy resources. The energy resource is too concentrated, the supply is unstable, and the facilities for utilization require large investment. Under ordinary conditions, it is very difficult to compete with ordinary energy sources, but under specific conditions it can serve to supply heat and used for cooling and air conditioning. Our nation already has solar energy powered heating facilities. It is suggested that

studies and explorations in the use of solar energy in rural areas should be launched on this basis to first design an economical, practical and simple solar energy heating facility suitable to the conditions of our nation's rural areas.

5. [sic] "Green energy resources" should be actively developed to solve the problems of rural firewood and regional environmental protection. For example, timber forests, protective forests, economic forests, firewood forests, and bamboo forests can all provide energy for farm villages through photosynthesis and can improve the ecological balance. At present, 5 percent of the total world energy consumption is provided by timber (mainly used by developing nations for domestic firewood). Timber is a renewable energy resource, and if managed well, it is inexhaustible. Because of the energy crisis, "green energy resources" are gaining more and more attention and they are being developed. Research in dense planting of fast growing firewood forests and oil bearing plants is being carried out and forest farms are being established, the age-old dry wood distillation industry has turned to utilizing remnants from felling and processing to manufacture synthetic gas and synthetic alcohol, and other such liquid fuels. Our nation now has 55 million mu of firewood forests, there are another more than 1 billion my of wasteland suitable for afforestation. With the addition of small plots suitable for afforestation and the "four sides" for planting trees, the condition for developing firewood forests is very good. According to estimates, the yield of various firewoods in our nation totals about 160 billion jin, this amount can provide the firewood needs of the 800 million farm village population for over two months. It is known that the forestry ministry has drawn up a plan to develop forest wood. After the plan is realized, 300 billion jin of firewood can be harvested each year and this amount can solve the problem of firewood needed by a rural population of 900 million.

6. Rural energy must not exclude coal gasification. The processing industry for agricultural sideline products in communes and brigades is developing. Small industries are moving out of the cities to the suburbs. Some concentrated regions of small enterprises will be formed and following this will be regional pollution and waste of energy resources. The best strategy is to suit the measures to the locale and utilize local coal resources or coal resources of nearby regions to build coal gas facilities and utilize coal gas generating furnaces that use air as the gasification medium. The heat value is about 1,200 kilocalories/meters^3, the structure of the furnace is simple, operation is safe, management is simple, and gas generators from small chemical fertilizer plants can be easily converted. It is possible that many gasification furnaces of this type are being used in large factories and can be transferred.

7. Substances abandoned by the processing industry for agricultural sideline products such as waste vegetables, fruits and meats left after processing are all combustible organic matter. They can be provided to produce methane or gasification or directly burned to produce heat and electricity. If the cities do not establish their own thermal power stations by utilizing city garbage, the garbage can be sent to the farm villages for treatment. The cities and villages can work together to change unless things into things of value. In the future, after straw is returned to the fields, the need for organic fertilizers by agriculture will lessen and abandoned substances from processing of rural products can also fill the need as raw combustible materials for gasification and power generation.

8. Fully developing the function of agricultural manpower and fully utilizing animal power and energy resources and slowing all unnecessary mechanization are effective measures to conserve energy in agriculture and to prevent pollution of the farm villages for a long time to come. According to estimates, the manpower resources in our nation's farm villages total an equivalent of 2.4 x 10^7 horsepower and 3.5 x 10^7 animal power. Manpower is calculated on the basis of working eight hours a day, 300 working days a year, converted into horsepower/hour. If this is done by diesel engines, 11 million tons of diesel fuel must be consumed. Animal power is calculated on the basis of working eight hours a day, 150 days a year, converted into horsepower/hour. If this is done by diesel engines, 7.98 tons of diesel fuel must be consumed. The total of the two amounts to a consumption of 18.98 million tons of diesel fuel (nearly 20 million tons). Our nation now has about 200 million horsepower of motorized farm machinery power, more than three times that of the sum of manpower and animal power, but the actual results are only one-half that of the sum of manpower and animal power. Therefore, at present and for a long time into the future, under the concrete and practical conditions of energy resources, employment and natural conditions, full development of our manpower and animal power makes sense.

In general, we must on the one hand solve such pressing problems as insufficient rural energy supplies, lack of fuel for commune members, cold meals, and on the other hand, the irrational situation which exists in the use of energy. Waste is serious, the ecological balance has been destroyed and these problems urgently require that the state and the concerned leading units of the provinces and cities concretely control the energy resources in farm villages and include the supply of rural energy in their plans so that straw can be returned to the fields, the amount of chemical fertilizers used can be reduced, the per mu yield can be increased, and the environment can be protected. The gain from such conservation is more than sufficient to balance the energy invested. But to reduce the labor intensity in agriculture, to improve production efficiency, to conserve energy used by agriculture, reform of presently available farm machinery and the study and introduction of necessary advanced technologies are also work that urgently needs to be launched.

9296
CSO: 5000/4091

BRIEFS

JILIN GOLD OUTPUT--Hunchun Gold Mine in Jilin Province had fulfilled its annual production and profit plans by 15 September. On 16 September, its gold output surpassed the figure set by the annual production plan by 4.2 percent and the figure set by the annual profit plan by 70 percent. [SK011033 Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Sep 81]

CSO: 4006/27

PRC JOURNAL ON MERGING CIVIL, MILITARY INDUSTRY

HK070743 Beijing JINGJI GUANLI in Chinese No 7, 15 Jul 81 pp 35-37

[Article by Huang Qiuyan [7806 3061 3601] of the Yunnan Economic Research Institute: "The National Defense Industry Should Take the Road of Integrating the Military and the Civil"--note passages in slantlines denote boldface type]

[Text] Since the founding of the state, the national defense industry in Yunnan Province has had considerable development. It has become a major industrial department. This department has three main characteristics: The first point is that it has a lot of good quality equipment. The provincial military enterprises have a relatively high proportion of the total number of lathes in the province. A large part of these lathes are large-scale, highly accurate and of superior quality. They also have a lot of imported equipment. The second point is the strong technological force and relatively high standard of technology. They also have a lot of senior laborers and technicians. According to preliminary statistics, there are 11 technicians for every 100 staff and workers in the provincial national defense industrial system. For every 100 scientific and technological personnel, there are 20 assistant engineers or more as the backbone, a technological force twice to three times that of civil industry. The third point is the high production capacity and high assimilation potential. This potential of the national defense industry has an important impact on and makes a considerable contribution to the building up of socialism and the struggle for national defense. In the last 2 years, it has also worked hard on developing civil products. A lot of work has been done, and good results have been achieved. According to statistics, the value of civil goods produced in 1980 takes up 44.8 percent of the total production of military industrial enterprises. It has grown 22.7 percent compared to 1979. There are four categories of civil commodities that are being trial manufactured and produced, namely: Light industry, electronics, mechanical engineering, and optics. The variety of specifications amounts to more than 300, including model 130 vehicles; 35 mm movie cameras; new collapsible telescopes that can magnify by seven times; microscopes for surgery and gravure printing. These are all included in the national plan. Some products make their way onto the international market. The new collapsible telescopes that can magnify by seven times for instance are selling well in Europe, America and Southeast Asia. They have in recent years earned $1.8 million of foreign exchange. At the same time, it has earned some experience through work which, as it is initially understood, basically includes the following points:

//1. It hinges on the weak links of the national economy in arranging the production of civil commodities.// It should take into account the demands of the people's livelihood in both cities and countryside, market shortages and the export trade as well as the technological restructuring of all sorts of trades. On this basis, it should actively organize and arrange the production of civil products, particularly consumer goods. Last year, most of the production of civil goods was marketable. Of these, the consumer goods which serve light industry constitute half of the total output value of civil goods.

//2. Promote the characteristics of production skills and select production of marketable products.// In choosing models for civil goods and accepting orders: (1) insist on the principle that they should be commensurate with the skills and equipment of the enterprise concerned and be able to give play to the production characteristics of the enterprise concerned; (2) adopt the integration of the short, medium and long term as well as the integration of big, medium and small batches. The Xinan Changzheng mechanical plant, for instance, treated the production of 35 mm movie projectors as relatively long term civil "specialized" products. Record players are treated as medium term products and television antennae as temporary minor commodities. Apart from achieving balanced production, it can also take one step forward while looking three steps ahead and maintain a steady and continuous advance.

//3. In organizing production of civil goods, speed should be emphasized.// An early, quick and new grasp must be taken of marketable products. The Xian Changzheng mechanical plant last year, for instance, firmly grasped the trial-manufacture of new products and rationalized the production lines on the one hand. On the other it pushed the sale of products. The newly marketed products include 35 mm movie projectors, polluted water treatment plants and radio-tape recorders. They were all trial-manufactured, tested, put into small-volume production and put on the market in the same year. As a result, some commodities are selling well and demand exceeds supply.

//4. Develop the advantageous position of the high technological standard and good equipment of the military industrial enterprises, tackle the new, high quality, precision top-notch products that demand a high standard of craftsmanship and technology and which can be handled by the enterprise concerned.// The Xinan Yunshui mechanical plant produced high-pressure hydraulic valves for the electricity department. This filled a shortage in our country and has also become a "first" product of our enterprises.

//5. Develop the autonomous spirit of enterprises and handle tapping potential, renovation, restructuring and develoment of civil goods production.// The Xian Changzheng mechanical plant ran out of factory space for production of record players. The garage was then spared and converted into a workshop. There was no equipment for the production of aluminum parts for movie projectors, so the existing well-type blast furnaces were used instead. This has saved time and saved money for the state.

//6. Grasp "first" products and constantly improve product quality.// Last year, new products included a bunch of civil goods like sewing machines, watches, typewriters and toasters which, after relentlessly grasping quality control, production sequence and rejecting. Goods of inferior quality, before they leave the factory, have earned a fairly good reputation. Of these, model 135 calculators, crystal tube gas pumps, and so on, were rated as the best products in the province and some even received commendations from the central departments concerned.

//7. Repair the old and utilize waste, comprehensively utilize various resources to develop the production of civil products.// Some enterprises make use of leftover materials, overstocked raw materials and electrical parts to produce sundry metal goods and consumer goods. These include semiconductor radios, magnifying glasses, dies, lenses, washing machines, wooden and metal furniture, and so forth. This meets the demand on the market.

However, all this is only the beginning of the production of civil goods by the military industrial enterprises. The existing potential and advantageous position of the Yunnan military industrial enterprises have not yet been fully exploited by a long way. The utilization rate of technicians is generally fairly low. According to a preliminary survey, the productivity of each metal cutting machine is almost half of that of its civil counterpart. The labor productivity of all the personnel is 38 percent lower than civil industry. The circulation funds in military enterprises for every 100 yuan worth of production is about 100 percent more than in civil enterprises. The fixed assets involved are 170 percent higher than in civil industry and the profit for every 100 yuan of output is about 50 percent lower. Some military industrial enterprises suffer from losses on the one hand, and have idle manpower, resources and advanced equipment on the other. This is so-called "holding a golden rice bowl and waiting to be fed." The main reason is that our nation's military industry management system has formed a separate entity which is quite independent of the civil industries. An immense gap has opened up between the military and civil industries. Those manufacturing military goods cannot deal with civil goods. Practice has proved that the disadvantages of this system outweigh the advantages. The investment of the country is big but the economic effect is poor; readjustment and reform has to be carried out. Regarding the orientation of reform, I consider it necessary to break down the barriers that separate the military and civil sectors. The existing military industrial enterprises would have to evolve from unitary production of military goods to a dual production structure for military and civil products. The military and civil sectors should combine to develop production, so as to produce both military and civil products. Taking into account many industrially developed countries abroad they have long since practiced a unified approach to the military and civil sectors. In the United States, for instance, the making of military and civil goods are undertaken together, with the exception that explosives and a small quantity of specialized military products are produced by specialized plants, nearly all these military goods are produced by contractors working on government contracts. The civil enterprises that are engaged in military production account for about 80 percent of the aircraft industry, about 60 percent in shipbuilding, 34 percent in electrical engineering and 28 percent in general mechanical industries.

The military industrial enterprises taking the road of military and civil cooperation is an objective demand in the process of socialist economic development. It is a long-term strategic target of the "four modernisations" construction. It is also a major component of industrial readjustment and reform of the industrial management system.

However, to realize the unification of the military and civil sectors in the light of the existing conditions of the military industrial enterprises in Yunnan Province, the following aspects of work has to be achieved:

//1. Go one step further in emancipating the mind, eliminate "leftist" influence, and raise the military industrial enterprises' awareness of both the military and civil sectors, and military and civil cooperation.// First, it is necessary to resolve the question of ideological understanding: 1) is to overcome the "supply system" ideology; 2) is to rectify some incorrect viewpoints. For example, some think that the military handling civilian products is "not engaging in proper business," as well as an additional burden. Some also consider such an approach as a short-term expedient measure. Some worry that "confusing the structure of the organization" will affect the building of national defense. Some think that the military industry is degrading itself in producing civil goods. These problems of ideological understanding, if unresolved, will adversely affect the active integration of military and civil enterprises. Moreover, the military industrial enterprises should adopt an entrepreneurial approach and change from using purely administrative methods to manage enterprises to adopting suitable economic measures to manage enterprises so that the military industrial enterprises may get the maximum economic effect with the minimum waste.

//2. Relentlessly grasp readjustment and work well.// First, resolutely readjust the capital construction front. For the military industrial enterprises to develop production of civil goods, they have to make full use of existing conditions and exploit their internal potential. In handling ongoing projects, it is necessary to resolutely drop, stop or suspend them under appropriate situations. The enterprises' funds for specific purposes like tapping potential, renovating and restructuring, must be kept for the purpose for which they were intended and are not to be diverted from capital construction projects. As regards the scale of construction and orientation of utilization of the funds retained by localities and enterprises for their own use, they should be reported to and vetted by the state and the directing departments.

In addition product structure should be readjusted well. Closing, suspending, merging and shifting must be done well. The readjustment should ensure that the production of military equipment and scientific research, design, experimenting and verification of military industry should be given priority for completion. It should be condusive to satisfaction of the demand for people's livelihood and rapid expansion of consumer goods production. In this way, the supply of commodities on the market will be increased. At present an integrated analysis and evaluation should be conducted over enterprises that produce military goods which are in excessive supply but that are seriously deficient in their production assignments. Some enterprises produce inferior goods of high price and unmarketable goods. Some enterprises have suffered losses for a long time and fail to see the effects of rectification. Some enterprises develop too slowly and do not have normal conditions for production or their production targets are unsettled. After such analysis and evaluation, closing, suspending, merging and shifting should be carried out according to different situations. Some products that are of good quality and low cost, marketable and competitive in international and domestic markets and that are in short supply should be stepped up. They should forge ahead toward the goal of high, big precision and top-notch, and production of goods in short supply should be tackled.

//3. Practical conditions should be taken into account in determining the form of merging of the military and civilian goods production.// The form of coordination should be principally toward coordination, but should distinguish between different situations, so that there is both division and coordination. The following forms of coordination may be taken: (1) Coordination at the upper levels, division at the lower levels. This means the provincial machine building industrial committee or the head office produce various types of military goods as well as civil goods. Below these two organizations, military branch control organs or military branch companies should be established. While coordination at the upper levels is the fundamental form, the subdivisions at lower levels should cater to the specific demands of military goods and carry out specialized management. (2) Coordination of manufacture and division of design. This means the design of products on paper should be carried out separately but different manufacturing units should be coordinated. (3) Processing should be coordinated, assembly should be diversified. For spare parts for military and civil goods, items involving similar or equivalent spres and craftsmanship should be processed together. But at the stage of packaging, they should be separated. (4) Coordination of hardware, division of software. The production of software should be separated from that of civil goods and be treated as classified. Hardware that is basically the same, should be produced together with civil goods. Military goods that require special functions should not be forced into the same production process as civil goods. There is however a special condition for these few forms of coordination. They must be undertaken according to the principle of economic rationality and must facilitate the development of production as well as the construction of the economy and the construction of national defense. Enterprises under the company may extend from military goods to civilian ones; or emphasize both equally. They may also incline to or completely gearup to civilian goods.

//4. It is necessary to positively and steadily carry out systems reform that facilitates readjustment.// In order to turn enterprises into relatively independent commodity producers and maximize the mobilization of the massive working population, it is necessary to separate the executive body from the economic management body. Solid proposals include: breaking up of departmental and regional barriers. The provincial national defense industry office and its branches (excluding special bureaus and companies) and provincial machine building plant and provincial agricultural machinery bureaus should be abolished. A "provincial machine building industry committee" should be formed by the various concerned departments. Its chief mission would be the checking and supervision of all organizations within the machine building industry system (including the national defense industry) in thoroughly executing the state's guidelines, policy, and statutes. It should also formulate the scope of economic development of the entire machine building industry and its policy of economic technology. It should also guide, mediate and determine the various organizations. It should also organize and check all major setups, technological reform, conducting of scientific research projects and provide internal economic data. It should organize the exchange of experience, training of professionals and carry out instruction on work. Under the leadership of the "provincial machine building industry committee," the scattered "big and complete" and "small and complete" enterprises under the parent factories and operational bureaus will be rationalized gradually and according to the principles of economic coordination, industrial system, coordination between specialized departments and economic rationality, different types of cooperative entities will be formed--specialized companies of an enterprise nature and joint venture companies. The road of coordination between specialized departments and economic cooperation will be taken.

//5. To enhance its function as an economic lever, promote development of civil production.// The production and marketing of civil goods by military industry enterprises should be subject to the corresponding industrial and commercial merchandial taxes and gains tax. For the sake of encouraging military enterprises to positively organize civil production, a certain amount of support and tax concessions, should be allowed. This means a reduction of tax under various conditions or fixed reductions. The transaction tax involved in processing and installing of parts should be waived. In terms of prices and sales, the leftover resources from military products, original pieces and installed products should be utilized by enterprises in civil production at a lower price. For production of light industrial products arranged by the upper levels, enterprises should be allowed a certain amount of autonomy in sales. On the issue of opening up competition, the upper level supervisory departments should strengthen overall balance and planned guidance, promptly provide economic information on various types of products to different regions and industries within the country (including production capacity, prices, quality and nationwide supply and demand). Irrational actions resulting from one-sided development of overwhelming position of certain enterprises should be avoided. On the issue of foreign trade, monopolies and sectoral splits should be changed. Uniform leadership and diversified operation should be practiced. Enterprises should have greater powers to negotiate with foreign merchants so as to mobilize the positive function of enterpises concluding contracts for orders with foreign merchants.

CSO: 4006/26

BRIEFS

TEXTILE OUTPUT VALUE--Beijing, 19 Sep (XINHUA)--In the first 8 months of 1981 China's textile industry produced textile goods with a total value of 50.1 billion yuan, a 14,88 percent increase over the total output value in the first 8 months of 1980. [Beijing XINHUA Domestic Service in Chinese 1250 GMT 19 Sep 81 OW]

HEILONGJIANG COAL OUTPUT--As of 28 September, provincial collieries whose products are distributed under the unified state plan, had overfulfilled the third quarter coal production plan by 20,000 tons. The average daily output increased 1.8 percent over the corresponding 1980 period. In the first 9 months of 1981, these collieries overfulfilled the raw coal production plan by 970,000 tons--a national record. [SK301004 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 29 Sep 81]

JILIN TEXTILE INDUSTRY--Eleven textile industrial enterprises in Jilin Province have constructed and expanded production projects, installing a number of machines and making it possible to increase the annual production capacity of cotton yarn by 20 percent, woolen yarn, 100 percent; and dyeing and printing cloth, 10 million meters. Production capacity of other textile products such as knitted goods, silk and chemical fabrics has also slightly increased. [SK301004 Changchun Jilin Provincial Service in Mandarin 1100 GMT 29 Sep 81]

CSO: 4006/27

NATIONAL CONFERENCE ON CONSTRUCTION IN ENTERPRISES CONCLUDES

HK040652 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 25 Sep 81

[Summary] The state capital construction commission opened a conference on political work in construction enterprises throughout the country in Tangshan Municipality, Hebei Province, on 14 September. The conference lasted 10 days and closed on 24 September. The participants visited certain factories and new construction sites of Tangshan Municipality. "Han Guan, minister of the state capital construction commission, submitted a report to the conference, (Xiao Tong), director of the state general bureau of construction, (Xiao Jingwa), director of the state general contracting bureau, and Kang Yonghe, general director of the state labor bureau, spoke at the conference." Li Jingzhao, vice minister of the state capital construction commission, gave a summation speech at the close of the conference.

The participants held: The No 2 construction company in Handan Municipality of qualified to be considered as a good example in simultaneously grasping production, political work, enterprise management, rectification of the leadership group and implementation of the production responsibility systems. The conference held: The most pressing task at present is to rectify well the enterprises and build up a strong work force in order to improve the political quality of the force, and its economic effect and social prestige. We must build the national construction force into a force which possesses advanced ideology, technical experience, strict discipline, and scientific management and which is united to strive for the building of the four modernizations.

The participants unanimously pointed out: "We stress working in accordance with the economic laws, however, we must also strengthen ideological and political work. We must resolutely overcome the state of being lax and weak in ideology and in leadership. We must properly criticize when necessary, and carry out appropriate struggles against wrong tendencies in violation of the four basic principles and various unsavory trends."

In the course of pushing forward the economic responsibility systems, we must also stress correct ideology. We must educate the cadres and the workers to build up the sense of responsibility of being masters of the house and correctly deal with the interests of the state, collective and the individual.

The conference held: "Rectification and building of the leadership groups is the key to rectifying well the enterprises, building a strong force, strengthening ideological and political work and pushing forward the economic responsibility systems." We must work in accordance with the instruction of the Central CCP Committee and promote young, capable and learned staff to leadership posts.

CSO: 4006/27

BRIEFS

HOUSING CONSTRUCTION PACE--Beijing, 1 Oct (XINHUA)--Housing construction in the Chinese urban areas has been progressing at a fast pace in the first three quarters of 1981, a spokesman of the State Capital Construction Commission said. The amount of investment in housing construction, and the floor space of housing under construction and completed in the first eight months approached the level in the corresponding period of 1980, a record year for China's urban housing construction, he said. "The new achievement," he noted, "was made despite the cut in China's total national capital investment for the current year." Between January and August, housing starts covered 87.78 million square meters while housing completions totalled 19.51 million square meters. The State Council approved an additional investment of 3,000 million yuan pooled by the localities and enterprises for the housing programs, the spokesman added. Funds pooled by enterprises accounts for more than a half of the total housing investment this year. In some provinces, the percentage has risen to 60 or 70 percent. [Beijing XINHUA in English 0151 GMT 1 Oct 81 OW]

HEILONGJIANG HOUSING CONSTRUCTION--Heilongjiang Province has successfully advanced housing construction work. According to statistics compiled by the provincial statistics bureau at the end of August, the province has initiated its 1981 housing construction work on 3.79 million square meters of floor space. Housing totalling 690,000 square meters of floor space have been built. With the new houses which have been built in the past 3 years, the province now has new housing with 13.7 million square meters of floor space. They can accommodate 260,000 households. [SK021230 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 2 Oct 81]

CSO: 4006/27

DOMESTIC TRADE

BRIEFS

SHANDONG COMMODITY PURCHASES--During the first 8 months of 1981, commercial departments in Shandong Province purchased 9.6 percent more commodities in terms of their yuan value than in the corresponding 1980 period. Farm and sideline products increased 23.1 percent in value; industrial goods, 6.5 percent; and hogs, 31.3 percent. Sales of commodities in that period totaled 10.3 billion yuan, a 15.3 percent increase over the corresponding 1980 period. Sales of commodities in rural areas increased 16.1 percent and in urban areas, 14 percent. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Sep 81 SK]

CSO: 4006/27

BRIEFS

GUANGDONG SMUGGLING CASE--The legal department of Zhuhai Municipality in Guangdong Province recently cracked a smuggling case in which (Lu Jianming), vice secretary of Xiangzhou Fishing Vessel Shipyard Party Committee, was arrested. Since the Xiangzhou fishing vessel shipyard lies just on the border of Macao, (Lu Jianming) had the opportunity to engage in smuggling activities with Hong Kong and Macao merchants by making use of his power. In addition, he also organized a gang of criminals to steal spare parts of vehicles to refit old cars which had been imported from Hong Kong and Macao and sold them at high prices in the name of the shipyard. According to incomplete statistics, (Lu) had sold some 112 cars from October 1980 to June 1981, realizing a profit of 130,000 yuan. [HK281223 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 10 Sep 81]

PRINTING MACHINE SALES EXHIBITION--Beijing, 5 Oct (XINHUA)--More than 200 printing machines from 50 printing machine factories throughout China were on display today at the Beijing exhibition center as the first national printing machinery sales exhibition opened. The director of the exhibition said that foreign manufacturers and business people are welcome to visit the fair and discuss questions of technical cooperation. He said that invitations have been sent to foreign businesses and manufacturers including dealers in Chinese printing machinery, resident representatives of foreign businesses in Beijing and commercial officers of embassies. China has exported printing machines since 1956 and they now go to more than thirty countries and regions. It is expected that total value of exports will surpass five million U.S. dollars this year, an increase of 33 percent over last year. [OW051417 Beijing XINHUA in English 1217 GMT 5 Oct 81]

CSO: 4020/10

BRIEFS

GRASSROOTS TRADE UNIONS--Beijing, 1 Oct (XINHUA)--According to Gongren Ribao, the organizations of trade unions at the grassroots level in China have developed vigorously. Statistics of departments concerned show that China now has 376,000 grassroots trade unions, 449,000 workshop trade unions, 4.54 million trade union groups, 61.16 million trade union members, 190,000 cadres of grassroots trade unions who are divorced from production and 7.7 million grassroots trade union activists. In comparison with 1964, the number of grassroots trade unions has increased by 190,000. [Beijing XINHUA Domestic Service in Chinese 0014 GMT 1 Oct 81 OW]

CSO: 4006/27

PRC AVIATION ADMINISTRATION LETTER TO TAIWAN

OW061524 Beijing XINHUA in English 1506 GMT 6 Oct 81

[All quotation marks as received]

[Text] Beijing, 6 Oct (XINHUA)--The aeronautical information service of the General Administration of Civil Aviation of China (CAAC) has proposed to the International Notam (Notice to Airmen) Office of the Taiwan Flight Information Centre that they cooperate in compiling a new aeronautical information publication on China's civil aviation.

The letter which was sent in September said that the suggestion was made to help develop the civil aviation of the motherland and our common interests." It said that representatives of the Taiwan civil aviation authorities "are welcome to come to Beijing, Guangzhou or Shanghai and other places suitable to both sides. The Chinese people's government will assure their safety and free travel. We can also send our people to Taiwan if the Taiwan civil aviation authorities guarantee their safety and free travel.

If the Taiwan Civil Aviation authorities had difficulties in sending personnel to the mainland, the letter suggested contact by mail. Two copies of "Aeronautical information publication of China's civil aviation were offered which could be picked up from the CAAC office either in San Francisco or Tokyo.

On January 3, 1979, CAAC proposed to the Taiwan civil aviation authorities that there be talks on air service and indicated willingness to provide all conveniences for air service between the mainland and Taiwan Province.

In November 1979, Xu Keji, a CAAC official then in charge of ICAO (International Civil Aviation Organization) affairs, offered CAAC aeronautical information to the Taiwan civil aviation authorities and said that CAAC would like to exchange experiences with their colleagues in Taiwan. He proposed joint use of the technical date of the International Civil Aviation Organization to develop civil aviation and ensure flight safety.

The General Administration of Civil Aviation of China resumed its activities in the International Civil Aviation Organization in 1974.

CSO: 4020/10

TRANSPORTATION

BRIEFS

LIAONING CHANGXING ISLAND BRIDGE--A bridge linking Liaoning Province and Changxing Island was opened to traffic 29 September. This bridge, which is 355 meters long, 10 meters wide and 176 meters in its central span, is one of China's modern bridges constructed with domestic and foreign advanced technology. The construction project was undertaken by the first construction section of the provincial highway construction bureau. A ceremony to mark the bridge's opening to traffic was held 29 September, attended by some 1,000 civilians and soldiers. [SK301004 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 29 Sep 81]

CSO: 4006/27

IMPORTANCE OF COLLECTIVE ECONOMY IN CITIES AND TOWNS STRESSED

Jinan DAZHONG RIBAO in Chinese 3 Sep 81 p 3

/"Study of Economic Problems" column article by Qi Yongping /7871 3057 1627/: "Collective Economy in Cities and Towns Is an Important Component of Socialist Economy"/

/Text/ As clearly pointed out in the "Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China," "the state economy and the collective economy are the basic forms of the Chinese economy." As an important component of socialist economy, the development of the urban collective economy is an objective necessity, since it can help develop production, bring prosperity to the market, initiate various forms of social services, and provide conveniences for people living in cities and towns.

Specifically the urban collective economy has the following special features and roles:

1. It suits our country's specific conditions. Practice has proved that developing the collective economy is consistent with our national conditions. We have a huge population and a weak economic foundation. While the national economic readjustment is going on, the state cannot afford to spend too much on developing the collective economy. In establishing collective enterprises, the state is not required to invest in the building of factory buildings and dormitories or in the purchase of equipment. Nor will the number of people consuming commercial grain be increased. The collective economy in cities and towns has such features as a large variety of trades and a broad scope of activities which occupy less land, require less investment, and yield quick results, in addition to its business flexibility, strong adaptability, and close contact with the market. It is also easy to set up collective enterprises which enjoy independence and keep initiative in their own hands; practice independent accounting, assume responsibility for profits and losses; and exercise democratic management. The result of their business operation has a direct bearing on the economic benefits of their workers and staff members. Therefore, the enthusiasm of the workers and staff members can be easily aroused.

2. It is convenient for integration and cooperation. In our country, more than 90 percent of the major industries are concentrated in 107 municipalities directly under the central or the provincial government. These municipalities also serve as political, economic and cultural centers with fairly large concentrations of scientific research organizations. For the sake of energy conservation, it is usually necessary for local

major industries to form integration and to cooperate with the collective economy in cities and towns in developing high-grade, precision and advanced production of a fairly difficult nature; in producing small products, accessories and spare parts; or in undertaking processing and auxiliary projects.

3. Collective enterprises can also fill certain gaps. In addition to the role of cooperation, the collective enterprises in cities and towns can produce many products which the major industries are incapable of producing. According to statistics, the volume of industrial goods for daily use produced by collective enterprises amounts to approximately 17 percent of the total retail sales throughout the country. More than 20,000 different products produced by these enterprises are indispensable to people's daily life which includes food, clothing, housing and travelling. Thus they are playing an important role in filling gaps.

4. As experiences in the past 20 years have proved, collective commerce in cities and towns is an important force not to be overlooked in the spheres of exchange and circulation. In 1954, there were in the whole country approximately 2.8 million peddler households. In the course of socialist transformation, the majority of them were organized into cooperatives which form an important component of the collective economy. Despite certain defects which has left behind some long standing problems, the transformation was a great success. Collective commerce in cities and towns has enlivened the market and provided facilities for production and people's daily life. Since the Third Plenary Session of the 11th Party Central Committee, collective commerce in various forms has become more active and played a more important role. In Jinan, for example, the Dongguan Neighborhood Office of Lixia District raised its own funds to set up a collective store. Its average daily sales were more than 3,600 yuan. This serves as a very good example.

5. Collective economy plays an important role in bringing prosperity to the small and medium-size cities and towns. The policy for city construction in future is to control the scope of large cities, to rationally develop the medium-size cities, and to actively develop small cities and towns. It is necessary for collective enterprises to develop not only in large and medium-size cities, but also in small cities and towns in particular. Small cities and towns have special features of their own. They are close to the countryside and serve as local political, economic and cultural centers. With better transportation facilities, they also serve as a bridge between the large and medium-size cities and the vast countryside. Because of their limited energy resources and scientific and technological know-how, they are unfit for the development of major industries; however, handicrafts, commerce, service trade, communication-transportation, and civil construction in many cities and towns are fairly well developed, and are able to provide convenience to the local people's daily life. That is why the adoption of flexible policies, the increase of trades, and the clearing of channels for the development of collective economy are of great significance to the prosperity of cities and towns.

6. It helps organize the broad masses of workers and unemployed youths in the cities and towns to participate in socialist construction. The vast majority of collective enterprises require high labor intensity. Some of these enterprises do not demand a high technological level and can provide more job opportunities. In June 1981, the State Statistical Bureau announced that if the restaurant business could return to its 1955 level, 3.7 million additional people could be given jobs. Thus if the entire collective economy could return to its 1955 level, the employment problem for more people can be solved.

From what has been cited above, we can see that, far from a temporary expedient, the development of collective economy in cities and towns is an important measure to promote production and business, to bring prosperity to the cities and towns, and to infuse vitality into the economy under the guidance of state planning and on the basis of market needs. This measure is consistent with the present level of productive forces in our country, helpful to the development of production, and compatible with the objective economic laws. That is why in the not distant future, collective economy should be developed in cities and towns, along with the appropriate reactivation and development of individual economy. Since the Third Plenary Session of the 11th Party Central Committee, many good experiences have been gained and accumulated in the development of this type of collective economy in different regions and trades. For this reason, we believe that collective economy in cities and towns can take many forms: the people's voluntary participation with self-raised funds or integration with rural enterprises to form collective enterprises. Unemployed youths can also independently form specialized or comprehensive organizations under the system of collective economy. With increased resources and an enlivened economy, it will be possible for collective economy in cities and towns to start out on an ever broadening road.

9411
CSO: 4006/506

PUBLICATIONS

BRIEFS

CHINESE ECONOMIC YEARBOOK--Hong Kong, 29 Sep (XINHUA)--The overseas edition of 1981 "Chinese Economic Yearbook," published in Chinese, has been put on sale here today. The overseas edition is the first ever published since the founding of the People's Republic of China. "Chinese Economic Yearbook," will be published annually in the future and the Japanese and English editions 1981 "Chinese Economic Yearbook" will successively be on sale overseas, says Jiang Yiwei, chief editor of the yearbook, at a press conference given by the Hong Kong contemporary culture enterprise company on 28 September. [Beijing XINHUA Domestic Service in Chinese 1136 GMT 29 Sep 81 OW]

CSO: 4006/27

PRC ECONOMIST ON INDUSTRY, ECONOMIC REPORT

HK290134 Hong Kong SOUTH CHINA MORNING POST in English 20 Sep 81 p 16, Business Supplement

[Article by Julie Auyeung]

[Text] China is taking a new approach to its development of heavy industry--renovating existing factories instead of attempting ambitious projects of building new plants.

However, the development of light industry to improve living standards, still remains the essence of Beijing economic policy.

These were reviewed yesterday in Hong Kong by Mr Jiang Yiwei, the deputy director and research of the Institute of Industrial Economics, Chinese Academy of Social Sciences.

Mr Jiang also announced the publication of a Chinese annual economic report--the first since 1949--which will shed light on progress made during the country's economic reforms.

It is recognized that China still faces many problems and changes or readjustments are inevitable. But there are good signs and China is "steadfast" in its economic policy, said Mr Jiang.

Mr Jiang explained China is not reverting to the development of heavy industry despite reports to this effect.

However, China does not intend to let existing plants lie idle because of the switch of emphasis from heavy industry to light industry.

"Plant facilities are still there and workers still have to be paid. It is important that new technology be introduced to keep up the production," he said.

The policy is not to stop any operation, but invest sufficiently in these plants to restore their original production capacities.

He added: "Though there is a contraction in investment on heavy industry, we will still be spending some money on it. But we will not be building capital-intensive plants for heavy industry."

On the policy concerning special economic zones, the overall plan is to develop coastal regions and cities and gradually move inland.

There are reports that Beijing, Shanghai and Tianjin will be turned into special trading areas with more "flexibility" in carrying out foreign trade and cooperation with foreign business partners.

Mr Jiang said: "These cities are being given priority for development because of their background in commerce and industry. They have a leading function.

"We have to move towards inner China gradually as many of these areas have not yet reached the capabilities of the special economic zones."

In the annual economic report just published, comprehensive coverage is given on the economic achievements made by all Chinese provinces in the past 30 years.

About 150,000 copies will be circulated in China and 10,000 copies in Hong Kong at HK$200 each. The English version will be out soon while the Japanese issue will be ready next month.

There are plans to print quarterly editions starting from next year.

CSO: 4020/10

HONG KONG, PRC OVERSEAS CONSTRUCTION LABORER CONTRACT

HK150307 Hong Kong BUSINESS STANDARD in English 15 Sep 81 p 1

[Text] Hong Kong has now become the overseas employment agent for China after two locally-based companies reached agreement with the Chinese authorities to export Chinese workers. Zim-Chem (Far East) recently signed a contract with the Fujian Foreign Construction Company to promote and provide Fujian workers with work in overseas construction and industrial projects.

The other company, Chronicle Consultants, also reached a similar agreement with Guangdong Manpower Service Corporation in late 1979. The export of manpower is claimed by China as part of the program for Chinese workers to learn modern technology through actual practice.

However, Chinese authorities also stand to profit financially by exporting manpower. According to information supplied by Chronicle Consultants, an unskilled worker, for example, must be paid by his overseas employer 300 dollars (HK$1800) a month. His employer must also provide his transport expenses, accommodation, income tax as well as living expenses. But according to Zim-Chem's Mr Chu, the workers themselves usually only get 10 percent of this wage while their families also only get an income double their previous wages in China. Workers also get bonuses and overtime salaries. As a normal unskilled worker in China now gets about 40 yuan (about 130 dollars) a month, a large part of the wages earned by the worker--about HK1500 or 80 percent--will be shared by the Fujian authorities and Zim-Chem. Another financial benefit for China thorugh the export of manpower is that China gets hard foreign currency while it pays the families of workers in renminbi. However, both Mr Chu and Mr Nakayama of Chronicle Consultants said it does not necessarily mean that China is set to exploit its own workers. "These workers like to work overseas as they know that they can never earn as much inside China.

CSO: 4020/10

HONG KONG PAPER ON PRC CHANGES ECONOMIC POLICY

HK220455 Hong Kong SOUTH CHINA MORNING POST in English 22 Sep 81 p 5

[By a staff correspondent]

[Text] The zig-zagging Chinese economic policy which has confounded analysts and economists both in the country and abroad appears to have taken yet another turn, with an apparent swing back towards placing emphasis on heavy industry.

As yet, there has been no definite declaration of such a switch, but increasingly China's economists and the media have hinted at the need to re-emphasise speed in industry and a halt to retrenchment in heavy industry.

A little over a year ago, China was blaming the previous leadership, ostensibly under the leadership of the then party chairman and prime minister, Mr Hua Guofeng, for the "leftist" tendency and overemphasis on heavy industry to the detriment of agriculture and light industry.

There followed a drastic retrenchment on capital investment in heavy industry.

Overnight, many contracts with Japanese, West German and French firms were suspended, in some cases cancelled. These contracts, including the deal on the Baoshan Iron and Steel Mills, were regarded as an overextension of Chinese capital.

It has been argued that the Baoshan investment alone was so heavy that, if it were spread over the light industrial sector, it could facilitate the building of several hundred factories devoted to light industrial products such as textiles with faster returns.

Overnight, too, many construction projects devoted to heavy industrial products were suspended. Factories under construction were left to rot and installations dismantled and taken away for private use.

The emphasis, then, was on agriculture and light industry, particularly the production of consumer goods, such as sewing machines, television sets, cassette recorders, and bicycles.

Overnight, too, a whole new family of factories devoted to the production of consumer goods sprang up. Encouraged by a liberal policy that endorsed private initiative, these factories were built without much overall planning, with the result that several factories manufacturing the same goods were operating in the same region or district, to the detriment of each other.

As they competed against each other for the sale of their products they resorted to various means so that corrupt practices were so rife that they alarmed the authorities who called for strict measures to curtail the malpractices.

On the other hand, few factories would manufacture goods that did not bring a quick return, with the result that there was a shortage of certain goods.

At the same time, with the closure of many factories devoted to heavy industry such as those producing lathes and spare parts for light industry, it became apparent that as machinery in the light industrial sector broke down, it was difficult to find replacements and in certain cases, even spare parts.

The result was a reduction in the manufacture of light industrial goods in certain areas whereas in other areas, it was impossible to expand production.

Another serious side-effect was the displacement of hundreds of thousands of workers who suddenly found themselves out of a job. They still received their monthly ages, but they no longer had the benefit of overtime pay and bonuses even if they wished to work harder. Emergency measures were taken to "retrain" them but these measures were rather halfhearted.

As one economist pointed out at the time, the drastic measures as regards heavy industry were beginning to have an effect on the whole economy. There resulted an imbalance in various sectors.

Meanwhile, foreign investors whose heavy industrial contracts were cancelled or suspended expressed great displeasure and threatened retaliatory measures such as seeking compensation. This forced the administration to go back on their suspension order and resume their contractual responsibilities.

As time passed, the overemphasis on light industry was also beginning to produce undesirable side-effects.

Because the country has a vast population and because the light industrial sector could not keep up with the demands of the population, an acute shortage of popular goods occurred.

In the past, under a puritanical society, the shortage of goods meant a further tightening of the belt and the people were told to bear it in the name of "perpetual revolution." With that ideology thrown overboard, the people were demanding more and they meant to get what they strived for.

The shortage of goods, even though the authorities were doing their best to produce them, contributed to another phenomenon which was nonexistent in the past: inflation. And blackmarkets flourished everywhere.

By January this year, the situation was so serious that the State Council had to issue a 10-point directive on industry. Apart from stressing that all major capital construction projects must be approved by the State Council, the other points dealt largely with the problems that were themselves the products of the readjustment program, such as the need to unify the bonus award system, the need to unify control over finances and taxes and the readjustment of commodity prices.

Another directive stressed that market adjustments must be carried out in accordance with national plans--a clear indication of the lack of control in regional planning and a free-for-all investment policy.

By late spring the ill effects of the over emphasis in light industry became even more pronounced while the heavy industrial sector showed stagnation.

By late summer, it became apparent that coal production could not meet the target the State Council set for it last year and the coal minister, Mr Gao Yangwen, had to make a selfcriticism.

Behind the scene, a debate was raging as to whether the policy of going full-steam ahead with light industry and drastic retrenchment in heavy industry was the right one.

And since April, the media began to stress that there should not be an excessive demand on the speeding up of capital construction.

Although the media laid the blame on "excessive demand" many analysts said the real emphasis ought to be, once again, the need to develop capital construction.

This was in sharp contrast to the widely publicized decision late last year that there should be drastic cuts in capital construction--a branch of heavy industry.

By August, the emphasis appeared to be on both light industry and heavy industry. This was borne out by a statement to the Hong Kong press by a State Council vice premier, Mr Gu Mu, that retrenchment in heavy industry had already reached its peak and there would not be any further retrenchment.

The shift of emphasis on economic policy also had a parallel development on the political side.

Mr Gu early this year had to shed his charimanship of the state capital construction commission, and three other top State Council officials, including the former State Planning Commission chairman, Mr Yu Qiuli, had to take a back seat when they lost out in their advocacy for heavy industry.

They were replaced by a new economic team who was in favor of the development of light industry. The "new" team was led by the party vice chairman. Mr Chen Yun, and included, among others, the present chairman of the State Planning Commission, Mr Yao Yilin, the prime minister, Mr Zhao Ziyang, whose Sichuan economic experiment was widely hailed.

With the perceptible shift to heavy industry, the fortunes of the new team appear somewhat eclipsed.

Apparently angry with the shift, Mr Chen Yun, who was the champion for light industry and a severe critic of heavy industry, moved to Hanzhou. Mr Yao has made fewer appearances or received foreign guests and it was left to Mr Zhao to explain the nation's future economic policies to visitors.

On the other hand, those who previously advocated emphasis on heavy industry, have made a comeback.

Mr Yu, in his new position as China's energy chief, separately met a Japanese delegation which was also received by Mr Zhao. Mr Gu also made more appearances and officiated at the launching of a 27,000-ton bulk carrier that Chinese shipyards built for a Hong Kong shipowners.

The head of the "old" team, commonly acknowledged to be yet another party vice chairman, Mr Li Ziannian, has also been receiving guests and speaking of economic developments of the country.

With the apparent shift back to heavy industry, even ever so slightly, a major question now arises: to what extent will the shift move and what kind of a balance, if at all, is to be struck?

A re-emphasis on heavy industry will mean new investment and China is known to be short of funds these days. While borrowing will be one way to resolve this problem --and China's credit standing in the international market is fairly good--this will only meet part of the capital required for the development.

There is also the problem of what to do with the dozens of heavy industrial plants that ceased operations since the middle of last year. Reviving them will mean injection of additional capital which would not have been necessary had these plants continued to function.

All these will be the main problems to which the present leaders will have to address themselves.

The coming fourth session of the Fifth National People's Congress is therefore all the more important for it will be at that session that Mr Zhao will discuss China's economy in his government work report. In that report, he will also discuss the country's Sixth Five-Year Plan already underway.

Mr Gu, at a meeting with a visitor, disclosed that the country's economic growth was 3 percent this year, very low indeed compared with the past few years. He also expressed the hope that the growth in the next 4 years would proceed at the rate of 4.5 percent a year.

These growth figures are a pragmatic assessment considering the sluggish world economy and compared with low growth rates of other countries. The question is whether these expectations can be translated into reality.

For this to be achieved, there must not be any more drastic changes in the direction of the Chinese economy.

CSO: 4020/10

HONG KONG PAPER ON PRC ECONOMIC SEMINAR

HK281320 Hong Kong WEN WEI PO in Chinese 28 Sep 81 p 3

[Dispatch From Beijing: "Experts Hold Economic Seminar, Discuss Development Speed During Readjustment Period"]

[Text] How are we to maintain a fairly high development speed during the readjustment period? Economic experts in Beijing recently held a seminar and deeply probed this question. The participants unanimously noted: During the pervious period, our country promptly adopted retrenchment measures and revised the proportionate relations within our national economy in order to remedy the serious consequences caused by "leftist" mistakes in our guiding economic ideology which almost brought about a collapse of our national economy. The measures and the revision have yielded notable results in the process of readjustment. However, during the process of readjustment, we must not be stifled by financial restrictions. Financial problems cannot be solved under the situation in which there is a production shrinkage. At present, we have a surplus heavy industrial production capacity, an expansion of industrial losses, a decrease in revenue and a greater risk of having deficits. This situation has put a new issue before us which is in need of immediate settlement. This new issue is: During the process of readjusting our industrial structure, the means of production must maintain a fairly high development speed. Only by doing so can we enliven our national economy.

During the 1950's, "one to eight" was the standard ratio between money supply and turnover from retail trade in social commodities. Some people think that this ratio is no longer applicable to the current social and economic conditions in our country, and that it is imperative to make a concrete analysis of money supply. We cannot practice overall deflation and comprehensive tightening of money supply for a long time.

Some people have noted: At present, although manpower, equipment and facilities in our capital construction, metallurgical and machinery units lie idle and are left unused, there is still a demand for them. Therefore, with the application of the principle of multiplication of investment and the application of the concept of opportunity cost, there will be no inflation even if the state makes more investments. Investments should guarantee good economic effects and supplement financial redistribution with bank redistribution. Some other people have noted: There is a great disparity between our production scale and our real production capacity. We should expand our planned investments, form a fine social production circle and have comprehensive control over our social consumption. By doing so we will reduce financial deficits by a big margin.

The seminar also noted: Energy is an important factor that restricts the speed of economic development. In addition to vigorously broadening sources of energy, our more important short-term task is that we must regard the general conservation of energy as a strategic objective. Energy conservation targets should be combined with economic targets and national income. Broadly speaking, energy conservation should include raising energy systems' efficiency and restructuring the utilization of energy resources.

Some people have noted: Energy is not the only breach. The West deems that except for population and energy, the most challenging question of our time is the excessive consumption of nonfuel mineral resources. Our country is rich in nonferrous and rare metals. We should make full use of this superiority and grasp our nonferrous metal industry as a strategic industry.

CSO: 4006/27

'WEN WEI PO' ON IMPROVING ENTERPRISE MANAGEMENT

HK211133 Hong Kong WEN WEI PO in Chinese 21 Sep 81 p 3

[Dispatch From Beijing: "Economic Experts Put Forward Many Measures When Discussing Improving the Economic Effect of Enterprises"]

[Text] Recently the Chinese Association of Enterprise Management held discussions on the problems of improving the economic effect of enterprises. Their analysis and discussion of the problems were on the following three aspects:

1. The main manifestations and causes of the poor economic effect of the enterprises at present: owing to the irrational economic management systems and the influence of the "leftist" thinking and, in addition, owing to the serious disturbance of and sabotage by the "gang of four," problems exist in most of the enterprises resulting in a situation where, with only a few exceptions, the economic effect cannot be improved quickly. This is mainly demonstrated in the relative backwardness of the main economic and technical targets in quite a few enterprises, the low efficiency in exploiting energy and labor and the low profit rate compared to international interest rates. The low economic effect of industrial enterprises is due to problems in both the macrostructure and the microstructure of the economy. Its causes are diverse. Within the enterprises, the main causes are overemphasis on technology and neglect of administration, overemphasis of production and neglect of management, overemphasis of fulfillment of plans and neglect of the economic effect.

2. The chief measures for raising the economic effect:

At present the enterprises should proceed from reality, make a relevant study of the experiences in raising the economic effect in a few advanced enterprises in Shanghai, Shandong, Jiangsu and Jiangxi and combine this study with the reality of the respective localities and enterprises. Major measures for raising the economic effect have been put forward in five aspects. Diversified forms of economic responsibility systems should be set up. At present, to consolidate the enterprises and raise their economic effect we should take the establishment of diversified forms of economic responsibility systems as a basis for effecting a breakthrough. To set up economic systems we should correctly engage in two three-in-one combinations: the three-in-one combination of power, responsibility and interest and the three-in-one combination of the interests of the state, the enterprise and the individual. In the former combination the interest is economic impetus, the interest should be based on fulfilling the responsibility, and the power is the guarantee for fulfilling the responsibility. In carrying out the economic responsibility systems, political and ideological work must be intensified. Material and spiritual measures should be coordinated and neither of them can be dispensed with.

Economic accounting should be intensified. In coordination with the economic responsibility system, economic accounting should be intensified and accounting systems should be gradually set up and perfected for a whole factory, for all the personnel and for the whole process of production so as to carry out overall economic accounting. Special emphasis should be put on management. Circulation should be enlivened as should production. Therefore, emphasis should be put on management in order to be able to do more business with the same amount of capital.

Attention should be paid to expanded reproduction by intension in making efforts to raise the efficacy of production. Only by raising the efficacy of production can the existent equipment, labor, the targets of labor and other elements be combined well and be exploited to the greatest extent.

Construction by the leading groups of the enterprises should be intensified. The key to consolidating enterprises and raising the economic effect is for their leading groups to do a good job in construction.

3. A few problems outside the enterprises:

Raising the economic effect of the enterprises mainly depends on tapping their internal potential. However, from outside the enterprises, the state and the departments in charge of them should create certain conditions for the enterprises. The following should be done:

Reinforce the leadership of the enterprises' management.

Sincerely implement all the economic policies which concern the enterprises.

Vigorously train their management cadres.

Hold in a planned way for various enterprises management discussion meetings in groups according to professions and localities.

Set up advisory companies in industrial provinces and municipalities.

CSO: 4006/27

HONG KONG PAPER ON PRC'S ENTERPRISE MANAGEMENT

HK280705 Hong Kong WEN WEI PO in Chinese 25 Sep 81 p 3

[Dispatch From Beijing: "State Council Resolves to Grasp Enterprise Management"]

[Text] After implementing the economic responsibility system in the industrial and communications enterprises, leaders of the state council pointed out that it is necessary to rapidly promote rectification of enterprises and business management and to motivate the enthusiasm of the cadres and workers in tapping the potential of the enterprises. It is necessary to pay particular attention to this question this year as well as in the future.

According to the state council leaders, our industrial and communications enterprises are seriously wasting money. It can be said that gold is found everywhere because the larger plants usually waste more. However, generally speaking, the more the waste, the greater the potential. The present ratio of the growth rate of industry and financial revenue is approximately 1 percent increase of output to 1 billion yuan of financial revenue. If the total industrial output is increased by 4 to 5 percent each year, financial revenue will only be increased by 4 to 5 billion yuan. However, if we really grasp the economic gains of the enterprises, we will get several billion yuan of financial revenue instead of 1 billion. In light of their experiences, the directors of the Financial Bureau of Fushun Municipality said: If each of the 6,000 key enterprises throughout the country saves 1 million yuan in tapping potential, a total of 6 billion yuan will be saved which is equivalent to the financial revenue obtained. A result of a 6 percent increase of the growth rate of industry.

According to the state council leaders, the factors accounting for waste are first, the malpractice of eating out a big pot, and the lack of drive among the enterprises and the workers who are not concerned with the economic gains of the enterprises; second, irrational utilization of raw materials in the localities and departments which are segregated from each other and are always engaging in petty disputes. The objective of pushing forward the economic responsibility system is to make the workers treat the factories as their own and be concerned with the factories, promote production of the factories, tap the potential of various aspects and increase the economic gains. We must affirm this point, or else, we will start on the wrong road in promoting the economic responsibility system.

The state council leaders have pointed out three points regarding how to tap the potential of enterprises: 1) improve the level of business management; 2) promote technological restructuring centering on increasing the economic gains; and 3) rationally utilize the raw materials. All this means asking for money from business management, from tapping potential, renovating and restructuring industry and from comprehensive utilization of raw materials.

According to the state council leaders, relying on these sources of wealth, Fushun Municipality fulfilled the state's financial quotas this year despite decreased production in coal, oil, steel and aluminum, and scored success in ensuring financial revenue despite decreased production. All areas and all departments, in particular, the industrial and communications departments, must grasp a number of enterprises which possess great potentials to implement the economic responsibility system, improve the level of business management, carry out technological restructuring centering on increasing the economic gains, strengthen rational utilization of raw materials and organize joint projects and promote coordination, and so on. In the future, in addition to general scheduled arrangements, we must arrange investment, equipment and raw materials for technological restructuring and provide equipment for relatively large backbone enterprises which enjoy great economic gains.

The state council leaders stressed and pointed out: from now on, leaders of all industrial and transportation departments must fix their eyes on the lower levels and tap the potential and get money from large enterprises. It is necessary to know the ideas of the key enterprises which possess great potential and can really increase economic gains. Arrangements can be made for all projects which can get the best economic results, however, prior to this, the necessary amount of capital and raw materials is subject to approval of the state economic commission and financial department, projects which get the greatest economic gains will be given priority in arrangement; and capital will be allocated to enterprises which require a relatively small amount of investment and which brings about quick results. Planning should also be carried out centering on increasing the economic gains.

CSO: 4006/27

TIANJIN MAY BECOME SPECIAL TRADE AREA

HK250208 Hong Kong SOUTH CHINA MORNING POST in English 25 Sep 81 p 1, Business Supplement

[Text] China is planning to turn Tianjin into another special trading area, in a bid to speed up the country's economic development, sources close to Beijing told business news.

Details concerning the application of the principles of special economic zones to Tianjin are being drafted.

Souces said that developments in Tianjin may be similar, although not identical, to Guangzhou, Shenzhen and Zhuhai of Guangdong Province and Shantou of Fujian Province [as published] which are forerunners for China's specially-designed economic policy.

Tianjin is a coastal municipality and the city is one of the three largest cities in China, after Beijing and Shanghai. It has been a traditional trading port, with well-established light and heavy industries.

Meanwhile, at a meeting held recently in Beijing to discuss progress made in SEZ's [Special Economic Zones], Chinese authorities concluded that the policy of dedicating provinces and cities to trade should be widely applied to other Chinese cities.

Sources said that there are plans to designate areas in Tianjin, Shanghai and Beijing as additional special trading areas. "This is also aimed at quickening the pace of China's economic development," an official from Tianjin commented here yesterday.

It was also learned that Xigiang [place name as published] will be further developed as a support base for offshore oil activities in northern Chinese waters.

Direct air links between Tianjin and Hong Kong are being considered and discussions on the subject will be held at the appropriate time.

Tianjin plans to attract foreign investments through Hong Kong--following the examples set by Guangdong and Fujian which have offices here.

Cooperation with foreign investors will include compensation trade, processing and other joint ventures.

China traders in Hong Kong welcomed the idea of more special trading areas.

"Interest has already been shown by foreign companies, especially electronic companies, to extend operations to Tianjin," the assistant director of the Hong Kong General Chamber of Commerce, Miss Cecilia Fund said.

The area manager (China) of the Hong Kong and Shanghai Banking Corporation, Mr Anthony Russell, believes opening more special trade zones is likely to increase foreign investments.

But he suggested that the same set of regulations must govern all special trade zones to avoid confusion.

CSO: 4020/10

STERN PUNISHMENT FOR SMUGGLERS IN GUANGZHOU

HK231354 Hong Kong WEN WEI PO in Chinese 22 Sep 81 p 3

[Dispatch From Guangzhou: "Guangzhou Reiterates Stern Punishment for Smugglers and Pedlars of Contraband"]

[Text] The Guangzhou CCP and revolutionary committees this morning reiterated the necessity of imposing stern punishment on units and personnel engaged in the smuggling and peddling of contraband.

At this morning's meeting, which was held to draw up plans to crack down on smuggling activities, it was pointed out by the Guangzhou CCP and revolutionary committees that since they started cracking down on the smuggling and peddling of contraband in April this year, they have already uncovered over 100 cases of smuggling and more than 4,000 cases of peddling contraband. The private goods market has been outlawed and both public order and market order have shown signs of improvement, but they have not yet been able to break the back of such smuggling and peddling activities.

In connection with the present problems, the meeting stressed that all enterprises, institutional units, organs, bodies, schools, troops and individuals, and especially party members, cadres and soldiers are forbidden to smuggle, peddle or buy contraband. They may not, in any way shield, cover up or support the smuggling and peddling of contraband. As for those units engaged in such activities, we must carry out a thorough investigation of the facts and mete out severe punishments.

The meeting announced that stiff sentences should be meted out to heads of smuggling rings, smugglers in general should be punished according to the law, stiff sentences should be meted out to drug traffickers and gold and platinum smugglers, and cadres who harbor smugglers for a share of the spoils should be subjected to the full sanctions of the law. All contraband must be seized and must not be purchased. Contraband seized by antismuggling units should be sold to designated commercial units for a fair price and must not be dealt with independently.

CSO: 4006/27

FOREIGN TRADE

BRIEFS

CHINA, ROK TRADE--Hong Kong reexports of China-origin goods to South Korea increased 118 percent of HK$97 million during the first 6 months of this year, the government announced yesterday. This substantiated earlier reports that China has been doing business with South Korea through Hong Kong as the middleman. China earlier this month admitted publicly for the first time in a report carried by GUANGZHOU RIBAO that it conducts trade with South Korea via Hong Kong. China has close links with Communist North Korea and does not recognize the government in Seoul. And Chinese officials had consistently dismissed reports of trade with South Korea. Seoul businessmen estimated that China's trade with their country might reach the HK$1 billion-mark, compared to nearly HK$600 million last year. [Excerpt] [HK170112 Hong Kong STANDARD BUSINESS STANDARD in English 17 Sep 81 p 1]

CSO: 4020/10 END

JPRS 79307

27 October 1981

China Report

ECONOMIC AFFAIRS

No. 179

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27 October 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 179

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ECONOMIST SIXTH FIVE-YEAR PLAN

OW110827 Tokyo KYODO in English 0744 GMT 11 Oct 81

[Text] Beijing, 11 Oct (KYODO)--A top Chinese economist has said China is aiming at wiping out its fiscal deficit by the end of next year. This was disclosed by Sun Shangqing, deputy director of the Economics Institute of China's Academy of Social Sciences in an interview Saturday with a group of KYODO News Service reporters here.

The economist said this is one of the three major targets of a sixth 5-year economic plan (1981 to 1985) which the government is preparing to submit to the National People's Congress next month.

The two other main targets of the plan are: keeping the fiscal accumulation rate below 30 percent and the modernization of the industrial structure, he said.

Sun said the basic aim of the sixth plan lies in the continuation of economic readjustment, and that under the plan, 1982 basic construction investments would be held down to 30 billion yuan (about $17.4 billion) to 38 billion yuan (about $22 billion).

China's heavy industries have recorded a plunge so far this year. Efforts will be made next year for the development of the machinery industry and other measures be taken to prevent a further decline in the heavy industries as a whole, the economist said.

The Chinese Government initially forecast a fiscal deficit of about 8 billion yuan (about $4.6 billion) for 1981, according to the economist.

However, thanks to the economic readjustment policy, the deficit is now considered likely to be held down to about 2 billion yuan (some $1.16 billion) as of the end of 1981, Sun projected.

The economist did not give definite production targets under the sixth plan. However, he said the present crude oil production level of 100 million tons a year would be maintained for some time to come.

On coal, Sun said China could not fully work out its potentialities because of the greatly limited transportation capacity.

The economist also said an atomic power plant or plants will be built during the sixth-plan period. He added that feasibility studies on the technological, economic and environmental aspects of the project are now under way.

Sun also said an outline of a long-term economic plan would also be submitted to the National People's Congress next month. The outline will envisage the construction of satellite cities while preventing the expansion of major cities and a raise in the employment rate of the tertiary industry--service industry--to 15 percent from the present 11 percent, he said.

CSO: 4020/13

AGGREGATE ECONOMIC DATA

AGGREGATE ECONOMIC DATA GIVEN

[The following selected provincial-level aggregate economic data have been extracted from various media sources as indicated. In the table below, the gross value of industrial output is abbreviated as GVIO.]

Provincial Level Aggregates

Date of period of comparison	Increase	Value, in yuan	Percentage of plan Fulfillment	Source
Beijing				
1981 (May/Apr)	GVIO: 4.5%			14
1981 (Jun/May)	GVIO: 5.2%	2.219 billion		14
Fujian				
1981:1980 Jan-Jun	GVIO: 2.8%	3.89 billion	50% of annual plan	2
1981:1980 Jan-Jun	Light industry: 7.4%			2
1981:1980 Jan-Jun	Heavy industry:-4.8%			2
1980:1952	Industrial fixed assets: 26-fold	410 billion		4
1980:1952	Coal: 8.4-fold (weight)			4
1980:1952	Electricity: 40-fold(kwh)			4
1980:1952	Machinery: 53-fold			4
Guangdong				
1981:1980 Jan-Jun	GVIO: 11%			8
1981:1980 Jan-Jun	Light industry: 16.9%			8
1981:1980 Jan-Jul	Revenue: 11.34%		62.65%	11
1981:1980 Jan-Jul	Expenditure: 8.79%			11
1981:1980 Jan-Jul	GVIO: 13%			12
1981:1980 Jan-Jul	Profit: 26%			12
1981:1980 Jan-Aug	GVIO: 10.5%		68.2% of annual plan	13
1981:1980 Jan-Aug	GVIO: 10.4%	15.94 billion	68.5%	18
1981:1980 Jan-Aug	Light industry: 15.7%			18
1981:1980 Jan-Aug	Heavy industry: 1.5%			18
1981:1980 Jan-Jul	Export trade: 27.1%	1.26 billion (US dollars)		18
1981:1980 Jan-May	GVIO: 10.75%			21

Jiangsu				
1981:1980 Jan-Aug	GVIO: 5.4%			9
Shandong				
1981:1980 Jul	GVIO: 1.77%			1
1981 (Aug/Jul)	GVIO: 4%			19
Shanghai				
1981 (Aug/Jul)	GVIO: 1%			10
1981:1980 Aug	GVIO: 2.2%			10
1981:1980 Jan-Aug	GVIO: 0.2%			10
1981:1980 Jul	Light industry: 6.05%	641.43 million		15
1981:1980 Jan-Jul	Textile industry: 5.5%	8.05 billion		16
Shanxi				
1949		GVIO: 1.97 million		20
1980		GVIO: 11.01 billion		20
Sichuan				
1981 (Aug/Jul)	GVIO: 5.7%			23
Tianjin				
1981:1980 Jan-Jun	GVIO: 4.5%			6
1981:1980 Jan-Jun	Light industry: 12.42%		50.21% of annual plan	22
1981 (Aug/Jul)	GVIO: 3.9%			23
Xinjiang				
1981:1980 Jan-Jun	GVIO: 5.6%			5,24
1981:1980 Jan-Jun	Light-textile industry: 11.6%			5
1981:1980 Jan-Jun			48.7% of annual plan	24
Zhejiang				
1981:1980 Jan-Jun	GVIO: 14.3%	10.3 billion		3
1981:1980 Jan-Jun	Light-textile industry: 22.5%			3
1981:1980 Jan-Jul	GVIO: 14.5%			7
1981:1980 Jan-Jul	Light-textile industry: 22.8%			7
1981:1980 Jan-Jul	Heavy industry: 2.5%			7
1980:1979	Light-textile industry: 28.6%			17
1981:1980 Jan-Jul	Light-textile industry: 22%			17
1981:1980 Aug	11.1%			23

FOOTNOTES

1. Jinan DAZHONG RIBAO 8 Aug 81 p 1
2. Fuzhou FUJIAN RIBAO 11 Jul 81 p 1
3. Ibid., p 3
4. Ibid., 12 Jul 81 p 2
5. Beijing GONGREN RIBAO 27 Jul 81 p 1
6. Ibid., 28 Jul 81 p 1
7. Ibid., 29 Aug 81 p 1
8. Guangzhou GUANGZHOU RIBAO 11 Jul 81 p 1
9. Nanjing Jiangsu Provincial Service in Mandarin 17 Sep 81
10. Shanghai JIEFANG RIBAO 4 Sep 81 p 1
11. Guangzhou NANFANG RIBAO 20 Aug 81 p 1
12. Ibid., 21 Aug 81 p 1
13. Ibid., 16 Sep 81 p 1
14. Beijing RENMIN RIBAO 11 Aug 81 p 1
15. Ibid., 12 Aug 81 p 1
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17. Ibid., 4 Sep 81 p 3
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19. Jinan Shandong Provincial Service in Mandarin 5 Sep 81
20. Taiyuan SHANXI RIBAO 3 Jul 81 p 1
21. Hong Kong TA-KUNG-PAO 15 Aug 81 p 2
22. Tianjin TIANJIN RIBAO 4 Jul 81 p 1
23. Hangzhou ZHEJIANG RIBAO 16 Sep 81 p 1
24. Hong Kong ZHONGGUO XINWEN 28 Jul 81 p 4

CSO: 4006/28

BRIEFS

COPPER EXPLORATION IN ANHUI--Tokyo, 24 Aug (KYODO)--Japan has agreed to extend technological cooperation to China in exploration of copper deposits in Anhui Province, eastern China, it was announced Monday. The Governmental Metal Mining Agency of Japan said it reached the agreement with the Chinese Ministry of Metallurgical Industry. The copper deposits, located about 20 kilometers north of Anqing City, have an estimated 31 million-ton copper ore reserve. The ore has an average 1.34 percent copper content. An agency spokesman said preparations for the detailed exploration would be started next month so that exploration could begin late in the current fiscal year or early next year. The schedule calls for shafts to be sunk in fiscal 1982 and 1983, tunnels to be dug the year after, and borings to be conducted in fiscal 1985. This is estimated to cost yen 2 billion (about $8.7 million), to be jointly borne by the two governments, the spokesman said. [Text] [OW241215 Tokyo KYODO in English 0723 GMT 24 Aug 81]

CSO: 4020/14

BRIEFS

BUILDING MATERIALS OUTPUT--Beijing, 7 Oct (XINHUA)--Output of mica, granite, cement poles, cement asbestos shingles and terrazzo have met the annual state quota ahead of time, according to the Ministry of Building Materials Industry. Output of 16 products, including cement, plate glass, glass fibers, hygiene ceramics and glazed bricks, met more than 75 percent of the annual target between January and September. Jiangsu, Zhejiang and nine other provinces and municipalities produced 1.7 million cubic meters of cement structural parts for rural house construction. This can provide housing for 1.3 million families. [Text] [Beijing XINHUA in English 0247 GMT 7 Oct 81]

CSO: 4020/13

FOREIGN TRADE

EXCELLENT RESULTS OF COOPERATION WITH FOREIGNERS DISCUSSED

Nanjing XINHUA RIBAO in Chinese 28 Aug 81 p 1

[Article by Yao Guoguang [1202 0948 0342]: "Results of Our Province Using Foreign Capital and in Cooperating With Foreigners Economically Have Been Good"]

[Text] Responsible persons on the Provincial Import-Export Committee told a reporter for this paper that since the 3d Plenum of the 11th Party Central Committee established the policy of opening the economy to the outside world our province has made definite headway in making use of foreign capital and in developing economic and technical cooperation with foreigners.

According to statistics for the last two years worth, our province has adopted practices such as processing and assembly for foreigners, compensatory trade, joint ventures, and administering local short-term foreign currency loans. In all there have been 481 economic cooperation projects successfully negotiated with manufacturers and business firms of Hong Kong, Macao and other foreign countries. These entail the use of US $136 million of foreign capital. The bulk of these projects involve the light, textile and electronics industries where a small investment will bring quick results in a short period of time. Because of this, the state of development has been excellent. Just taking foreign currency loans as an example, of the 347 loans that were approved as of the end of last year, 200 have already been paid off. The foreign currency returned was 75 percent of the actual funds used. After all projects are put into production, they can produce more than US $100 million annually.

In the areas of expanding the production capabilities of existing enterprises, developing new technology, improving product quality, increasing exports and planning for the utilization of labor and employment, the projects which have already gone on line have shown great initiative. For example, the textile profession in our province introduced certain technically advanced equipment and forcefully solved the weak links of needle and fabric production and techniques for handling goods after printing and dyeing is completed. This allowed for a 5-fold increase in the export of woolen materials, an 87.5 percent increase in the export of knitted wool floss shirts, a 52 percent increase in the export of printed cloth, and a doubling of the exports of broad cloth. Embossed calico, schreinerized twill satin, calico yard goods, embossed velvet, clipped-nap towels and other new high class products have appeared in succession. Light industry departments coordinated the reform of old factories, and though the use of foreign capital and the initiation of compensatory trade, achieved the successive introduction of technical equipment for producing bicycles, watches, digital watches, plastic knit, food cans and other things. This has not only improved the production situation, but also has presented the enterprises manufacturing machinery for light industry with materials from which to learn. Certain enterprises in the electronics industry have squarely faced the conditions of backwardness in production methods and substandard quality of parts and have begun foreign parts assembly operations. They have obtained the necessary facilities and testing apparatus, have already solved key production problems, have trained staff, workers and technical troops, and one after another have locally produced radio-recorders, electronic alarm radios, pocket calculators and other such products which have enriched the domestic markets.

Utilizing foreign capital is a new operation which is strongly policy oriented and is very involved, and because of our lack of experience, problems exist both in our practical work and in terms of economic results. From now on, on the foundation of a serious summation of experience and in accordance with the characteristics and needs of the industry and agriculture of our province, we must expand our contacts with firms of Hong Kong, Macao and other foreign countries, strengthen research of what undertakings are possible, further enliven and improve the work of using foreign capital and of economic and technical cooperation with foreigners, and better serve the readjustment of the national economy.

9705
CSO: 4005/513

FOREIGN TRADE

EXPORTS OF MECHANICAL, ELECTRICAL ENGINEERING PRODUCTS INCREASE

Kunming YUNNAN RIBAO in Chinese 24 Aug 81 p 1

[Article by Provincial Import and Export Administration Committee: "Exports of Mechanical and Electrical Engineering Products in Our Province Continues To Increase"]

[Text] Thanks to the close coordination of industry and trade and the increased channels for export in the past year, the varieties and quantities of mechanical and electrical engineering products for export have continued to increase in our province. This has helped increase our foreign exchange earnings and has contributed to the success of the national economic readjustment in our province.

The Yunnan Provincial Mechanical and Electrical Engineering Equipment Export Company, formed by the integration of industry and trade, was established in October 1979. The staff of this company consists mainly of engineers and technicians of the machinery departments of the province. Under the principle of unified action toward foreign countries, the export of mechanical and electrical engineering products from our province, hitherto handled by some coastal units as arranged by the foreign trade departments, is now managed by the province itself. Through the combined efforts of the industry and of trade sectors in our province, the volume of our mechanical and electrical engineering products exported in 1980 was 2.6 times that of 1979. The types of these products for export have also increased. Instead of just lathes, telescopes, and a few other items, 25 different types of items, including power transmission lines, cables, battery plates, ballast, and metal switches have found their way into the world market.

There have also been new developments in the export of mechanical and electrical engineering products since the beginning of this year. In the first 6 months, the contracts signed with foreign merchants involved a total of 23 million yuan, more than double the figure for all of 1980. In addition to those items exported to Burma, Thailand, Pakistan, and Bangladesh, totaling more than 2,000 sets last year, the "Jinma [Golden Horse]" brand diesel engines have been sold to the United States this year. The export of various types of ball bearings produced in the province was only some 2,600 sets in 1979. This was increased to 600,000 sets in 1980 and has risen sharply to 1.44 million sets this year. This increase not only has brought in more foreign exchange earnings, but also has kept the four ball-bearing plants in the province operating at basically full capacity.

While expanding the export of mechanical and electrical engineering products, we have also imported advanced technology through the processing of materials supplied by foreign customers according to their designs and diagrams. This advanced technology has helped raise the technical level of machinery processing and has opened a new avenue for the export of our mechanical and electrical engineering products. For example, the Kunming Lathe Plant has cooperated with a Dutch company in producing digital-controlled lathes, and with a company, called Ka Bo, of West Germany in processing engraving rulers. The Yunnan Heavy Machinery Plants, in cooperation with a specialized West German company, has produced a rubber compression machine according to the diagram supplied, with a foreign merchant serving as the sole agent for the products. The Kunming Drilling Machine Plant has cooperated with a French company, called Gan Bai, for the production of all-purpose drilling machines.

The machinery industry in our province already had an established foundation, and there is a potential for the development of small and medium-size mechanical and electrical engineering products for export. Industry and trade, once integrated, can promote each other, and integration can bring into play the strongpoints of each side. There is now a great future in our province for the exporting of mechanical and electrical engineering products.

9411
CSO: 4006/506

BRIEFS

DELEGATION TO FRG EXHIBITION--Beijing, 12 Sep (XINHUA)--China will participate in the fourth European international machine tool exhibition to be held in Hanover, West Germany, on 15 September. This was stated by Liang Xunxuan, deputy chief engineer of the general machine tool corporation of the First Ministry of Machine Building, who is leaving for Hanover today at the head of a Chinese trade, technical and production cooperation mission. Liang Xunxian said, "China will strengthen technical inter-change with other countries and try to find better ways for trade cooperation, including co-production." China began to export machine tools in 1957. More than 10,000 machine tools were exported to Japan, France and 50 and more countries last year. China now has 120 large machine tool plants and a greater number of medium and small plants scattered all over the country. Since 1970, China's annual production of machine tools has remained at about 140,000 in 1,400 specifications, 100 of which are precision tools. [OW151335 Beijing XINHUA in English 0821 GMT 12 Sep 81]

IMPORTS, EXPORTS--New progress has been made in China's foreign trade in the first three quarters of this year. Compared with the same period of last year, the total amount of imports and exports has increased by more than 10 percent with exports exceeding imports. According to statistics, the total amount of imports and exports from January to September, was $28.72 billion, of which exports accounted for $14.69 billion and imports $14.03 billion. Compared with the same period last year, the total amount of imports and exports has increased by 11.1 percent, with export increasing by 13.2 percent and import 8.9 percent. [Text] [HK150255 Beijing Zhongguo Xinwen She in Chinese 0758 GMT 14 Oct 81]

CSO: 4020/13

BRIEFS

YUNNAN MOTOR TRANSPORT REGULATIONS--The Yunnan Provincial People's Government recently printed and issued the provisional regulations on control over motor transport of goods and demanded that all prefectures, autonomous prefectures, municipalities and counties enforce them. The regulations provide that under the leadership of the provincial traffic leadership group, the Provincial Traffic Department is to be responsible for the control over motor transport of goods. The economic committees, planning committees, traffic departments, industrial and commercial administrative departments and public security departments of all prefectures, autonomous prefectures and municipalities are to organize traffic leadership groups to strengthen administration of local traffic work and transport. Special organs must be established to be responsible for this work. All motor vehicles for civil use throughout the province must be divided into two classes: motor vehicles of a business nature and motor vehicles of a nonbusiness nature. The units and motor vehicles which engage in transport of a business nature must hold business licences issued by the industrial and commercial administrative departments and pay the business tax and business charges to the state. The transport charges must be fixed by the province and cannot be negotiated arbitrarily. [HK051320 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 10 Sep 81]

CSO: 4006/41

GENERAL

'FROM EACH ACCORDING TO HIS ABILITY' CONSIDERED NECESSARY

Jinan DAZHONG RIBAO in Chinese 3 Sep 81 p 3

[Article by Lu Xiyue [4151 1585 1878]: "'From Each According To His Ability' Should Be Correctly Understood under the Socialist System"]

[Text] The achievements of our socialist undertakings in the past 32 years have been the result of painstaking efforts of the broad masses, all trying to do their best under the correct leadership of the party. Therefore, in summing up our historical experiences and stressing the need to observe economic laws and to implement the principle "to each according to his work" in various forms effectively, we should at the same time correctly understand the principle "from each according to his ability" under the socialist system.

"From each according to his ability" means that all able-bodied people should exert their utmost efforts in actively promoting the socialist cause. We must be aware that people usually interpret "from each according to his ability" as a principle applicable only in the communist future, and as merely some general principle advocated in ideological and political education under the socialist system. Such an interpretation is wrong.

Predicting the need for "from each according to his ability" in the future society, Marx and Engels, as we understand, referred to the establishment of the system of public ownership of the means of production, "in which, on the one hand, no individual can throw on the shoulders of others his share in productive work, this natural condition of human existence; and in which, on the other hand, productive work will become the instrument emancipating men instead of the instrument enslaving them, offering each individual the opportunity to develop all his faculties, physical and mental, in all directions and exercise them to the full, and in which, therefore, productive work will become a delight instead of a blight." (ANTI-DUHRING p 290) Under the socialist system in our country, the productive forces have not yet reached the level required for the communist system of the future, and the socialist public ownership of the means of production still takes two different forms. Furthermore, there are remnants of differences between the city and the countryside, between workers and peasants and between mental and physical labor from the old society. Therefore, "from each according to his labor" is still to a certain extent restricted by social economic conditions. However, it must not be forgotten that we have already established and developed the socialist system of public ownership of the means of production. Regardless of the form of public ownership, the laborers have become the owners of the means of production. From this, we can conclude that the nature of labor, thus defined, "is no longer the kind of labor serving the wealthy people and the exploiters, but the labor serving the laborers themselves and the society." ("Collected Works of Stalin," Vol 13, p 223) If the enthusiasm of laborers has been suppressed, their wisdom stifled, and their talents restricted under the system of exploitation for hundreds or thousands of years, now we can say that the establishment of the socialist system has given the laborers an equal opportunity of contributing "from each according to his ability" to the task of ushering in a new historical era. Instead of the instrument of enslaving people, labor has become the instrument for people to emancipate themselves. Therefore, "from each according to his ability," like "to each according to his work," is a principle independent of people's will, wish or demand; it implies an objective inevitability in the process of socialist economy. The task for ideological education is precisely to discover, affirm and protect, and then to develop and realize this inevitability. Every member of the society should correctly understand his own social position as a master, display his vigor, and try his very best in continuing to blaze a trail of happiness for himself and the society. In short, happiness cannot drop from the sky; it can only be created with people's hands. For the same reason, the noble cause of socialism can only be served with the dogged determination of millions upon millions of people.

We should also clearly understand that more social products to be distributed according to the principle "to each according to his work" can only come from the hard work of people doing their very best.

"Men reap what they sow," so goes a common saying. We must sow more before we can reap more, and reap more before we can distribute more. If we want to sow more, reap more and distribute more, people should work to the best of their ability and the land should be used to the best advantage. For the same reason, the total amount of social products for the society to provide "to each according to his work" depends, in the final analysis, on the laborers' efforts to continually raise labor productivity by doing his very best. When the laborers' ability is given full play and fully utilized, labor productivity will continue to rise, and the same amount of labor, say 8 hours per day, will produce more social products for distribution according to people's work. For each laborer, the same amount of labor will bring a bigger return according to the principle "to each according to his work." This holds true for workers of enterprises owned by the whole people as well as those owned by the collectives, and to those of communes and production brigades.

Some comrades have turned the dialectical relationship between production and distribution upside down and severed the relations between "from each according to his ability" and "to each according to his work" by advocating the so-called "working according to the remunerations offered" principle. This means viewing the socialist principle of distribution from the mercenary standpoint of the exploiting system. If we let this decadent concept interfere with people's thinking and influence their action, it will certainly turn out to be what Lenin criticized as "the narrow horizon which compels one to calculate with the coldheartedness of a Shylock whether one has worked half an hour more than somebody else, whether one is not getting less pay than somebody else." ("Selected Works of Lenin," Vol 3, p 254) Under such conditions, there cannot be any higher socialist labor productivity to speak of, and neither the total amount of social products nor the shares of individual laborers distributed "to each according to his work" can be increased. That is why when we speak of "to each according to his work," we must think of "from each according to his ability."

Every laborer should work for the socialist cause to the best of his ability. However, it must also be borne in mind that at the present socialist stage, the progress of economic activities and the development of various related undertakings of either the economy of ownership by the whole people or that of ownership by the collectives can only be realized under certain leadership or in certain organizational forms. Therefore, it is the duty of the leadership at each level to assign laborers to suitable posts according to the requirements of the social economy and the intellectual and physical power of each laborer. This applies to every production team, every plant and even the whole state. Since the Third Plenary Session of the 11th Party Central Committee, both the party and the government have advocated the correct principle of increasing job opportunities, implemented the policies on intellectuals, vigorously developed various educational undertakings, and rewarded and respected those who have achieved success in various fields. All these measures are essentially intended as an encouragement to the laborer to do their very best. We must not lose sight of the fact that in some localities, departments or units, the leaders have still failed to realize the importance of training people and putting them to proper use. They also closed their eyes to misplacement of professional workers and even considered talents as a matter of the "system of ownership by units." Even in handling problems of employment for which the policy has already been spelled out, they will withold action as soon as any difficulty is encountered, or may simply cast these problems aside as though they are an extra burden; this and so forth. After all, they lack a correct understanding of the rights enjoyed by laborers according to the principle "from each according to his ability" under the socialist system. This situation must be corrected. We must rely on the creative labor of all people according to the principle "from each according to his ability" in order to build our country into a strong modern socialist country.

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CSO: 4006/505

GENERAL

PROGRESS SEEN IN FINANCE-TRADE WORK

Kunming YUNNAN RIBAO in Chinese 26 Aug 81 p 1

[Article: "Our Province Has Made New Progress in Finance and Trade Work in the First Half of the Year--Thoroughly Adjust Principles, Promote Development of Production, Expand the Marketing of Goods"]

[Text] In the first half of this year progress was made in the finance and trade work of our province. The main planned targets in each area were increased in varying degrees over the same period last year.

So far this year trade and finance departments in our province has thoroughly and seriously adjusted principles, continued to do well in the reform of every item which is beneficial to the adjustment, actively supported the production of goods, firmly grasped the management of the sources of supply both inside and outside of the province, and at the same time strengthened the management of the markets, protected appropriate trade and attacked various illegal activities, with the result of enlivening the market and promoting a further flourishing of the economy. The major developments have been:

A boom in buying and selling in the market. In the first half of this year net purchases of goods from state run enterprises and supply and marketing cooperatives were up 11.7 percent over the same period last year. Among these, purchases of farm sideline products increased 6.6 percent and purchases of local industrial products increased 12.1 percent. The purchases of certain important farm sideline products such as rapeseed, hogs, tea leaves, edible sugar and also hemp seed, wild sources of oil, palm, ginger, sunflower seeds, pumpkin seeds, dried bamboo shoots, peppers and others of the 3 types of farm sideline products were all up over the same period last year.

Along with the development of production, purchases have increased and the supply of goods has improved. In the first half of this year, the value of retail sales increased 6.5 percent compared to the same period last year. Of this, the value of the retail sales of rural consumer goods increased 9.4 percent. This was proportionately greater than the increase in the value of retail sales of urban consumer goods. The volume of sales for most goods increased, in varying degrees, when compared to the same period last year. The collective and individual commercial enterprises and the food service industries of the entire province continued to develop, and this promoted the development of a commercial goods economy. In the first half of this year, the value of retail sales of collective commercial enterprises and food service industries increased 20 and 28.9 percent respectively over the same period last year.

Urban and rural periodic market trade has been more lively. To the end of June, the number of trade stores in the periodic markets of the entire province had already reached 2,190. This is an increase of 52 since the beginning of the year. And for the first half of the year the value of sales of goods in periodic markets increased 30.7 percent compared to the same period last year. The general level of prices of the goods in the periodic markets decreased 9 percent compared to the same period last year, and the difference between these prices and the official prices was reduced. Under the guidance of the state plan, market regulation was further developed. In this regard, the total value of the farm subsidiary products purchased in the supply and marketing cooperative system of the entire province during the first half of the year increased 18.7 percent compared to the same period last year, the grain negotiated for within the grain network of the entire province from April to June increased 7 times compared to the same period last year, and there were advances in trade warehouse operations everywhere.

Fiscal income increased, expenditures fell. In the first half of this year the fiscal income of the entire province fulfilled 55.5 percent of the annual plan. Of this, revenues from industrial and commercial taxes clearly increased. Fiscal expenditures were 18.9 percent less than in the same period last year. Planned reductions such as expenditures for capital construction, administrative management costs, social and collective procurements of goods and others were less than for the same period last year. Certain expenditures related to the lives of the masses such as culture, education and sanitation, city maintenance, housing for municipal employees, survivor relief, etc. increased to differing extents over the same period last year.

There has been an increase in currency withdrawn from circulation, and the amount of currency circulating in the marketplace has decreased since the start of the year. Prices have basically stabilized. In the first half of this year, in a situation where the supply of currency to the marketplace had increased and the purchasing power of the people in rural and urban areas was clearly higher, because of the active management of the supply of goods by the trade and finance departments at every level, service income expanded, urban and rural savings increased and currency in the market changed from last year's net investment to a net withdrawal this year, with 50 million yuan more withdrawn this year than last. Up to the end of June the amount of currency circulating in the markets throughout the province had decreased 6.7 percent compared to the end of last year. Because of the increase in the supply of goods, increases in the currency withdrawn from circulation, increases in fiscal income, and because at the same time certain subsidies were provided for products whose purchase and sales prices were inverted, for the first half of the year prices in our province stabilized and the people's lives were peaceful.

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GENERAL

IMPORTANCE OF ECONOMIC RESPONSIBILITY SYSTEMS DISCUSSED

Jinan DAZHONG RIBAO in Chinese 1 Sep 81 p 1

[Article by Wang Yuzhang and Jiang Shiling [3769 5940 4545, 1203 0013 1694]: "Grasp the 'Bull By the Horns' in Developing Commune and Brigade Enterprises--A Discussion of the Implementation of System of Economic Responsibility in the Commune and Brigade Enterprises of Our Province"]

[Text] Systems of economic responsibility for the commune and brigade enterprises of our province have already been promoted everywhere within the bounds of our entire province. According to incomplete statistics, at present approximately 70 to 80 percent of the total commune and brigade enterprises of the entire province have implemented systems of economic responsibility. In the process of carrying out these systems, most have been careful to work from their own actual situations and to combine economic responsibility, economic effectiveness and economic benefits in a way suited to their situations. The primary forms employed are these 7: piecework wages, small collective piecework, piecework in excess of targets, specialized contract work, profits based on completion of contracted work, floating wages, and a workpoint bonus system. Practice has proven that in carrying out systems of economic responsibility, if we can do reasonably well in combining rights, responsibilities and benefits and do a good job balancing the benefits for the state, the collective and the individual, then commune and brigade enterprises will develop quickly.

Although the communes and brigades of our province have not carried out systems of economic responsibility for a long period of time and these systems are still not perfect, their usefulness and effectiveness have already begun to show. This is mainly displayed in 4 areas: The first is in mobilizing the initiative of enterprises and employees. Labor productivity has greatly increased. Seventy-four percent of the commune-run enterprises in Jiao County have implemented some form of economic responsibility system and the initiative of the employees has greatly increased. In the first half of this year the value of production and profits increased 17.9 and 15.7 percent respectively over the same period last year. Labor productivity for all personnel increased 11.2 percent compared to the same period last year. The second is in the promotion of the reorganization of commune and brigade enterprises and in the improvement of management. In all cases, units which have done well in promoting the economic system of responsibility have all begun by carrying out a reorganization of the enterprise and a strengthening of its management. They have established economic standards and targets for each item of work, forcefully grasped product quality and economic accounting and so brought about greater economic benefits for the enterprise. Ninety-four percent of the commune and brigade enterprises in Yentai Prefecture have implemented systems of economic responsibility. In the first half of this year, under conditions of rising raw material and fuel prices, the enterprises actively undertook to improve management, promote overall economic accounting and reduce production costs, and this caused actual profits of the commune run industries of the entire prefecture to increase by 12.4 percent over the same period last year. The third is in carrying out the principle of distribution according to work, more work bringing a greater share, and balancing the benefits of the state, the collective and the individual. After its commune and brigade enterprises implemented systems of economic responsibility last year, the Sunjiatuan Commune in Weihai paid 26.92 percent more taxes to the state than the previous year, while public reserves increased 58.6 percent and the income of individual commune members increased an average of 174 yuan. There was also a rather large rate of increase in the first half of this year as compared with the same period last year. The amount of taxes paid to the state increased 1.8 times, collective reserves increased 1.5 times, and individual income increased an average of 20 yuan. The fourth is in expanding employee morale, completely renovating the faces of enterprises. The masses have generally indicated that, in commune and brigade enterprises where a system of economic responsibility has been implemented, just as in agricultural work, "we unite in production as we unite in our hearts, everyone is united and everyone is concerned," and "when responsibility falls to the group, everyone is a cadre; when responsibility falls to the individual, all are masters". In the past at the kiln works at Baicheng Commune in Gaomi County when it would rain during the night the cadres would cry their lungs out in vain trying to get people to come and cover the unfired bricks. Now whenever it rains during the night, not only will those who live at the works arise on their own to cover things up, even some of those who had returned to the dormitories will hurry back to help. In the past, in their treatment of production tools, not just a few workers would "fight for them when on the job and carelessly toss them side when the day was done." Now, with the implementation of a production cost contract system, workers in the plant are extremely careful of even the smallest piece of wood, and this promotes increased income and reduction of expenses. Every area has a large number of vivid facts which make it clear that the promotion of systems of economic responsibility by communes and brigades, in the manner of taking the bull by the horns, increased the workers' sense of responsibility, clears up the confused condition of enterprise management and promotes the development of production.

How can we go a step further in implementing systems of economic responsibility in our commune and brigade enterprises? In terms of the experiences of each area, there are 5 areas of work in which we must do well: (1) Do well in seriously establishing the various targets. Targets are the foundation for success in any system of economic responsibility. They must be positive and reliable, neither easily surpassed nor too difficult to reach. How can we make them positive and reliable, progressive and reasonable? They must be based on a composite balance of the present production levels of the particular enterprise and the highest historical levels, as well as on the levels of those most advanced in the field and the promulgated standards of the departments concerned. When establishing targets, we must fully carry out mass discussion. In regard to crucial targets which are controversial, we must, when necessary, organize and carry out tests in order to gather reliable data. And in our work we should not lightly change targets which have already been established. (2) In signing contracts and requesting credit, we must maintain credibility with the people. Much of the content of the systems of economic responsibility should be confirmed in the form of written contracts. Relations between the commune and the enterprise, between the enterprise and the technical personnel and the operational divisions within the enterprise, and between the operational divisions themselves and the work groups and the individuals that comprise them should all be drawn in one form or another of a written contract or agreement after carrying out mass discussion. After a contract has been formally signed, there must be mutual supervision and common adherence to it. And, in the absence of special circumstances, neither party can be allowed to make unilateral changes. This will give the contract the force of law and it will be protected by national law. (3) Establish strict systems of inspection of goods before accepting delivery and of review. Once technical targets have been reviewed and put into effect for operational units, groups and individuals, we must have precise records, statistics and tables which are accurate, timely and scrupulously well kept. The enterprise must help the operational units and technical personnel select good statisticians and accountants and must maintain the stability of their work. (4) Further strengthen ideological and political work. After a system of economic responsibility is put in place, the enterprise will meet with some new situations and problems. For example, it is easy for a "money grubbing" mentality to spread among a small number of cadres and the masses who will haggle when establishing targets and will even go so far as to engage in pretense and falsehood, to disregard quality, etc. To solve these problems we cannot rely soley on administrative orders and economic measures, but must also do very detailed ideological and political work, frequently commending advances and criticizing bad tendencies, inducing everyone to consciously contribute to the four modernizations. (5) Strengthen leadership. The leading cadres at every level in commune and brigade enterprises must study management, occupational tasks, and technology, and gradually take the initiative in leadership work. At present, the ideological understanding of some of the leading cadres in commune and brigade enterprises are unsuited to the economic responsibility systems being adopted. Some are used to old methods and are stuck in rigid routines. Some have not yet eliminated "leftist" influences and hold a negative attitude toward systems of economic responsibility. This calls for the concerned departments at every level in commune and brigade enterprises to help these cadres correct their understanding, to give them good technical training and to improve the standard of their work and leadership abilities. Within the enterprise leading cadres must carry out a system of job responsibility, distribute workload responsibilities to the operational units and the groups within them and must pay attention to summarizing and publicizing model experiences and solve problems that are discovered in a timely fashion, seeing to it that the economic systems of responsibility develop along with the commune and brigade enterprises and that they continue to improve.

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HEALTHY MENTAL ATTITUDE SAID KEY TO SUCCESSFUL READJUSTMENT

Jinan DAZHONG RIBAO in Chinese 6 Sep 81 pp 1, 3

[Commentator's article: "The Key Lies in a Healthy Mental Attitude"]

[Text] This is already the month of September, and we are only a little more than 110 days away from the yearend. The comrades on the industrial front should start to urgently mobilize, pluck up their courage, and make an all-out effort to ensure increased output and income without any loss of time in order to fulfill this year's industrial production plan. This is of very great significance in readjusting and developing the national economy, achieving financial and credit balances, and stabilizing commodity prices.

Since the beginning of this year, industrial production in our province [Shandong] has generally been good. The policy of readjustment is gradually being implemented, and new changes are beginning to take place in the internal structure of industry, the product mix, and the organizational patterns. Despite shortages of energy and raw materials, industry in the province has still been able to maintain its growth, and light and textile industries in particular have increased their output by a fairly wide margin. From January to August, their rate of growth exceeded that of the same period last year by 16.07 percent, and their ratio to heavy industry has increased markedly. The quality of industrial products has also been further improved. However, many problems still remain, and the task confronting us is very arduous, mainly because of the serious decline in heavy industry. In the first 8 months of this year, total industrial output in the province exceeded that of the same period last year by only 2.68 percent, which falls short of production plans. Furthermore, because of poor management, some enterprises' profits were reduced and their production costs increased, resulting in heavier losses. The economic results have left much to be desired. There are many causes for these problems, but one of the main causes is the lack of a healthy mental attitude among some leading comrades, as shown by "disunity, low morale, and lack of energy." This situation must be drastically changed.

The low spirit of some leading comrades is prominently manifested by the lack of a correct understanding of the readjustment policy. They pay no attention to the growth rate, and they even have the mistaken idea that during the readjustment, "the less production tasks they receive, the better it will be; the slower the growth rate, the easier it will be"; and "increased output does not necessarily signify honor, and decreased input makes no difference." Thus, consciously or unconsciously, their leadership over production has slackened, and no attempt is made to fulfill production targets, even though they are able to do so, or are capable of doing so provided they exert a little effort. Their attitude is erroneous. For a long time we suffered a great deal because of our failure to follow objective economic laws, and in economic construction we worked out impractical plans which resulted in serious imbalances. It is now entirely correct to eliminate these "leftist" ideas and to firmly uphold the policy of readjustment. But this does not mean that a growth rate can be dispensed with, much less discarded. The growth rate we want is a steady rate, meaning the production of easily marketable goods of greater variety and higher quality and with lower consumption of energy and raw materials. This kind of growth rate stresses economic results. In so doing, we have to rely on science, technology, our efforts, and revolutionary fervor. Lax leadership and a lack of fervor in work are always undesirable. Practice over the past 2 years has proved that the industrial readjustment this time is different from that of the 1960's, because this time we cannot be without a growth rate. This growth rate cannot be too high, but it cannot be too low, either; otherwise, there will be an economic recession. It will then be impossible for us to keep a reserve of our resources, without which we cannot cope with either present or future problems. As the situation now stands in our province, the profit tax paid by state-run industrial enterprises amounts to more than 65 percent of the total provincial revenue, and every 100 yuan of industrial value yields a profit tax of 19 yuan. If there cannot be a certain industrial growth rate, our revenue will be greatly reduced and our political stability and unity will be adversely affected. That is why we must correctly handle the relationship between readjustment and production. We must attend to readjustment and production simultaneously, and resolutely boost our industrial production in the 4 remaining months of this year. Those trades and enterprises that have adequate production tasks and are capable of completing their production plans, particularly the light textile industrial enterprises, should continue their efforts, operate at full speed, and adopt effective measures to produce more consumer goods which are in demand in the market, as well as to overfulfill the production plan by a wider margin. In those localities or units where production is poor, especially the coal mines controlled directly by the central government, the production decline should be quickly stopped and every effort must be made to tap potential and produce more coal in order to make up the deficit and to fulfill the annual production plan. The metallurgical, chemical industrial, and industrial machinery departments should further readjust their orientation of service and their product mix. Under the guidance of state planning, they should make good use of the supplementary regulative role of the market. They should orient their work to the needs of the market, increase the channels of sales, look for more production tasks, and strive to reduce or wipe out losses. This is an arduous as well as a glorious economic task.

Another manifestation of the low spirit of some leading comrades is their inability to face difficulties. Whenever the need to increase output is mentioned, they think of various difficulties, become full of worry, and lose their confidence. It must be admitted that in industrial production, there are now many difficulties to be encountered, such as shortages of energy, particularly coal and oil, and of raw materials. Many plants have suspended operation while waiting for raw materials. In heavy industry, particularly the machinery industry, some plants have had little or no production tasks at all. All these are objective facts, but the question is what kind of mental attitude should be adopted in the face of these difficulties. Even in the same trade and with the same difficulties, how can some enterprises operate at full capacity and increase their output by a wide margin, while others are operating seriously under capacity with greatly reduced output? Mental attitude is the decisive factor. With strong dedication to and a keen sense of responsibility for the revolutionary cause, they do not retreat in the face of difficulties or evade contradictions, and they are able to devise ways and means of overcoming difficulties and of escaping predicaments. The experiences of the machinery industry in the province have clearly shown that although the production tasks given to many units were very much below their productive capacity, some of these units have actively readjusted their orientation of production according to market demands, have "looked for rice to cook meals" and have become "overfed" instead of "underfed." These units have increased their production, lowered their production costs, and made greater profits. On the other hand, other units could not take difficulties in stride and had to beat a hasty retreat, with the result that workers were left idle and management became disorganized, or, worse still, the whole unit seemed to be in a state of "hibernation." Historical experiences have shown that the more serious the difficulties confronting us, the greater should be our efforts to look for favorable conditions to strengthen our confidence and our courage in order to overcome these difficulties. At present, there are many favorable conditions to be found in our industrial production: Implementation of the spirit of the Sixth Plenary Session has further unified the views of the broad masses of cadres, workers, and staff members, and the party's firm determination to improve economic work has become more obvious; the different forms of responsibility system adopted by more than 90 percent of the plants and enterprises throughout the province have greatly aroused the enthusiasm of the enterprises and workers; the readjustment of the industrial structure and the reorganization and integration of the enterprises have provided good experiences and methods for improving economic results; after a good summer harvest in agriculture, a good autumn harvest is now in the offing, and these harvests have provided or will provide more raw materials and a bigger market for the light and textile industries. As long as we continue to conscientiously implement the whole set of principles and policies from the Third Plenary Session of the 11th Party Central Committee, pluck up our courage, strengthen our leadership, truthfully explain to the workers and staff members the overall situation and the conditions, favorable as well as unfavorable, for the fulfillment of the production plans in their own units, and then encourage them to try to do their best, they can certainly triumph over difficulties and promote this year's industrial production.

Some leading comrades have a poor mental attitude, as manifested time and again by their weak ideological and political work. These comrades have learned from the experiences of the 10 years of turmoil in a negative way, discarded the fine party tradition of criticism and self-criticism, and lacked the courage to criticize and resist unhealthy tendencies in a forthright manner. As a result, there is no clear demarcation between right and wrong or between merits and shortcomings. This practice has seriously dampened the enthusiasm of the workers and staff members. It is our considered opinion that during the successive political movements of the past, and particularly during the "Great Cultural Revolution," the exaggeration of mistakes, the indiscriminate repudiations and attacks, and the excesses of the struggle did hurt a lot of comrades, and such experiences must not be repeated. However, we should still encourage healthy and correct criticism and self-criticism, which is one of the fine traditions of our party. If we do not carry out criticism and self-criticism, but let erroneous ideas and deeds spread unchecked, we will not be able to increase our production, and the cause of socialism cannot be advanced. At present, a small number of workers and staff members in some plants, mines, and enterprises are making erroneous statements everywhere and practicing bourgeois liberalization, in disregard of the four basic principles. Others are keen on fictionalism and anarchism, and are fighting among themselves for no cause. Still others are refusing to observe labor discipline, as shown by their frequent absenteeism. There are also those with serious individualism who use fraudulent means to benefit themselves at the expense of the public, and so forth. Can we still hesitate to criticize and educate these people? Experiences in many plants and enterprises have shown that if these bad tendencies are allowed to spread unchecked, our work will be even more difficult, but that as long as we have the courage to exercise control, the situation will improve rapidly. The Jinan Match Plant has always been fairly well supplied with production tasks and raw materials. Because of lax discipline, however, production failed to improve. Last April, along with the practice of a responsibility system, this plant streamlined its labor discipline, strengthened its management, severely punished two workers who had physically attacked others in violation of discipline, and commended and rewarded those who had dared to combat unhealthy tendencies. These measures produced profound results in promoting healthy tendencies, checking bad tendencies, and stimulating production. In the first 7 months of this year, its output of matches exceeded that of the same period last year by 30 percent, and its profits more than trebled. Every one of our comrades should carefully reflect on this question: Have I been strong or weak in dealing with erroneous statements and bad tendencies that are in violation of the four basic principles? If there are problems, we should quickly solve them. We should proceed from the party's interests and consciously take up the weapon of criticism and self-criticism to unequivocally commend good people and good deeds, strongly criticize erroneous statements, and bravely attack bad people and bad deeds. Only in this way can we really arouse the enthusiasm of the broad masses of workers and staff members.

Still another manifestation of the low spirit of some leading comrades is the laxity of their workstyle, the general calls they are fond of issuing, and their lack of sustained efforts. They usually sit in their offices, and instead of conducting direct investigations at the frontline of production, they busy themselves with reading reports. They have only a fragmentary or superficial knowledge of the situation and rarely analyze or study problems. Their efforts are spent mostly in organizing meetings, but rarely in implementing any special policies. All these are bad tendencies. Many comrades have learned from their experiences the truth of the saying that in carrying out economic construction, people need a "clear head" and, more important still, an "active body." The so-called "clear head" means an emancipated mind which enables people to break down old conventions, disregard outdated experiences and methods, and use their head in pondering over problems according to the plans, policies, and principles already laid down by the Central Committee. The so-called "active body" means going deep into realities frequently so as to become acquainted with new situations and to solve new problems. Some problems should be discovered and solved right on the spot, without wrangling or delay. We must note that in industrial production, there are now many new problems, such as how to determine a rational profit base and the ratio of profits to be retained in the practice of an economic responsibility system; how to correctly handle the relationships between the state, the enterprises, and the workers in the distribution of profits, plus the relationships between new and old workers, front and rear areas, and different types of work; how to carry out the system of economy responsibility in combination with ideological and political work; and so forth. All these problems should be thoroughly investigated and studied and their experiences summed up, so that they can be promptly solved. There should be a radical change in the workstyle of our leading comrades, so that every measure to increase production and income can produce real results.

We cannot afford to lose any time, because opportunity does not knock twice. We must have a clear knowledge of the current situation and of our own responsibility. With the spirit of the Sixth Plenary Session as our ideological inspiration, let us exert the efforts required for climbing Mount Taishan, and seize every minute and second in improving our work and in contributing to the fulfillment of the industrial production plan this year.

9411
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ECONOMIC-IDEOLOGICAL-POLITICAL WORK STRESSED IN SHAANXI

Xian SHAANXI RIBAO in Chinese 22 Aug 81 p 1

[Article by correspondents Wu Jingmin [0702 7234 2404] and Wang Hongge [3769 3163 7041]: "Standing Committee of Provincial People's Congress Ends; Chairman Ma Wenrui [7456 2429 3843] Presided and Spoke on Necessity To Change Weak and Lax Leadership and To Improve Economic, Ideological, and Political Work"]

[Text] The 10th Session of the Standing Committee of the Fifth Provincial People's Congress ended on 20 August. Ma Wenrui, chairman of the standing committee, spoke at the meeting and strongly pointed out that in the second half of this year it is particularly necessary to pay attention to economic, ideological, and political work in order to promote material production and socialist spiritual civilization.

At the meeting, the committee members conscientiously studied the speeches of Central Committee comrades and the related documents, freely discussed their experiences in studying the "Resolution," and seriously deliberated on economic work in the province. They also listened to and discussed Vice Governor Hui Shigong's [1920 0013 1872] "Report on the National Economic Readjustment Carried Out in Shaanxi Province Since the Beginning of this Year"; listened to and discussed Vice Governor Jiang Yi's [1203 0001] "Report on the Implementation of the 1981 Financial Budget of Shaanxi province During the Past 7 Months"; and discussed and approved certain personnel changes.

Chairman Ma Wenrui presided over the meeting, and before its closing he spoke on economic, ideological, and political work. He said: Economic readjustment in our province has shown initial success, and the general trend of economic development is good. However, there are still many difficulties and problems, and painstaking efforts are required [if we are] to fulfill or overfulfill this year's national economic plan. We must have firm confidence in carrying out our measures so as to ensure a practical growth rate during the readjustment.

Comrade Ma Wenrui pointed out: The urgent task of the moment is to work hard in the few remaining months of the year in order to fulfill or overfulfill this year's national economic plan. While striving for a good agricultural harvest for the whole year, we should pay particular attention to the fulfillment of our industrial production plan. Therefore, we must stress the following points: 1) Provide more active guidance. One of the fatal weaknesses in our economic leadership at present is the lack of thoroughness in work and the absence of specific guidance. Leading departments and leading cadres at all levels should set up a responsibility system so that there will be a distinct division of work and responsibility. Leading cadres at all levels should frequently visit grassroots units and help the basic-level comrades solve problems. There should be a combination of general calls and specific guidance, because it is impractical to issue general calls without providing specific guidance. Poor work performance should be criticized, and losses resulting from a bureaucratic style should be charged to the responsible persons. 2) Strengthen ideological and political work as their foremost concern. At present, we should study the "Resolution" thoroughly. This study will help us unify our views, strengthen our unity, and pluck up our courage. 3) Popularize the economic responsibility system in a planned way. 4) Resolutely practice the principle "to each according to his ability," and overcome egalitarianism and "eating out of the same pot" in distribution. 5) Strengthen the building of leading bodies. In consolidating the enterprises, their leading bodies should first be streamlined. People of the "three types" should be removed from leading bodies; those taking advantage of their official position for private gain should be demoted; and those who are incompetent should be given other, suitable jobs as soon as possible. On the other hand, those young cadres who have a good political background, who enjoy high prestige among the masses, and who are technologically proficient should be promoted to leading posts, so that the leading bodies of enterprises will be full of vitality and militancy and will be able to lead the workers and staff members in the fulfillment of production plans.

Speaking of problems on the ideological front, Comrade Ma Wenrui pointed out: There has been a certain improvement in our ideological and political work since last year. However, we are still weak in this work, because it has not been taken seriously by some leaders. Some of these leaders have gone from one extreme to another--from the "omnipotence of political education" to the "omnipotence of material incentives." They have to rely on personal gains as a means to get any work done, and thus lead people to "look for money only." Criticism cannot make any headway in political life. Some people consider criticism as the use of the big stick, forgetting that criticism and self-criticism are in line with the fine tradition of our party and can serve as an impetus to the improvement of our work. This is in fact a tendency to evade party leadership and to depart from the socialist road. Some people have even made bold statements opposing the four basic principles and yearning for bourgeois liberalization. Our leadership on the ideological front has been weak mainly because of the pernicious influence of the 10 years of catastrophe. At the same time, the corrosion of bourgeois ideas and lifestyle has also something to do with it.

Comrade Ma Wenrui declared emphatically: It is imperative that the weakness and laxity of our leadership on the ideological front be corrected. The social ideological trend of departing from the socialist road, evading party leadership, and advocating bourgeois liberalization, like the erroneous "leftist" ideas, should be strongly criticized and correctly combatted. We cannot invariably oppose criticism as "using the big stick" or attacking people. Such opposition will lead to the elimination of criticism entirely. We can never lay down our weapon of criticism in our political life. Of course, criticism and self-criticism should be carried out in the proper way. We must seek truth from facts, lay down the facts, and reason things out. Criticism should be well-intentioned. We cannot criticize or attack people indiscriminately with crude and oversimplified methods, and no campaigns must be launched. Dealing with the remnants of the Lin Biao-Jiang Qing counterrevolutionary cliques who are still carrying out subversive activities, with hostile elements who are antagonistic to socialism, and with those who hate to see the country at peace is a different matter. These people must be resolutely exposed and attacked, and the fallacy they spread must be repudiated so that its pernicious influence can be wiped out.

In conclusion, Comrade Ma Wenrui stated: We should carefully study the "Resolution" of the Sixth Plenary Session of the 11th Party Central Committee, come to a unanimity of views, strengthen our unity, and pluck up our courage in order to implement our work and our production well.

Standing committee members of the Provincial People's Congress, including vice chairmen Chang Lifu [1603 7812 1133], Yang Wenhai [2799 2429 3189], Zhang Yichen [1728 3015 1820], Lin Yinru [2651 5419 1172], Hou Zonglian [0186 1350 3425], Yuan Chengting [0626 2398 1656], Shi Feng [4258 6912], Wang Jie [3769 2639], Xiong Yingdong [3574 2019 2767], and Liu Lizhen [0491 0500 6197], attended the meeting. Hang Shangzeng [2635 1424 1073], vice president of the provincial people's higher court; Yang Cunfu [2799 1317 1381], chief procurator of the provincial people's procuratorate; comrades of various relevant provincial commissions and bureaus; responsible comrades of standing committees of various county and municipal (district) people's congresses; and some standing committee members of the provincial chapter of the CCP Central Committee in Xian were also present.

9411
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GENERAL

PROBLEMS IN SYSTEM OF RESPONSIBILITY FOR PROFITS, LOSS

Jinan DAZHONG RIBAO in Chinese 5 Sep 81 p 2

[Article by correspondent Liu Tianjiang [0491 1131 3068]: "Attention Should Be Paid to the Solution of Problems in the System of Responsibility for Profits and Losses"]

[Text] The system of responsibility for profits and losses has been practiced by state-run enterprises in Heze Prefecture for one and a half years. From 1977 to 1979, the average annual loss in this prefecture was 14.5 million yuan. With the introduction of the system of responsibility for profits and losses in 1980, losses were turned into profits netting more than 17 million yuan. This year, this prefecture has assumed responsibility for a profit of 10.68 million yuan, and from January to June, leaving out the items for which no objective comparison is possible, it made a profit of only some 3.92 million yuan, which is 50.9 percent below that of the same period last year. After an analysis, it was found that such losses were not necessarily the result of the system of responsibility for profits and losses. Aside from such factors as insufficient production tasks, increased prices of raw materials, and lower prices for products, the decline in profits was caused mainly by the contradiction between subjective wishes and objective facts. The economic results were affected particularly by a lack of understanding of the new situations and new problems connected with the adoption of the system of responsibility for profits and losses, a lack of experience, and improper handling of these new situations and problems.

How can this system be progressive, rational, and continually improved and perfected? Based on the experiences of Heze Prefecture, the following four points deserve our attention and study.

1. The need for good basic work. In the system of responsibility for profits and losses, the base profit, either progressive and rational or otherwise, has a direct bearing on economic policies and economic results. The levels of profits and losses for which Heze Prefecture is responsible are adjusted every year. After fulfilling their responsibility for profits last year, profitmaking enterprises are required to raise their profit level by 10 percent, thus increasing the base profit. Enterprises operating at losses brought their losses down to 68 percent of the allowed level last year; now they are required to bring them down to only 35 percent. The enterprises and the bureaus in charge found the new demands hard to comply with, and they did not know exactly what to do. After 5 months of hesitation and then the adoption of wrong measures, their profits

dropped by 50.9 percent compared with the same period last year. Practice has proved that these methods of "emptying the pond to get the fish" and "penalizing the advanced units" can only mean "more haste, less speed." Experience has shown the need for good basic work. We must conduct in-depth, meticulous investigations and carefully consider such new situations and new problems as the actual production level of the enterprises in the current year, the highest level they have ever attained, the level of the advanced units of the same trade, the standards set by the departments in charge, the increase or decrease of production tasks for the enterprises, changes in their product lines, the increase or decrease of raw material and product prices, and so forth, before we work out progressive and rational bases for the responsibility system. Some leeway should be left in determining the bases. The principle behind the base for the responsibility of profitmaking enterprises is that the increase in profits should be commensurate with the growth in production, and the margin of profit increase generally should not be wider than the margin of production growth. Furthermore, the base, once determined, should remain unchanged for preferably 3 years, so that the enterprises concerned can have time to work out long-range plans, increase their financial sources, and rest to build up their strength.

2. "Treatment for poverty" and "treatment for idleness" should be mutually supplementary. People have said, "The responsibility system can cure poverty; the system of piecework wages can cure idleness; coordination of these two systems will promote the enterprise's growth." These remarks sound reasonable. In the case of Heze Prefecture, the system of responsibility has indeed attained the goal of "curing poverty." Before 1979, there was an average annual loss of more than 14 million yuan. After adopting the system of responsibility for profits and losses in 1980, the loss was quickly changed to a profit of more than 17 million yuan. Is not this an effective "treatment for poverty?" However, one of the two treatments was still lacking. The system of responsibility for profits and losses this year is still being carried out with 1980 methods, in which such responsibility was borne by the finance section and departments and by the enterprises, with no attention being paid to further improving the enterprises' internal relationship of distribution. Some enterprises which should practice the system of piecework wages have failed to do so, and their other economic responsibilities have not been clearly defined. Thus, the administration has become strict above the loose below, and it has been impossible to arouse enthusiasm in various quarters. This is another factor with adverse effects on economic results. For Heze, with its weak industrial foundation, "treatment for poverty" should be supplemented by "treatment for idleness," and these two treatments should be well coordinated in order to achieve better economic results.

3. Appropriately increase the share for individual workers and staff members. The Liangshan Paint Factory in Heze Prefecture and the finance department undertook the responsibility of handing over 1.2 million yuan to the state in 1980, and actually made a profit of 2,343,000 yuan, which was 1,143,000 yuan above quota. The above-quota profit was divided as follows: 300,000 yuan for the finance department; 736,000 for the enterprises; and 107,000 for the workers and staff members as a bonus. The amount of the bonus fund was less than 10 percent. There were 685 workers and staff members in the factory, and, as it worked out, each worker could get only 9.40 yuan for every additional 100 yuan of profit created. The workers' share was obviously too little. To our knowledge, the share for workers in many factories was even less. The question

now is: Since the Third Plenary Session of the 11th Party Central Committee, why has the peasants' unprecedented enthusiasm been sustained for such a long time? The basic causes are that their responsibility is specific and their benefits are direct. Of course, since industrial and communications enterprises are engaged in large-scale socialized production, their situation is more complicated than that of the countryside. Therefore it is necessary for leaders at various levels to conduct personal investigations and study; after working out a specific system of economic responsibility, they should correctly deal with the question of the distribution of benefits to the state, the collective, and the individual workers. It is particularly necessary for the benefits to be rationally distributed between the collective and the individuals within the enterprise. We must not confine our attention to the "major" issues and exclude the "minor" ones, and we should attach more importance to the benefits of individual workers. For a rational distribution of above-quota profits, the workers' share should be 15-20 percent. This method of distribution will truly embody the policy of "more revenue for the state, more retention by the enterprise, and increased income for the individual workers."

4. Greater decisionmaking power for the enterprises. The central task for the enterprise is to concentrate its efforts to increase production and to guarantee the implementation of state production and financial policies on increasing production and practicing economy, and on increasing revenues and curtailing expenditures. To accomplish this arduous task, the enterprises must have certain decisionmaking powers. After 1 year's experience in practice the system of responsibility for profits and losses in Heze Prefecture, many new situations and new problems have been brought to light. One of the main problems is that the enterprises with such responsibility do not have much power of their own because of the many direct interventions from the higher administrative organs in matters of production, supply and marketing, manpower, as well as financial and material resources. Thus it has been difficult for many enterprises to manage their businesses through either economic or administrative methods, and certain problems in enterprise management cannot be solved in time. Therefore, the higher administrative organs should emancipate their minds and improve the old method of administrative management by giving the enterprises more decisionmaking power in dealing with personnel and wage problems as well as in disposing of materials.

9411
CSO: 4006/512

BRIEFS

CLOTH SHOE SALES UP--According to recent statistics compiled by the Wushi Department Store on the sales of clothshoes, 140,000 pairs of them were sold in 1976; 190,000 pairs in 1977; 240,000 pairs in 1978; 340,000 pairs in 1979; 560,000 pairs in 1980; and 450,000 pairs in the first 8 months of 1981. An investigation and analysis conducted by the research group of the Wushi Department Store in the suburbs and the county countryside showed the main cause of the continued increase of sales as follows: In the past, the shoes worn by our peasant brothers were mostly made by women in the countryside. In the past 2 years, because of the gradual implementation of various party policies in the countryside, these women have been busy with sideline production during the lax farming seasons. Thus instead of home-made shoes, people are now wearing those sold as commodities in the countryside. Hence the continued increase of their sales every year. In the course of the investigation, some peasant brothers expressed their views on these shoes and hoped to see three further improvements: 1. The production of shoes with different designs instead of the same old style and black color; 2. reduced production of medium-heel shoes and increased production of those with flat soles or curved heels; and 3. production of more different sizes and specifications to fit different lengths and widths of feet. They hoped the shoe-factories concerned would study and accept their views. [Text] [Nanjing XINHUA RIBAO in Chinese 31 Aug 81 p 2] 9411

GUIZHOU FINANCE, TRADE CONFERENCE--From 24 August to 1 September, the Guizhou Provincial People's Government held a conference in Guiyang Municipality on finance and trade work. The conference pointed out that this province's finance and trade work from January to July this year was good. The conference also pointed out that the drought situation of this province is serious. The conference held that in the light of this situation, all places must do finance and trade work well during the busy season this year. It is essential to do well in purchasing and selling grain, to strive to procure more agricultural and sideline products, to make overall arrangements for markets during the busy season, to strengthen control over markets during the busy season and over finance and credit and to implement management responsibility systems. [HK051320 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 1 Sep 81]

CSO: 4020/14

FIFTY ECONOMIC LAWS, REGULATIONS DRAFTED

HK131244 Hong Kong WEN WEI PO in Chinese 12 Oct 81 p 3

[Report from Beijing: "More Than 50 Important Economic Laws and Regulations Have Been Drafted and Submitted for Examination"]

[Text] During the past few years, along with the perfection and strengthening of the socialist democracy and legal system, the work on economic legislation in our country has gradually been undertaken and relatively great successes have been achieved. According to incomplete statistics from 51 of the economic departments of the State Council, more than 200 various economic laws and regulations have been promulgated since 1977. Recently, the various departments of the State Council have drafted another 50 or more economic laws and regulations. Opinions on some of them are being collected and others have been submitted for examination. Among them are the state-owned factory law and law of economic contract drafted jointly by the State Economic Commission and other departments that have been organized by the Legislative Commission of the Standing Committee of CPPCC, and law of planning, law of statistics, law of mining resources, land law, grasslands law, water and soil conservation law, trademark law, petroleum law, water lanes law, highway traffic law, city programming law, patent law, bank law and insurance law, all of which have been drafted by various departments of the State Council.

The various departments of the State Council have been making preparations for drafting or have already started drafting another 50 or more economic laws and regulations such as state farm law, fishery law, post and telecommunications law, capital construction law, pricing law, commercial law, port law, aviation law, weights and measures law and budget law.

Moreover, more than 30 laws and regulations that have already been promulgated are undergoing revision.

More than 200 economic laws and regulations have already been promulgated. Among them are the six laws and regulations adopted and promulgated or approved by the CPPCC or its standing committee: "Law for the joint venture of Chinese and foreign capital," "income tax law for the joint venture of Chinese and foreign capital," "personal income tax laws," "(trial) forestry law," "(trial) environmental law" and "regulations for the special economic zones in Guangdong."

Seventy or more have been promulgated or approved for promulgation by the State Council, such as the "provisional regulations for carrying out the financial administration system (differentiating income and expenditures and allocating responsibility at various levels)," "provisional regulations for promoting economic integration," "provisional regulations for developing and protecting socialist competition," "regulations for strengthening the planning and management of capital construction and controlling its scale," "regulations for reproduction and protection of aquatic resources" and so on.

More than 160 have been promulgated directly by the various departments of the State Council. Among them are "trial regulations for contracts of industrial and mining products," "a new regulation for forbidding blind construction and redundant construction," "provisional measures for comprehensive quality control in industrial enterprises" and "provisional measures for export control system."

CSO: 4006/41

'WEN WEI PO' ON LONGYANGXIA HYDROELECTRIC STATION

HK140215 Hong Kong WEN WEI PO in Chinese 12 Oct 81 p 3

[Article by WEN WEI PO reporter Yang Tung-i [2799 2639 3300]: "First Visit to Longyangxia Hydroelectric Station"]

[Text] The Longyangxia hydroelectric station is the second largest hydroelectric station in China at present. It is situated on the Qinghai plateau, in a gorge at 3,000 meters above sea level. The gorge is narrow and long, surrounded on all sides by hills and is sparsely populated. This is the most appropriate place for the construction of a hydroelectric station.

In the early part of 1976, the experts and workers of the fourth bureau of the Ministry of Electric Power Industry, who had just finished working on the Liujiaxia hydrolectric station project, and the advanced units of the capital construction engineering corps, traveled thousands of li, to station themselves there and proceeded to carry out survey and capital construction work. Later, the staff members of the fourth bureau continued to arrive in a steady stream. After 5 years of hard work, they transformed the desolate features of the hills around Longyangxia into a small town covering an area of 4 square kilometers and with a population of nearly 20,000 people.

With the exception of rock, mud and sand, grass and the water of Huanghe River, Longyangxia has little else. It is not at all easy to build a small town from scratch or to construct such a colossal water conservancy project. Everything from a tiny screw to heavy equipment and from rice and flour to daily commodities must be brought in from Xining. Xining is about 200 kilometers away, and the fastest a car can get there from Xining is 3 hours. From Xining, one has to take the Qinghai-Xizang highway for about 85 kilometers and then turn onto the asphalt road built for Longyangxia. This road has been designed for loads up to 300 tons, mainly because they have taken into consideration the future transportation of the 300-ton generator set. Daily, convoys of trucks loaded with supplies and building materials can be seen traveling on this road.

At the beginning of 1980, the Huanghe River was blocked and its flow diverted by spillways. Work on the dam also commenced at that time. At present, excavation work on the foundation of the main dam has still not been completed. It is estimated that by June next year, the project of building the main dam can be formally carried out. When completed, the dam will stand 178 meters high and 890 meters long. The dam will be 18 meters wide on the top and 80 meters wide at the bottom, and will hold 24.7 billion cubic meters of water. Based on normal conditions, it will take 10 years to fill this reservoir. The construction of the main dam has been designed against a severe flood which occurs once every 1,000 years and tested for a momentous flood which occurs once every 10,000 years. It can withstand earthquakes up to 5 on the Richter Scale (according to records of this region, the highest for more than a century has only been 4).

The generating capacity of the hydroelectric station was originally designed for 1.4 million kilowatts. However, during the construction, they discovered three faults in the worksite which proved detrimental to construction and the building of the power plant. Therefore, they could only install four sets of generators. Upon completion, it will only have a generating capacity of 1.28 million kilowatts or an annual generating capacity of 6 billion kilowatt-hours.

The geological structure in the vicinity of Longyangxia is composed of black granite or diorite which is seriously weathered. During the construction, when they discovered that the existing faults had broken rocks, so for the sake of not affecting the quality and the safety of the main dam, the construction teams adopted the method of grouting to strengthen the faults. However, this greatly increases the use of cement and the design also has to be changed from time to time. Costs have also increased from the original estimate of 900 million yuan to more than 1.4 billion yuan. The costs also include compensiation which will be paid to the 20,000 people evacuated from the innuated area and the construction of towns and roads.

The Huanghe is a river with a relatively high sedimentation. However, situated on the upper reaches, the water sedimentation of the Longyangxia is not as serious as that of the Sanmenxia with its 1.3 billion tons of sediment a year. The Longyangxia will only have 23 million tons of sediment a year. The sluicegates of the hydroelectric station are so designed that the sediment can be completely discharged without silting up.

If everything goes well with the project, the first 320,000 kilowatt generator will be in operation by 1985 and all the others will be in full operation by 1987. As the hydroelectric station of Liujiaxia is at present already supplying electricity to Qinghai, Gansu and Shaanxi, therefore, most of the electricity from Longyangsia will be supplied to north China.

After the completion of the Longyangxia dam, the floodwater of the Huanghe River will to a very great extent be brought under control. Because the water of the reservoir can be regulated, it will play a vital role in combating drought and flood. At the same time, it can also regulate the supply of water so that all hydroelectric stations on the lower reaches will be able to bring their role into play and serve the people better.

CSO: 4006/44

TRANSPORTATION

'TA KUNG PAO' ON HONG KONG'S COOPERATION IN SHIPBUILDING

HK140957 Hong Kong TA KUNG PAO in Chinese 14 Oct 81 p 4

[Report: "China Shipbuilding Corporation Fetes Well-Known Hong Kong Personages"]

[Text] The China Shipbuilding Industrial Corporation gave a party at the Furama Hotel yesterday in honor of well-known Chinese and foreigners in various circles. The atmosphere was lively.

Zhang Youxuan, vice minister of the Sixth Ministry of Machine Building, addressed the party and expressed thanks to Chinese and foreign friends for their cooperation.

He said: "Since last year, the China Shipbuilding Corporation has successively established ties with businessmen of Hong Kong, Europe, the United States and other areas and have concluded contracts with shipowners abroad for the building of ships totalling over 600,000 tons. During this period, Sir Y.K. Pao of the Worldwide Group and [International United Shipping] [Gul Lian 0948 5114], Mr Pay Yu-hsiung of (Liancheng) [5114 2052], Mr Li Ka-shing of Green Island Cement, Mr John Murden of the Wheelock Marden Group, Mr Qian Jiang of (Hong Kong-Asia) [Gang Ya 3263 0068], Mr Zhuang Guilun of Hong Kong Shipping, Mr David Newbigging of the Jardine Group, Mr Situ Kun of Ocean Shipping and Mr Zheng Ruixiang of the (Ocean Shipping Service) [Hai Yang Chuan Wu 3189 3152 5307 0523] cordially cooperated with us and rendered us energetic help. Apart from the export of ships, our ministry has also accepted a contract for a petroleum drilling platform from (Huachang) [5478 2490]. We have further had a container deal with Mr Lin Liangcheng along the lines of compensatory trade. We have committed ourselves to the cooperative production of pleasure boats with Mr Zheng Daorong. We have also exported many kinds of machinery and equipment, instruments and meters. In addition, cordial talks on friendly cooperation are being held, with regard to many other projects. On behalf of the China Shipbuilding Industrial Corporation, we want to once again express our heartfelt thanks to all our old and new friends."

He said: "In order to develop our shipbuilding industry and to further make our proper contributions to international shipping, we are prepared to satisfy the demands of shipowners. We will follow flexible and varied cooperative patterns in gradually increasing the kinds and types of vessels. In regard to designing, we will not only adopt our country's advanced, economical and rational designs to serve our clients but will welcome cooperative designs from relevant companies abroad. We also welcome such designs as chosen by the shipowners themselves.

Regarding facilities for ships, equipment of world-famous brands, which is produced in China under a certificate of permission and whose quality is in line with international standards, may be chosen. If necessary we may also consider the use of products from various parts of the world, recommended by shipowners. Concerning the grading of ships, we have established cooperative relations with Llyod's, BAS, BV, NK, GL, NV and others. Shipwners are free to make their own choice. In sum, we will strengthen measures, shorten the required cycle, guarantee quality and make proper arrangements for service after delivery. This is to respond to and satisfy the aspirations and demands of shipowners."

Among those foreign and Chinese guests present at yesterday's party were Y.K Pao, Wang Kuan-cheng, Li Tzu-sung, Li Ka-shing, Ma Ching-hsi, Tang Hsiang-chien, Ku Kuo-min, Marden, Newbigging, Wei Erh-shu, and so forth. The director of this newspaper Fei I-min was also invited to the party.

CSO: 4006/41 END

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5 November 1981

China Report

ECONOMIC AFFAIRS

No. 180

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CHINA REPORT

ECONOMIC AFFAIRS

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ERRATUM: In JPRS 79226 of 16 October 1981, No. 177 of this series, in the article "Weihai Promotes Construction of Rural Towns" which begins on page 62, the second sentence of the second paragraph should read, "Each farmer has an average of 0.77 mu of farmland."

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FINANCE AND BANKING

YUNNAN BANK LOANS PRODUCE BETTER ECONOMIC EFFECTS

Kunming YUNNAN RIBAO in Chinese 13 Sep 81 p 1

[Article by Fan Hepeng [4636 7729 7720]: "Yunnan Banks Make Loans With Better Economic Effects"]

[Text] Striving to stimulate the economy with the lever of credits, the People's Banks in Yunnan have enthusiastically supported the old enterprises this year in tapping their latent power and carrying out innovations and transformations and have achieved better economic effects. From January to July the People's Banks made short- and medium-term loans totalling 18.9 million yuan, a 61.9 percent increase over the same period of last year. These loans accelerated readjustment of the national economy.

In order to ensure proper use and better economic effect of loans, the People's Banks grasped three links in credit control. In close coordination with the departments concerned, the Banks intensified feasibility study of the projects to be financed by bank loans and repeatedly calculated the economic effects of the loans, stuck to the terms of loans, and guarded against blind construction and redundant construction. After determining the loans to be granted, the Banks did everything possible to help the enterprises concerned speed up the rate of construction progress and bring about early use of funds and early completion of projects. After the construction projects went into operation, the Banks helped the enterprises concerned extend the economic effects, recalled loans according to schedule and accelerated capital turnover. Between January and July this year, 193 projects financed by banks loans were put into total or partial operation, adding the value of output by more than 60 million yuan and the accumulation of funds by 16 million yuan.

The short- and medium-term loans granted by the People's Banks were selectively used as funds for tapping latent power and carrying out innovations and transformations of enterprises in light and textile industries and consumer goods producers. Loans made for these purposes during January-July this year accounted for 66 percent of the total loans made. Calculated on the basis of the economic effects achieved by 41 projects, output value has increased by 43 million yuan and accumulation of funds by 10 million yuan this year.
9780
CSO: 4006/20

COORDINATION OF GEOLOGICAL PROSPECTING ACTIVITIES URGED

Beijing RENMIN RIBAO in Chinese 23 Sep 81 p 2

[Article by reporter Xiao Tihuan [5135 7555 3562]: "Socialist Cooperation Is Lacking Here"]

[Text] The approximately 800 square kilometers of extensive, rough mountain terrain west of Lingwu County in Henan, east of Lantian County in Shaanxi and bounded on the north by the Wei River and on the south by the Le River, is generally called the "Little Jinling Mountains." Starting in 1964, there have been numerous discoveries of ore deposits there. Thanks to the arduous efforts of the Henan and Shaanxi Provincial geological prospecting teams, to date the country has been presented with considerable commercial deposits of gold. The state has already constructed or is constructing a large number of large and medium-size mines, including the Jintongcha, Wenyu, Yangsaiyu, Dongtongyu, Shancheyu and Xitongyu mines, in addition to the large and medium-sized mines which are already in the exploration state.

However, this promising ore base is in very chaotic condition regarding both geological prospecting and extraction, and many questions require straightening out and resolutions.

At present, it is estimated that about 4,000 persons are involved in the search for ore deposits in the Little Jinling base area; they belong to the geological teams of the Henan Province and Shaanxi Province offices of the Ministry of Geology system, the geological teams of the Henan Province office and the Northwest Metallurgical Prospecting Company of the Ministry of Metallurgical Industry and the gold department of the capital construction and engineering troops, in addition to relevant geological teams of the Second Ministry of Machine Building system. These geological units do not have unified leadership and division of labor; they have their own superior organizations, their own programs and their own investments, and there is no communication between them; they are wary of each other and compete with each other. Especially in areas where mine completion conditions are relatively good, communications are relatively favorable, and exploration and extraction are relatively easy, the competition for territory and for mining sites is particularly strong. For example, last summer, on vein No 59 of Sifangou, Henan Province, the provincial metallurgical system's geological team had an exploratory borehole on the eastern section, and the provincial geological office's team had an exploratory pit on the western end. This year, on the southern slopes of the Little Jinling in Shaanxi, on a straight line passing through five communes between Cangzhuyu on the eastern end and Wangpaigou on the western end, the Northwestern Metallurgical Prospecting Company's team and the Shaanxi Province Geological office's teams are competing tooth and nail, and the various communes are at odds with each other in the search for ores; nobody will retreat a single step. This April, gold unit No 00523 also arrived at the central section of the Little Jinling Mountains on the Henan-Shaanxi border to look for gold deposits. On the basis of ore-bearing geological units, they marked out a 165 square kilometer working area; shortly afterward they came into conflict with the Shaanxi Provincial Geological Office's team in a 30 square kilometer area and overlapped the work of the Henan Province Geological Office's team in a 50 square kilometer area.

Overlapping in the search for mineral deposits leads to many abuses and great dangers.

First, it results in serious waste of state funds. The exploration of vein No 190, which is close to the Longhai Railway line in the north and located in Huanchiyu in Chengcun Commune, Lingbao County, is a typical case. This vein is less than 1,000 meters in length. Since this spring, geological team No 6 of the Henan province Metallurgical Exploration Company, in accordance with an exploration plan approved by the Ministry of Metallurgical Industry, subteam 9 of the Henan Provincial Geological Office's regional geological survey team No 1, subteam 2 of its prospecting team No 4, and subteam 2 of its excavation team, in accordance with an exploration plan approved by the Ministry of Geology, have had about 200 persons in action, competing over this vein, resulting in collisions between drilling rigs, the driving of tunnels in close proximity, trenches being dug side by side, pipelines being installed side by side, and residences set up side by side. Originally one set of production and living facilities was sufficient, but here there are two sets interfering with each other. According to work regulations for the ore deposits evaluation stage, the vertical distance betwwen boreholes and tunnels on vein 190 should be at least 90-120 meters. But the metallurgical team's No 601 borehole is only 14 meters vertically from the geological team's No 001 borehole. The metallurgical team's and the geological team's 4 tunnels are 10 meters apart vertically. In addition, in accordance with geological exploration regulations, boreholes and tunnels cannot both be cut at a given location. But the geological team has cut tunnel YM1 in a lower location, while the metallurgical team has drilled borehole No 1001 above it, so that the borehole nearly passes through the tunnel, and whe water injected into the metallurgical team's borehole flows freely into the geological team's tunnel.

In order to compete with these so-called "sister installations," the metallurgical team has invested 725,900 yuan and the geological team has spent more than 1.01 million yuan, so that the total investment is nearly 1.74 million yuan; if this work had been done by a single team, an investment of only 879,000 yuan would have been sufficient.

Second, it harms the unity among the geological workers. Some comrades in the Shaanxi Province geological office have generalized a "law": "Whenever a new promising large ore vein is found in a given location, there will be a dispute in that location, and bloodshed may even result." On 29 June of this year, company 1 of subteam 61 of gold unit No 00523 sent people to land belonging to Tonggu Brigade, Tongguan County, Shaanxi, where they took a bag (about 2 km) of ore samples from an exploration trench which subteam 2 of team 5 of the Shaanxi Province had cleared; the two sides had an argument and came to blows, and the personnel in question were beaten and bloodied.

Third, it produces an artificial hindrance to the development of geological work.

Geological work is scientific work of a highly investigative character,and requires many types of data and materials for analysis and research and for determination of the situation. But overlapping work and disputes over "fame and fortune" by geological groups from different departments, strict withholding of one's own data and strict secrecy, in addition to efforts to obtain one's rivals' data at all costs, are making relations increasingly strained. At vein No 190 in Huanchiyu [characters illegible] the geological and the metallurgical teams' drilling rigs work side by side and their tunnels run side by side, but as soon as one of the rigs obtains a core sample or a valuable ore sample is obtained in a tunnel, it is rapidly spirited away lest the competition sees it. As a result, no one has been able to accumulate a complete set of data, and the entire deposit was not yielded one complete exploration result to the commercial extraction departments, which has added to the difficulties of mine design and extraction.

Overlapping prospecting also disrupts the continuity and completeness of geological work. The geological organizations belonging to different systems are afraid of "trouble in the rear" and are impatient to spread out their network points and occupy territory, so that they are unable to concentrate fully on the geological procedure, involving overall surveys, detailed surveys, initial exploration and detailed exploration, but instead go from one deposit area to another to pursue their work; they are especially unable to guarantee that the data on commercial reserves will be turned over to the state as rapidly as possible for important ore regions. In the Henan Province section of the Little Jinling, the geological teams and metallurteams are constantly bunched together in the northern ore belt near the rail line and "follow in each others footsteps." On the other hand, in the southern ore belt where communications are difficult and the terrain is steep, a large quantity of work remains undone.

How can we rectify this irrational state of affairs? All parties must realize that they must rectify this irrational geological management system as rapidly as possible, break through the old restraints of the departmental ownership system, and institute unified management of the geological manpower in the geological departments and the various industrial departments. Some comrades believe that the Ministry of Geology or a newly created state mineral resources committee should exercise unified command, unified dispatching and unified disposition of all geological organizations. Under present conditions, geological exploration work in the Little Jinling mining base area should be managed in unified form by special offices designated by the Henan and Shaanxi People's governments or working groups dispatched by them, and the various systems' geological personnel should be coordinated so as to improve the current chaotic situation as rapidly as possible.

8480
CSO: 4006/29

BRIEFS

ORE DISCOVERY--A new mineral--carbon-chromium ore--was recently discovered in Henan Province. It is a mineral with a high degree of hardness, second only to diamond. Its associated minerals are natural iron, natural gold, natural cobalt, natural chromium, as well as silicon carbide and diamond. This carbon-chromium ore was discovered by the Honan Geology Bureau's workers and the workers of field geological teams No 8 and No 10 while they were analyzing and studying the material composition of a rock body in the Liuzhuang district of Tongbai County, and was affirmed by the X-ray laboratory at Wuhan Geology College. [Text] [Beijing GUANGMING RIBAO in Chinese 21 Sep 81 p 1] 9780

GOLD, SILVER PRODUCTION--Production of gold and silver is satisfactory in Shanxi. Output of gold in January-July this year fulfilled 69.5 percent of the annual plan and that of silver fulfilled the annual plan ahead of schedule. In both cases, output sets a record level for the same period of the past. Enterprises producing gold and silver have strengthened business management and striven for contributing more to the state this year. The Taiyuan Copper Electrolytic Plant is pushing the economic responsibility system and striving to strengthen technical management and following the technological procedures strictly. In January-July, gold output increased 15.61 percent over the state plan and output of silver overfulfilled the annual state plan 46.9 percent. [Text] [Taiyuan SHANXI RIBAO in Chinese 27 Aug 81 p 1] 9780

CSO: 4006/22

COMBINED PRODUCTION OF MILITARY, CONSUMER GOODS DISCUSSED

Taiyuan SHANXI RIBAO in Chinese 14 Sep 81 p 1

[Article by Pang Guisan [1690 2710 0005]

[Text] The Fifth Ministry of Machine Building recently held a meeting in Taiyuan for the sale of consumer goods in the North China area. It was attended by over 300 representatives from national defense and commercial supply and marketing organizations in Hebei, Nei Monggol, and Shanxi. Jia Yunbiao [6328 7189 2871], deputy governor of Shanxi Province, attended and addressed the meeting.

The various enterprises of the Fifth Ministry of Machine Building in the North China area, which have relatively better equipment and technical resources, are considered leaders in the field of machine building. Since the readjustment of the national economy, many enterprises have directed their efforts toward the development of production of consumer goods for the market, in line with the policy of producing military and consumer goods at the same time. The value of production now exceeds 100 million yuan. They have developed their own "flagship" and brandname products. The "Flying Saucer" sewing machines produced by the Shanxi Machine Tool Factory, the "Skyward" bicycles produced by the Taixing Machine Factory in Hebei, the steel-frame yurts for herdsmen produced by the No 1 Machine Factory of Nei Monggol, the electric meters produced by the No 2 Machine Factory of Nei Monggol, and the "Arrow" brand mopeds jointly produced by several large factories have been favorably received by consumers since they were put on the market. In order to speedily develop Shanxi into a base for the production of coal as a source of energy, the Xinhua Chemical Engineering Factory, after weighing what consumer goods to produce, has decided upon the large-scale production of rubber conveyer belts for coal mines and coalpits. They have been well received by the mining enterprises.

At the meeting to discuss the production of consumer goods, 18 war industries jointly organized an exhibition and sale of consumer goods. A vast array of light industrial products, chemical industrial products, machinery and electrical equipment, alternating current appliances, and steel and wooden items of furniture attracted salesmen and buyers from various areas. The transactions which were consummated at the meeting indicate the vast potential of implementing the policy of combining the production of military and consumer goods.

9621
CSO: 4006/16

BRIEFS

1981 HOUSING CONSTRUCTION--Beijing, 1 Oct (XINHUA)--Housing construction in the Chinese urban areas has been progressing at a fast pace in the first three quarters of 1981, a spokesman of the State Capital Construction Commission said. The amount of investment in housing construction, and the floor space of housing under construction and completed in the first eight months approached the level in the corresponding period of 1980, a record year for China's urban housing construction, he said. "The new achievement," he noted, "was made despite the cut in China's total national capital investment for the current year." Between January and August, housing starts covered 87.78 million square meters while housing completions totalled 19.51 million square meters. The State Council approved an additional investment of 3,000 million yuan pooled by the localities and enterprises for the housing programs, the spokesman added. Funds pooled by enterprises accounts for more than a half of the total housing investment this year. In some provinces, the percentage has risen to 60 or 70 percent. [Beijing XINHUA in English 0151 GMT 1 Oct 81 OW]

CSO: 4020/15

COUNTRY FAIR TRADE THRIVING THROUGHOUT YUNNAN

Kunming YUNNAN RIBAO in Chinese 5 Sep 81 p 1

["Blooming Country Fair Trade in Yunnan's Towns and Villages"]

[Text] Country fair trade is blooming in Yunnan's towns and villages this year, with more commodities appearing on the market, an increased volume of business, and prices remaining stable and low.

There are 2,190 country and village fairs in the province, an increase of 52 compared with those at the beginning of this year. According to figures from 22 fairs, the volume of business at the fairs has increased 25.6 percent compared with the same period of last year. Eleven of the 15 kinds of commodities, including fat and oil-bearing materials, meat and eggs, vegetables, sundry goods for daily use, and manufactured goods, showed an increased volume of business in terms of amount of money. Among 12 major commodities, including rice, maize, rapeseed oil, pork, eggs, vegetables, piglings, cattle, horses, and mules, 10 showed increases in the volume of business. With a bumper harvest of rapeseed gathered this year, vegetable oil for food appearing on the market greatly increased, with the volume of business increasing 180 percent over the same period of last year. As for the remaining nine kinds of commodities, increases ranged from 14.7 to 70.6 percent. Thanks to the development of trade at fairs, a gratifying situation has appeared in many parts of the province: the supply of vegetables is not scarce in the off-season, there is an ample supply of meat and eggs, and native and special products are abundant.

Toward the end of July, the general level of prices at trade fairs was down 5.6 percent compared with the same period of last year. The difference between the prices at fairs and the official prices was brought down from 136.9 percent at the end of last year to 129 percent this year. Grain prices dropped conspicuously, down 35.7 percent per jin of maize; this was the lowest level in our province in years. Prices of rice, broad-beans, soybeans, and wheat also dropped between 8.4 percent and 14.4 percent.

Another important factor in the blooming trade at fairs is the appropriate restoration and development of individual industrial and commercial enterprises. By the end of July, 19,000 individual industrial-commercial enterprises, with more than 20,000 people, have registered and received licenses. Their numerous business locations and centers, their flexible operation, and their good service have added color to trade fairs.

9780
CSO: 4006/14

DOMESTIC TRADE

COUNTY TRADE FAIR DOES FLOURISHING BUSINESS

Kunming YUNNAN RIBAO in Chinese 8 Sep 81 p 2

[Article by He Maohua [0735 5399 5478] and Wu Wensheng [0702 2429 0581]: "Thriving Livestock and Commodities Trade Fair"]

[Text] This year the annual livestock and commodities trade fair of Lijiang Naxi Autonomous County was held between 9-23 August. Commune members from the counties of Ninglang, Zhongdian, Weixi, Heqing, Yongsheng etc. and the members of the various communes in Lijiang County of all nationalities, the Naxi, Yi, Tibetans, Bai, Lisu, Han and so on, all came to the trade fair to hawk their sturdy mules, horses and cattle. Traveling traders from Zhejiang, Hunan, Sichuan, Guizhou and from the counties of Binchuan, Heqing, Jianchuan, Weishan and Huabing within the province, set up over 540 general merchandise stalls at the trade fair and in the streets and lanes of Lijiang. The people could pick and choose as they wished from the dazzling array of goods. State, collective and privately run eateries were found everywhere, at intersections, along roadsides, wherever it would be convenient for customers. The grounds of the trade fair were filled with the hubbub of voices and presented a picture of prosperity.

On 15 August, as we arrived at the livestock market, an endless stream of people were circling around herds of cattle and horses making transactions. The livestock trade this year had two distinctive characteristics: firstly, there was a large quantity of livestock on the market that was of high quality yet reasonably priced; secondly, the majority of buyers and sellers were individual families. This was a new phenomenon that appeared once the party had put rural economic policies into effect. In front of us a middle-aged Naxi woman with a bull in tow had attracted quite a few buyers who examined it from head to toe. Some said its teeth indicated that it was in good shape; others said its shoulders were broad and strong. We asked her: "Which commune are you from: Is the bull collectively or privately owned?" "I am from Lashi Commune and the bull belongs to my family. In the past few years raising cattle and horses was said to be capitalistic, but present policies have improved and commune members have even been ordered to raise more livestock. Once I've sold the bull I must still buy a young female mule to take back home." The woman answered frankly and openly. The seller wanted 700 yuan for this bull. Some buyers offered 600 yuan. An old herder from Baishe Commune in Lijiang County circled the bull, looking at the front and back and finally made a deal for 660 yuan.

In front of the stand set up by the Lijiang County department store, more than 10 girls dressed in Bai costume were hovering around a 50 odd year old male commune member who was buying cloth. This was Hong Zhaolu [3163 6856 4389], the Bai commune member of the new sixth brigade at Jinshan Commune in Lijiang County. He was buying corduroy, blue khaki and other fine cloths of every description, in all 90 chi. Why did he buy so much cloth at one time? Hong Zhaolu said: "There are nine people in my family, even if each person sews one article of clothing it is still not enough. The girls want cloth of the finest quality and the boys want dika [3321 0595] fabrics. The colors on sale here aren't very attractive, I must go to the department store to buy some more then that should be enough." "Is your family doing well?" He replied: "We have food to eat and money to spend. To tell the truth, I also have 400 yuan in the bank and we still haven't touched this year's allotment of over 1,600 jin of wheat. We owe this good life to the party's good policies towards us peasants."

At this year's trade fair commune members bought more daily necessities, top quality merchandise and folkcrafts than at last year's trade fair. Binchuan County department store hauled a carload of woolen blankets into the market to sell and they were sold out before they had even set foot on the ground. The demand for womens jackets worn by the Naxi commune members and for horse bedding worth 149 yuan each exceeded the supply. On the afternoon of the 23rd, at the counter of the youth store on the new main street, we say a young fellow pick out a combination radio and tape recorder. He was He Shangguang [0735 1424 0342], a Naxi commune member of the Luxi Second Production Brigade at Longshan Commune in Lijiang County. He spent 376 yuan on this imported radio-recorder. We asked: "Do many of you commune members buy radio-recorders?" He answered in halting Chinese: "In the past few years food has been a problem, who could afford to buy such a thing? After the Third Plenary Session of the CCP, policies improved and our lives gradually got better. At present some commune members in the mountain areas have also begun to enjoy the foreign goods that the city people can afford."

A comrade of the trade fair secretariat told us that since the Third Plenary Session of the CCP, rural production has developed, the economy has picked up and the livelihood of the people has also improved. This trade fair was very successful. One aspect of this is described below. Those participating in the buying and selling of livestock at the trade fair came from Henan, Anhui and four other provinces, 22 counties, over 1,170 units, in all more than 2,300 people. In total, there were 9,149 heads of livestock on the market, an increase of 23.1 percent over last year; 5,130 heads were sold, an increase of 11 percent over last year; the total from transactions came to over 1.8 million yuan, an increase of 15.4 percent. Out of this, the number of livestock sold and the turnover of individual families constituted about 80 percent of the total number of livestock sold and the total turnover. In this trade fair, the earnings from commercial merchandise and the eateries came to over 1.9 million yuan, an increase of 81.8 percent over last year.

9864
CSO: 4006/11

BRIEFS

HUNAN MINORITIES TRADE CONFERENCE--The Hunan Provincial People's Government held a conference on trade with minority nationalities and production of minority nationalities products from 17 to 23 September in Changsha. Some 400 people from various departments concerned attended the conference. Shang Zijin, vice provincial governor, also attended the conference and gave a report. The meeting held: despite flaws and shortcomings, our province has scored remarkable achievements in developing trade with minority nationalities trade departments in 1980 showed an increase of 880 percent compared with 1952, and the sale of products to the minority nationalities increased by 10 times. The conference also analyzed certain questions on the production of products for minority nationalities and trade with minority nationalities, and reiterated the party's policies toward the minority nationalities. The conference stressed: It is necessary to look after the lives of the minority nationalities and improve their backward cultural and educational state. [HK110339 Changsha Hunan Provincial Service in Mandarin 1100 GMT 24 Sep 81]

CSO: 4006/62

CHINESE BUILDING WORKERS RATED HIGHLY IN IRAQ

Nanjing XINHUA RIBAO in Chinese 14 Sep 81 p 1

[Article by Lu Xiaolu [0712 2556 7216], Su Jianzhong [5685 1696 0022]: "Jiangsu Building Workers Win Good International Reputation"]

[Text] The building construction workers of the Jaingsu Branch of China Architectural Engineering Company, who went to Iraq February last year, have won good international reputation for fast rate of construction progress and high engineering quality and have earned large amounts of foreign exchange. "China's Jiangsu workers taking part in construction in Iraq may be given full marks for rate of construction progress, engineering quality and spirit of coordination," commented the chief of the Division of Overseas Operations under Japan's Dacheng (1129 2052) Construction Company.

The Jaingsu Branch took part in the construction of two 7-story general hospital buildings with a total floor space of 50,000 square meters, to be completed in two years under the terms of the contract. By the end of August, construction of the two buildings has entered the stage of interior fitting up. Pipe-laying and indoor ventilation, telecommunication, photographic equipment, and lighting installation have been completed over 50 percent. It is estimated that the total construction tasks will be fulfilled two months ahead of schedule.

The Jiangsu Branch's brilliant exploits in Iraq were attributable to careful selection of engineers, technical personnel and technicians strictly according to the requirements of the construction project. As soon as the Branch signed a labor service contract with Japan's Dacheng Construction Company at the end of 1979, the Branch mobilized the staff and workers within its operating range. Good thought, good technical skills and good physique were set as requirements to be made, and those technical personnel and workers who voluntarily signed up for the overseas assignments were stricly examined. From among 20 thpes of workers including masons, carpenters, bar workers, meter fitters and pipe fitters, the Branch selected 695 people. While working in Iraq these building construction workers observed labor discipline and foreign affairs discipline, united as one, cooperated with one another closely, sped up the rate of progress and ensured engineering quality.

The wisdom and strength displayed by the Jiangsu building construction workers in Iraq have drawn the attention of other countries. Several countries and regions have established business connections with the Jiangsu Branch, and some of them have signed new construction contracts with the Branch.
9780
CSO: 4006/20

FOREIGN TRADE

BANKS LEND SUPPORT TO SPECIAL ECONOMIC ZONES

Fujian, Guangdong

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 9, 4 Sep 81 pp 33-34

[Article by Ding Ning [0002 0413]: "Support the Fujian and Guangdong Special Economic Zones in Getting Started"]

[Text] Following the Third Plenum of the 11th Party Congress, our country decided to pursue an open-door policy in our relations with foreign countries. In order to exploit the favorable conditions of Guangdong and Fujian provinces, which are in the subtropical zone, are adjacent to Hong Kong and Macao, and have rich resources, the central authorities decided to pursue special policies and adopt flexible measures with regard to these two provinces, and to set up special economic zones as an experiment, taking this as an important effort in restructuring the economic system.

The special policies and flexible measures adopted by the central authorities with regard to Guangdong and Fujin are embodied in the following: 1. Concerning financial and foreign exchange revenues, a system is enforced whereby the province concerned underwrites the delivery of its quota of revenues and keeps the revenues above the quota or places the greater part of the revenues above the quota at its disposal. 2. With regard to goods and commercial administration, a policy of appropriately utilizing market adjustment under the guidance of state plans is carried out in order to stimulate economic growth as quickly as possible. 3. Concerning planned management, price management, labor management, and economic activities with foreign countries, the powers of the provinces concerned are expanded. 4. Special economic zones are established as an experiment, overseas Chinese capital and foreign capital are vigorously absorbed, and advanced technical and administrative experiences are brought in from foreign countries in order to develop the economy of the special zones.

Thanks to the implementation of the special policies and flexible measures drawn up by the central authorities, and thanks to the support from the central departments concerned, the economy of Guangdong and of Fujian has shown marked development and change in less than 2 years, as expressed strikingly in the following:

1. Faster development of production. Compared with the previous year, agricultural-industrial production increased 8.2 percent in Guangdong and 10 percent in Fujian during 1980, thus beginning change from the slower growth rate of industrial-agricultural production, compared with the national average, that had been seen over the years in the two provinces.

2. Adjustment of the economic structure. In agriculture, grain production has been firmly grasped and production of industrial crops is being vigorously developed. In 1980, grain output topped the record level in the two provinces, and industrial crops such as sugar-yielding materials and sugarcane showed great increases. In industry, the proportions of light and heavy industries have been adjusted and light and textile industries vigorously developed, with the result that the proportion of light industry in the two provinces has risen from 59 percent to 62 percent of total value of industrial-agricultural output, while that of heavy industry has dropped from 41 percent to 38 percent. The proportions between agriculture, light industry, and heavy industry have initially been brought into line.

3. The role of market adjustment is being brought into full play under the guidance of state plans. With the expansion of market adjustment, the channels of circulation are opening and the growth of commodities is being promoted. Last year, products adjusted by the market accounted for around 40 percent of the total value of Guangdong's industrial output. In Fujian, the economy is being enlivened, with commodity production developed and commodity exchange expanded.

4. Faster economic intercourse with foreign countries. Exports from the two provinces topped record levels last year, with Guangdong registering a 27.9-percent growth and Fujian a 47.2-percent growth compared with the year before the last. Furthermore, the two provinces have developed the processing of imported materials, assembly operations, compensation trade, joint ventures, cooperative production, etc.; have brought in foreign capital and technology; have broadened the avenues for employment; and have promoted economic growth.

5. Under the system of underwriting delivery of quotas of financial and foreign exchange revenues, incentives are being provided for increasing revenues, retrenching expenditures, and generating foreign exchange earnings. Guangdong's and Fujian's financial and foreign exchange revenues showed increases in 1980 compared with the previous year, and their current year's revenues and expenditures were balanced with some surplus. The portion of foreign exchange earnings retained by the two provinces in 1980 showed substantial increases over the previous year. The growth and proper use of the foreign exchange earnings retained by localities have given strong impetus to economic readjustment in the two provinces.

6. New progress of the experimental operation of special economic zones. The plan for establishing four economic zones--Shenzhen, Zhuhai, Shantou, and Xiamen--has been preliminarily worked out, preparatory work is moving ahead, and economic legislation is gradually being substantiated. The Shenzhen and Zhuhai special economic zones are starting off with a speedup of their basic facilities. Some factories and enterprises are being run as an experiment, and utilization of foreign and overseas Chinese capital has begun. The special economic zones are marked by developed industrial-agricultural production, increased income of the masses, and good public order.

The decision to pursue special policies and adopt flexible measures for operating special economic zones as an experiment in Guangdong and Fujian was made under the guidance of the correct line of the Third Plenum of the 11th Party Congress. We must go a step further and set our minds free. We must make a clean sweep of the "left" ideological influence and correctly understand and implement this decision. This is not merely a question of developing the economy of the two provinces, but is also a bold attempt to adjust production relations and to restructure the national economic system in line with the actual level of our productive forces. It is of momentous significance. Internationally, our country's special policies and flexible measures to operate special economic zones as an experiment are being watched with great interest and given great importance, and leading economic personages from many countries and regions have come or sent their representatives to study the conditions and problems of the two provinces--particularly the special economic zones. This reflects from another viewpoint the importance of pursuing special policies, adopting flexible measures, and establishing special economic zones in the two provinces.

As a state bank specializing in foreign exchange operations, the Bank of China should support Guangdong and Fujian in getting started. Over the past 2 years, on the principle of adhering to the policy of centralized management and unified operation of foreign exchange activities, the Bank of China has given special support to the two provinces. The Bank has given its support to carrying out the system whereby localities deliver their quotas of profits; it has expanded local powers to examine and approve foreign exchange loans at favorable terms; and it has arranged for its Guangdong and Fujian branches to speed up the establishment of organizations, according to work requirements. In addition, the Bank of China's Guangdong and Fujian branches are being given support in serving the local economy, promoting economic activities with foreign countries, increasing exports, and generating more foreign exchange. From now on, we will go a step further and correctly handle the relations between the special and the particular, between centralization and decentralization, and between the parts and the whole. With the fulfillment of state foreign exchange tasks and the implementation of provisional foreign exchange relations as the premise, we will go a step further and give the two provinces more self-management power for using and managing local foreign exchange. With a view to efficient management and to the use of local foreign exchange earnings that are retained, we will adopt more flexible measures for the use, turnover, and transfer of foreign exchange, so as to ensure that hard-earned and limited foreign exchange is put to the best use. The Bank of China will support its branches in the two provinces in bringing into full play their role as state banks specializing in foreign exchange operations, in fully utilizing special policies and flexible measures, in promoting faster growth of the economy in the two provinces, and in starting to restructure the economic structure.

Xiamen Municipality

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 9, 4 Sep 81 pp 35-36

[Article by Fang Mingzhi [2455 2494 2535] and Lin Duansheng [2651 4551 3932]: "Banks in the Special Zone Should Support the Special Zone's Economic Development"]

[Text] Xiamen Municipality, Fujian Province, which is famous for its scenic beauty and for being springlike all year round, is a famous scenic spot as well as the well-known hometown of overseas Chinese. It has a broad natural harbor in which steamships with a displacement of several tens of thousands of tons can be berthed. Adjacent to Hong Kong and Macao, and with the Xiamen-Yingtan Railroad reaching the municipal area, it has good river and land transportation facilities and favorable conditions for expanding economic activities with foreign countries. The State Council approved the establishment of a special zone in Xiamen in 1979. Xiamen will be built into a special economic zone with emphasis on processing export goods--embracing the tourist trade, residential quarters, building construction, science and technology, culture and education, and the comprehensive development of farming, forestry, animal husbandry, sideline production, and fishery.

Diverse sectors of the economy (in particular, foreign capital brought in) exist side by side in the Xiamen special economic zone. Products are geared mainly to export and are more affected by international market and the law of value. Therefore, simultaneous with applying planned adjustment and domestic market adjustment, it is quite important for banks to utilize the international market more effectively and to regulate the economy of the special zone from the standpoint of utilizing overseas Chinese and foreign capital, bringing in advanced technology and increasing exports and foreign exchange earnings. It occurs to us that development of the economy in the special zone can be accelerated by stepping up banking operations in the following areas:

Supporting the development of the food industry. Xiamen's food industry output, which accounts for 60 percent of the value of municipal industrial output and 46 percent of the total volume of export purchases, is an important pillar of the municipal industry and of exports to foreign countries. In particular, by developing the food industry and expanding exports, Xiamen, as a special zone participating in the international division of labor, and geared to the international market, can generate more foreign exchange earnings for the state. Banks have paid attention to giving full play to the natural and economic superiorities of the zone from the overall economic angle. They support the communes, brigades and individuals in developing a diversified economy. Taking account of the distribution of raw material base and helping communes and brigades to implement the production responsibility system in its various forms, to devleop various combinations, and to turn out products with native features. Banks are building links and bridges among enterprises, communes and brigades, farms, and forestry centers, assisting them in signing contracts for joint operations and supplying them with funds. These measures have promoted the development of the food industry in Xiamen.

Supporting enterprises in "support exports with imports" and in generating more foreign exchange earnings. Taking account of market requirements at home and abroad and the state of foreign exchange clearance, banks are supporting enterprises in increasing the production of salable, low-cost, good-quality goods that generate more foreign exchange. Banks in Xiamen have set their minds free and relaxed their policies, letting the enterprises in the special zone have definite self-management power to apply their funds. On the principle of "spending less and generating more foreign exchange," the enterprises are allowed to adopt flexible and diversified patterns of trade and to "support exports with imports" by utilizing the portions of foreign exchange retained (by locality and enterprises) to import raw and supplementary materials that are in severely short supply at home,and by expanding exports to generate more foreign exchange. Banks are giving loans to those enterprises that need Renminbi to buy foreign exchange in order to import raw and supplementary materials. For example, the banks supported the Xiamen Cod Liver Oil Plant in compensation trade in the form of barter: 200,000 bottles of yin-er cod liver oil (equivalent to HK $1.04 million) were exchanged for 100 tons of condensed soya oil for food (priced considerably lower than the purchase price of raw materials of a similar nature), 3.5 tons of vitamin A, and 18 kg of vitamin D powder (the total being equivalent to HK $1,024,000). The barter saved 400,000 yuan in production costs and increased exports of cod liver oil, thus killing two birds with one stone.

Supporting old enterprises in tapping their latent power and carrying out innovations and transformations. Xiamen port is open, and foreign merchants and overseas Chinese merchants are arriving in a continuous stream. This creates favorable conditions for enterprises to know the price situation, to collect data, to better the quality of their products, and to improve their packaging. Products from many enterprises have entered the international market. But the production capacity of some enterprises has fallen behind market requirements at home and abroad, and their products cannot cope with the demand. They have a pressing need to add equipment. The banks are voluntarily supporting these enterprises with funds to tap their latent power and to carry out innovations and transformations. With the support of the banks, these enterprises are rapidly filling the gaps and expanding production. Take the No 2 Plastics Plant, for example. Its "608" and "315" plastic slippers have had a good market for 19 years and are known in Hong Kong and Macao as "king slippers." For a time, supply fell short of demand. Domestic orders totaled 530,000 pairs this year, but the plant could supply only 115,000 pairs. As for the export demand, foreign merchants are prepared to purchase whatever quantity is available. The bank promptly gave 530,000 yuan in short- and intermediate-term loans to finance the purchase of equipment and components. The plant has bought two 400-g plastic-injection machines, one dense-smelting machine, and one high-speed kneading machine. It is anticipated that after these machines are put into operation, production of slippers can be up by 1 million pairs a year.

Supporting enterprises in merging and organizing specialized production cooperation. Specialized production cooperation is an important way to expand production capacity and increase economic results. Availing themselves of their extensive credit connections, the banks are taking an active part in investigation and research and in overall planning. Relaxing or tighting up credits, the banks organized specialized cooperation among the enterprises. The Xiamen Bearings Plant switched its production mainly to export and produced small bearings according to the requirements of foreign merchants. These products were in great demand in 20 countries and regions. But the plant's production capacity was unable to cope with the large number of orders. In addition to helping the plant tap its latent power, the banks helped the plant to merge with the Qianxian Instruments, Meters, and Machinery Plant and to proceed with specialized cooperation in production. The banks granted the Qianxian Plant short- and intermediate-term equipment loans so as to fill up gaps and finance the purchase of components of equipment; as a result, the output of bearings doubled and redoubled. Some 1.34 million sets of bearings were exported last year, earning U.S. $560,000 in foreign exchange.

Supporting enterprises in developing "three forms of trade." Processing of imported materials, compensation trade, and processing and assembly--these forms of economic activity are important patterns for utilizing foreign capital, bringing in technology, and developing foreign trade. The banks support enterprises in developing these "three forms of trade." The banks keep track of the contracts signed by various enterprises with foreign merchants, and they make loans to finance purchase of components necessary for the equipment brought in through foreign trade, thereby providing the enterprises with an integrated set of equipment. For example, the original equipment of the Xiamen Canned Food Plant had only a 6,000-7,000-ton capacity for production. Its capacity for turning out filled cans had been expanded to 12,000 tons in recent years, but its production of empty cans could not keep pace. The supply of empty cans was short in the brisk production season, making it necessary to seek aid from other localities. Last year, the plant brought in one canmaking machine, using canned mushrooms as the item of compensation. Installed in October, that same year the machine expanded its production capacity and turned out 170,000 empty cans a day, capable of filling 34 tons of canned food. This resolved the plant's problem of expanding production capacity and aided fraternal plants. Moreover, the plant has paid off the equipment loans provided for foreign merchants.

Performing all-round service to accelerate construction of the special zone. The banks are supporting and cooperating with the departments concerned in attracting foreign merchants and overseas Chinese merchants to invest in enterprises, set up factories, or join us and cooperate with us in operation and production. The banks and departments concerned have attracted foreign capital to build tourist agencies, restaurants, living quarters, scenic sports, and develop tourist trade. These kinds of business expand mainly by utilizing overseas Chinese capital and foreign capital, but the banks give their support in the form of Renminbi in order to speed up economic development in the special region.

With a view to giving effective play to the banks' regulatory role in the economic development of the special zone, promoting the development of a commodity economy in the special zone, quickening the steps of construction in the special zone, and correctly handling the relations between the People's Bank and various specialized banks, we suggest:

1. Organize joint credits, make overall arrangements, and let different types of loans be granted by different banks. In recent years, several banks used to grant multipurpose loans. This method of granting loans is not conducive to the economical use of funds. We suggest that with the People's Bank as the leader, several banks organize joint credits and that overall arrangements be made for the funds, with consideration given to the direction of development of construction in the special zone, and that different types of loans be granted by different banks. Joint credits may provide conditions for flexible use of funds and avoid multipurpose loans, confusion in credit policy caused by differences in loan terms (including interest rates), duplication of loans, and wasted funds. With several banks jointly examining the loan items, the targets are broadened, the amount of the loans is large, and the types of loans are great in number. These factors are favorable to more economical use of credit funds from the broad angle, are favorable to competition with foreign countries, and are conducive to the economic effect of fund use. Taking the banks as a whole, joint credits are of great realistic significance in ensuring a balance between the total amount of loans and the source of funds, a balance between loans and goods, and the regulation of circulation of money in the special zone.

2. Open a foreign exchange in the Xiamen special zone. With the rapid development of foreign trade, the portions of foreign exchange retained by the locality and enterprises are bound to gradually increase. These small amounts of foreign exchange retained are scattered among various enterprises. Dispersion of the amounts is not favorable to their concentrated use, and thus they cannot play a great part. On the other hand, some enterprises have no foreign exchange and have to buy foreign exchange in order to bring in advanced equipment and import raw materials. In view of this, it is suggested that, under the leadership of the special zone administrative committee, a Xiamen foreign exchange unit be established by the Bank of China to regulate surpluses and shortages of foreign exchange, thereby making it easy to solve the problem of [having the] funds necessary to bring in new technology and key equipment.

3. Establish a banking research and economic information organization. The international market is fast changing. It is important for foreign trade organizations to have a profound knowledge of international market conditions and the needs of consumers and to acquire and apply economic information promptly, in order to be able to place themselves in a competitive position and open the way to establishing a foothold for their export goods. All this depends on the banks' promptly supplying accurate economic information. To this end, we suggest that, with the People's Bank as the leader, the research personnel of the Bank of China, the Agriculture Bank, and the Construction Bank get together to establish a unified banking research and economic information organization, perform credit consultative services, bring the banks' regulatory role into fuller play, and make banking operations serve construction of the special zone and expansion of exports.

9780
CSO: 4006/15

FOREIGN TRADE

AID TO SPECIAL ECONOMIC ZONES IN GUANGDONG

Guangzhou YANGCHENG WANBAO in Chinese 2 Sept 81 p 2

[Article by Lin Bin [2651 3453]: "A Tentative Discussion on Developing the Role of Guangzhou in Supporting the Construction of Special Economic Zones"]

[Text] Guangzhou, the provincial capital of Guangdong, is not only the economic center of southern China, it is also the country's major port for foreign trade. The question of how to make full use of its role in supporting special economic zones and how to accelerate the establishment of special economic zones is clearly of great importance.

The purpose of establishing special economic zones is to stimulate foreign economic activity in the special zones, to promote the development of our nation's socialist cause and to speed up the establishment of the four modernizations. However, in order to develop the special economic zones, it is necessary to have the cooperation of the inland areas and above all, we must obtain the cooperation and support of the urban economic centers. Guangdong Province has set up three special economic zones: Shenzhen, Zhuhai and Shantou. The bordertowns Shenzhen and Zhuhai used to be rather backwards economically, culturally and in various other respects. They had hardly any industry to speak of. For us to establish special economic zones in such places, to introduce foreign capital and advanced facilities and to break away from the economically strong interior, particularly the urban economic centers of southern China, we need more than just the support and cooperation of Guangzhou.

Given the current situation, what is the best way to develop the role of Guangzhou and strengthen its cooperation and support of special economic zones?

First, we ought to provide goods and technical personnel for the purpose of constructing the special economic zones. At present the three special economic zones in our province have begun construction. They require large quantities of materials and technical personnel of all trades and professions. For example, in the construction business of Shenzhen; individual and foreign businessmen have contracted for construction projects for over 1 million square meters. Yet the current designing capability and construction force are quite unable to meet these demands. Guangzhou has had experience in the layout and construction of buildings and as long as the city planners and the construction force of Shenzhen band together and set up a joint planning company or set up several separate planning firms with the contract awarded by ballot, only then can there be effective support for the design and construction of special economic zones. Furthermore, construction requires a large amount of cement therefore, in addition, to relying on the inland areas for supplies and, in keeping with our long-range plans, we must build our own cement plant. Besides pooling capital with foreign merchants and Hongkong merchants to build a cement plant, the well-known cement plant in Guangzhou can also invest in building a plant in the special zones.

Second, we should support the development of commerce and service trades in the special economic zones. The population of Shenzhen and Zhuhai is larger than before, with the addition of the transient population the total population count is even greater. The Commerce and the service trade networks cannot meet the demands. In the haircutting business for instance, in the past there were only 20 or 30 barbers in the entire municipality and the number has not changed, as a result there are long lines at all barbershops. The famous barbershops in Guangzhou such as Beixiu, Haohan etc, could go to Shenzhen to open shops. Recently, Guangzhou's well-known Panxi restaurant made plans to open in Shenzhen and the Guangzhou biscuit factory has also set up a factory that is jointly operated by Shenzhen. In order to promote the prosperity of the markets in the special zones and to expand foreign trade, Guangzhou's famous shops such as Shecanguan, Yeweixiang and Taotaoju should go to the special zones to set up branches. Famous brand products of Guangzhou such as flashlights, batteries, electric fans, knitwear, Chinese and Western medicines etc, can also be manufactured at branch plants in the special zones. Thus, not only would they support the construction of special economic zones, they would also enhance their own reputation.

Third, there ought to be support for the subsidiary agriculture of the special economic zones. At the present time vegetables, pork, poultry, eggs, beef, mutton, fruit and other subsidiary agricultural products are barely able to satisfy the needs of the expanding special economic zones. The fruits and vegetables of Shenzhen and Zhuhai are in short supply and their fresh flowers cannot meet the demands of the Hongkong-Macao market. The peasants of the outskirts of Guangzhou have had much experience in growing gourds and vegetables and the flower growers of Huadi are also experienced in cultivating fresh flowers, therefore a large labor force could be organized in these areas to go into Shenzhen and Zhuhai to grow vegetables and flowers. The famous varieties of gourds, fruits and vegetables from the outlying areas of Guangzhou could be transplanted to the special economic zones, i.e., the cabbage of Xiaogang, the hot pepper of Cencun, the bitter melon of Changpeng, the loofah of Dengfend, the litchif of Zengcheng, the banaba of Shashe, the carambola of Huadi, the quince of Lingnan and so forth. In this manner, not only would we support the establishment of agriculture in the special zones but we would also expand the employment opportunities in Guangzhou and make progress in solving unemployment problems.

Fourth, we should systematically train personnel in technology, accounting, management, law, foreign languages, etc, for the special economic zones. At present, the Department of Foreign Trade in the special zones needs qualified accountants who are familiar with international trade; Shekou processing area needs personnel who have a thorough understanding of technology and foreign languages; the tourist center at Mt Shijing in Zhuhai needs English and Japanese speakers in order to expand their tourist trade; and lawyers are needed for economic regulation in the special zones. Training specialists of all trades and professions is a matter of top priority for the establishment of special economic zones. There are many ways to train personnel: the special economic zones could assign personnel from Guangzhou Vocational University, Secondary Vocational School, Secondary Technical School or the Worker's University at the factory to undertake the job of training personnel or alternatively, they could publicly announce an admission exam among student youth in Guangzhou and select the best to enter various specialized training courses for instruction and then once they have graduated, send them to each of the special economic zones to work. In addition, we could send them abroad and to Hongkong to study on an exchange program.

Fifth, we should organize concerned departments and staff members to intensify their research on the establishment of special economic zones. In recent years we have achieved great results in the task of constructing special economic zones, we have accumulated quite a few experiences and we have also encountered many new problems. The concerned departments and staff members of Guangzhou who have been organized by Guangdong Province, can begin research on the establishment of special economic zones. They can bring together the actual workers and those working on economic theory to study problems in a planned way, they can sum up experiences and, in good time, solve the problems of economic activity in the special economic zones in order to accelerate the progress of the construction of special economic zones.

The special economic zones of Shenzhen, Zhuhai and Shantou are oriented toward the world market and depend on the inland areas. They have secure economic ties with the urban economic centers. Developing the role of urban economic centers is of benefit to the construction of special economic zones and once the economic construction of the special zones is underway, it will promote the economic development of the key cities. After the effective measures taken in the special zones have been summed up and have been introduced to the key cities, they too may be of benefit to the establishment of socialist modernization.

9864
CSO: 4006/11

BRIEFS

LIAONING EXPORT GOODS--According to statistics released by departments concerned, in the first 8 months of 1981 Liaoning Province fulfilled 71.5 percent of the annual export goods procurement plan and 75.4 percent of the annual export plan. It also overfulfilled annual export plans of key products, including Tussah silk and petroleum products by 40 percent. The export volume of goods such as grain, oil, textile goods, silk products, animal products, handicraft articles, metal products and machinery also increased over the corresponding 1980 period. Liaoning Province has established trade relations with 130 countries. At a handicraft sales exhibition in the United States, the provincial handicraft article import and export company achieved a business volume of 3.9 million U.S. dollars. [SK281114 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 27 Sep 81]

PRINTING MACHINE SALES EXHIBITION--Beijing, 5 Oct (XINHUA)--More than 200 printing machines from 50 printing machine factories throughout China were on display today at the Beijing Exhibition Center as the First National Printing Machinery Sales Exhibition opened. The director of the exhibition said that foreign manufacturers and business people are welcome to visit the fair and discuss questions of technical cooperation. He said that invitations have been sent to foreign businesses and manufacturers including dealers in Chinese printing machinery, resident representatives of foreign businesses in Beijing and commercial officers of embassies. China has exported printing machines since 1956 and they now go to more than thirty countries and regions. It is expected that total value of exports will surpass five million U.S. dollars this year, an increase of 33 percent over last year. [OW051417 Beijing XINHUA in English 1217 GMT 5 Oct 81]

CSO: 4020/16

LABOR AND WAGES

CONFERENCE ON DEMOCRATIC MANAGEMENT HELD IN SHAANI

Xian SHAANXI RIBAO in Chinese 3 Sep 81 p 1

[Article by Wang Chao [3769 6389], Shen Yunjun [3088 7189 7486]: "Shaani Provincial Committee Holds Conference on Democratic Management"]

[Text] A conference on democratic management was held by the Provincial Committee in Xian from 27 August to 2 September. Present at the conference were responsible persons of the provincial committees, staff offices, bureaus, prefecture and municipal party committees and government leaders, and responsible persons of trade unions. Comrade Wang Zhiguang [3769 1807 0342], vice chairman of the provincial trade union council delivered a report, "Further promote and perfect the system of workers' congresses." Secretary of the Provincial Committee Yan Kelun [0917 0344 0243] summed up speeches.

The attending comrades studied the relevant documents of the Central Committee and heard accounts of experiences given by the trade union of Shanglo prefecture, the party group for fifth machine building bureau of the provincial staff office national defense industries, the Chunhua county party committee, the provincial textile equipment plant, the Hanzhong Cement Plant, the Xian Machine-made Tiles Plant, the Baoji Printing Plant. These accounts broadened their horizon and raised their understanding.

Since 1978, the system of workers' congresses, to which the Provincial Committee attached importance, has gradually been restored and instituted in Shaani. According to figures from some 20 industrial bureaus, 80.3 percent of the central and provincial enterprises have instituted the system of workers' congresses. Among them, the system has been basically popularized in the systems of textile industry, machine-building industry, metallurgical industry, the fifth machine-making bureau, and railways. It has been instituted by 20 percent of prefecture and county enterprises. In Shaanxi, 1,108 enterprises have democratically elected team and group heads, section chiefs, and shop directors, and 61 enterprises have democratically elected factory directors and managers.

On the basis of affirming achievements, the attending delegates put forward existing problems. They took the view that while the system of workers' congresses has been instituted for central and provincial enterprises, only a few workers' congresses bring their role into play in the true sense of the word, and that most of the prefecture and county industrial and communications enterprises have not instituted the system. The main problem is that party committees for some enterprises do not fully grasp the importance of the system of workers' congresses. Some comrades hold that the system of workers' congresses means enterprises will have more mothers-in-law. Some hold that what enterprises lack now is not democracy but centralization. They are afraid the system will weaken the centralized leadership of the party and administration. Other comrades take the view that at a time when readjustment of the national economy is in progress and work problems are piling up, there is no time for holding workers' congresses. There are also some comrades who are afraid that with many outstanding jobs not yet done over the years to improve workers' living conditions and with some leading members showing unhealthy tendencies, they would be unable to get out of an embarassing situation and come to a happy ending once democracy is promoted.

The conference called on party committees at all levels, particularly the leading bodies of enterprises to bring their guiding thought in line with the decision reached in the relevant documents of the Central Committee and at the national conference on democratic management of enterprises, to rectify the erroneous views mentioned above, to increase their confidence, and with one heart and mind to popularize and perfect the system of workers' congresses through coordinated efforts and step by step. Where the system of workers' congresses has been instituted but not brought to perfection, the state-operated enterprises should strive, through rectification, to have the system instituted in the first half of next year. Where the system has not been instituted, the central and provincial enterprises should strive to have the system instituted in the first half of next year. Prefecture and county enterprises should strive to have the system instituted 50 percent in the current year and 100 percent in the first half of next year. Enterprises in the systems of finance-trade, farming-forestry, science-technology, culture-education, and health should carry out experiments in light of reality and with reference to the "provisional regulations governing workers' congresses for state-operated enterprises." Experiences should be acquired and popularized gradually.

9780
CSO: 4006/22

LABOR AND WAGES

GUANGZHOU TAKES STEPS TO INCREASE EDUCATION FOR WORKERS

Guangzhou YANGCHENG RIBAO in Chinese 3 Sep 81 p 1

[Article by Wang Huaji [3769 5478 1015]: "Guangzhou Promotes Education for Staff and Workers"]

[Text] According to the Guangzhou conference just concluded on the education of staff and workers, new progress has been made in educating Guangzhou staff and workers, but the steps taken are not big enough. Education has reached only 52.3 percent of basic-level units, and only 230,000 or 22.5 percent of the 1.02 million staff and workers surveyed have received education. In this respect, Guangzhou is still behind other advanced cities. Effective administrative measures must be taken to encourage and heighten the enthusiasm of staff and workers for learning science, technology, and culture, and to bring about the rapid development of education for staff and workers.

The conference drew up eight measures which will be put into effect after they are approved by the municipal leading body:

1. New staff and workers recruited in the municipality must have the cultural level of a junior middle school graduate. Peasant workers recruited in the suburbs must have the cultural level of a primary school graduate.

2. Apprentices to be confirmed as regular workers must have the actual cultural level of a junior middle school graduate, in addition to the qualification of technical skill. Those who have not attained this level must do so before they can be confirmed as regular workers.

3. Skilled workers to be promoted to grade 4 must have the level of a junior middle school graduate; those to be promoted to grade 5 and above must have the level of a senior middle school graduate or the actual cultural level basically equivalent to that of a graduate of secondary training school.

4. Skilled workers to be promoted to technicians must be at the level of secondary training school or above.

5. Middle-aged and young leading cadres at factories and mines at county-regiment level or at companies and institutions equivalent to county-regiment organizations should reach the cultural level of secondary training school graduates before 1985. In principle, cadres to be employed at this level from now on should be treated in accordance with this requirement.

6. Achievements by various units and leading cadres in promoting education for staff and workers are to be taken as one of the criteria for choosing the advanced.

7. Cultural and technical files for cadres, staff, and workers are to be kept by the personnel departments as one of the bases for routine checking, promotion, and salary increase.

8. Staff and workers released, or released part-time, in order to join an educational program will continue to receive nonproduction welfare benefits, and those taking part in a short-term study program will receive their basic wage bonuses.

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CSO: 4006/14

PRC AVIATION ADMINISTRATION LETTER TO TAIWAN

OW061524 Beijing XINHUA in English 1506 GMT 6 Oct 81

[Text] Beijing, October 6 (XINHUA)--The Aeronautical Information Service of the General Administration of Civil Aviation of China (CAAC) has proposed to the International NOTAM (Notice to Airmen) Office of the Taiwan Flight Information Centre that they cooperate in compiling a new aeronautical information publication on China's civil aviation.

The letter which was sent in September said that the suggestion was made to help develop the civil aviation of the motherland and our common interests." It said that representatives of the Taiwan civil aviation authorities "are welcome to come to Beijing, Guangzhou or Shanghai and other places suitable to both sides. The Chinese people's government will assure their safety and free travel. We can also send our people to Taiwan if the Taiwan civil aviation authorities guarantee their safety and free travel." [all quotation marks as received]

If the Taiwan civil aviation authorities had difficulties in sending personnel to the mainland, the letter suggested contact by mail. Two copies of "Aeronautical Information Publication of China's Civil Aviation were offered which could be picked up from the CAAC office either in San Francisco or Tokyo.

On January 3, 1979, CAAC proposed to the Taiwan civil aviation authorities that there be talks on air service and indicated willingness to provide all conveniences for air service between the mainland and Taiwan Province.

In November 1979, Xu Keji, a CAAC official then in charge of ICAO (International Civil Aviation Organization) affairs, offered CAAC aeronautical information to the Taiwan civil aviation authorities and said that CAAC would like to exchange experiences with their colleagues in Taiwan. He proposed joint use of the technical data of the International Civil Aviation Organization to develop civil aviation and ensure flight safety.

The General Administration of Civil Aviation of China resumed its activities in the International Civil Aviation Organization in 1974.

CSO: 4020/15

TRANSPORTATION

CONTAINERIZED RAILWAY TRANSPORT IN CHINA DESCRIBED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, Jul 81 pp 4-5

[Article by Zhou Dianpei [0719 3013 1173]: "Our Country's Developing Containerized Railway Transport"]

[Text] Containerized transport is a modern transport technique. Our country's railways adopted it back in the 1950's, but because it was impossible to provide enough components, its advantages were not fully brought into play, and in spite of the early start, progress was not rapid.

In recent years, containers have come into extensive use. In the mid-1970's, the Ministry of Railways first developed 1-ton containers, after which it put 5-ton containers into extensive use. In 1980, containerized transport was about double the 1979 figure and more than six times the 1978 figure, and it is forecast that its use will continue to increase. "Door-to-door" transport of containers is also being gradually developed, and many truck stations have begun providing such service. The vast majority of the containers which our country's railways currently use are closed general-purpose containers invested in by the railways and used free of charge, while a small number are containers prepared by enterprises themselves. The railways offer a preferential 80 percent rate for enterprise containers. In order to encourage the use of containers, many stations have instituted the four priorities: priority processing, priority shipping, priority entry into stations, priority loading on trucks, in addition to which they are not subject to loading stoppages and limited loading. Accordingly, containerized cargos are sent out more quickly and arrive faster, and thus are welcomed by the commodity organizations.

The advantages of containerized transport are primarily in the following areas:

1. Protection of goods

Because in "door-to-door" containerized transport the articles remain in their original packaging from the shipper's warehouse to the consignee's warehouse, there is no problem of misplacement en route, in addition to which loading and unloading are done by machinery, not manually, which greatly decreases damage. The situation has been greatly improved even with such fragile commodities as glass. For example, after the Beijing Electronic Tubes Plant began using containerized transport of vacuum tubes, the damage rate decreased from 20-25 percent to less than 8 percent. Currently half of the plant's shipments are containerized. In the past, losses and breakage of moatai liquor shipped throughout the country from the Zunyi South station of the Chengdu Railway Office were quite serious, but after container transport was adopted, loss and breakage ceased. Television picture tubes produced in Chengdu always used to be shipped by air for fear of loss or breakage. Starting in March 1979, containerized rail transport was used, and by November 1980 a total of 7,300 picture tubes had been shipped by rail without loss or breakage, the saving compared with air shipment has been about 770,000 yuan.

2. Savings on Packaging Costs

Because containers are shipped "door to door," it is unnecessary to fully package many articles; they may be wrapped or simply packaged and placed in the containers, which decreases packaging costs and materials consumption. For example, the automotive radiators produced by Shanghai Automotive Parts Plant used to be packed in small wooden crates, but after containerized transport was adopted the use of wooden crates was discontinued, saving 17,000 crates in 5 years, with a value of 1.06 million yuan, as well as conserving more than 5,000 cubic meters of wood.

3. Increased Loading and Unloading Efficiency

Loading and unloading of containers is mechanized. In the past, manual loading of one railcar generally required from 8 to 10 workers working about 2 hours, and accordingly was both laborious and time-consuming. Mechanized loading of a car now requires 2 to 4 workmen and a maximum of an hour's time, or sometimes as little as 20 minutes.

4. Simplifying Transport Procedures

In piece-by-piece rail transport, each item requires two labels, and each item must be accounted for individually. Because the objects are small and numerous, writing the labels, attaching them, accepting them, accepting the goods, loading, unloading and individual consignment of the articles are burdensome tasks for the commodity units and for the station handling personnel. Some small articles become buried in stacks of objects and it is very difficult to keep track of them, and this easily leads to errors. With containerized transport, small items are replaced by large containers, each of which has two labels, and the containers are handed over in sealed condition so that inspection and inventory are simple and worker effectiveness can be increased many dozens of times.

5. Faster Funds Turnover

Because containerized commodities receive priority handling, priority loading, priority entry into stations and priority loading onto trucks, the items are shipped more rapidly and funds turnover is more rapid. For example, the Shanghai Pharmaceuticals Wholesale Office shipped 50 barrels of ethylamino butanol to Guangzhou for 440,000 yuan. When they were shipped individually, shipping was delayed for 19 days, costing 1,200 yuan in interest. Subsequently using container transport, it sent another 40 barrels to Guangzhou at a cost of 400,000 yuan and they were sent out in 3 days, costing only 150 yuan in interest, a saving of 1,050 yuan. Not only was funds turnover accelerated, but the market supply was guaranteed.

In addition, containers can be received and consigned in open-air yards, solving the problem of insufficient warehouse space at some stations. In addition, they increase truck loading and unloading efficiency and cut truck turnaround time. In summary, containerized transport has advantages which are too numerous to mention.

There are still some problems with container transport; the three principal ones are the following:

1. Standards Problems

Currently the 1-ton containers used on this country's railroads have a capacity of 1.2 cubic meters; these meet the requirements for shipping small lots of separate items and allow loading of the rated tonnage on trucks, so that the trucks' load-carrying capacities are not affected, for this they have been welcomed by commodities organizations and station personnel. Five-ton containers present few problems for transport of separate items, but in the case of carload lots, because their volume and weight capacities are too small, they do not fully utilize the trucks' volume and weight capacities, and this wastes transport capabilities, so that transport personnel have complained and commodity units are unwilling to use them because they increase transport costs.

2. Transport Cost Problems

Containers are tools for integrated transport, and they span several stages of transport, so that they are subject to the problems of both railway transport and highway transport, producing a rather complex situation. Regarding the railways' future use of containers to solve the problems of piece-by-piece transport, the problems are not great. But in the case of commodities which fill whole cars in the first place, because of the small volume and weight capacity of containers, full use cannot be made of transport capabilities, this results in an increase in shipping costs that is unacceptable to the commodity organizations.

3. Management Problems

The purpose of railway containers is to solve the problem of piece-by-piece transport, but because of the current requirement that each container contain one lot, lots weighing less than 500 kilograms (which account for 84.5 percent of all lots) are excluded because they do not fill a container. If these lots were organized and transported in containers, it would be possible to greatly increase transport efficiency.

Moreover, in the container yards, the various loading-unloading and transport machines do not match up with the trucks, resulting in wasted energy. In addition, in organizing goods supply, and particularly in sending back empty containers, some stations organize objects which are not suited to the containers and which damage them.

To summarize, containerized transport has many advantages. In order to further consolidate and develop container transport, many problems require conscientious solutions.

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CSO: 4006/10

BEIJING MEETING STRESSES PLAN FULFILLMENT IN INDUSTRY, COMMUNICATIONS, TRADE

Beijing BEIJING RIBAO in Chinese 20 Sep 81 p 1

[Article: "Make a Major 100-Day Effort To Fulfill and Overfulfill This Year's Plan"]

[Text] The conference of leadership cadres of the [Beijing] municipal industry, communications and foreign trade systems held between 14 and 17 September called upon the broad mass of cadres and employees to stimulate enthusiasm for a hundred days' major effort to fulfill and overfulfill this year's state plan.

In the course of implementation of the spirit of the 6th Plenary Session of the 11th Party Central Committee and promotion of the economic responsibility system, enterprise and employee enthusiasm have been more effectively mobilized, and a situation of energetic production, concern for management, and vigorous unearthing of latent potential has emerged. Total output value and profits paid to the higher levels by the industrial system were higher in the second quarter than in the first quarter, and the figures for July and August were considerably higher than the monthly average for the second quarter. Communications and foreign trade purchases and exports both overfulfilled the state plan. However, because industrial production in the first quarter was down 4.3 percent from the same period last year, total output for January through August was still 1.4 percent below the same period last year; in particular, heavy industry was down 8.7 percent and light industry was up 10.2 percent, but the increase in light industry output was unable to compensate for the drop in heavy industry. Thus the task of completing this year's industrial state plan in the last hundred days of the year is an extremely arduous one.

The conference pointed out that extensive ideological education must be carried on and the situation made clear; economic policies must be implemented, and the broad mass of cadres and employees must be mobilized to help the country out by bearing this heavy burden; a vigorous effort must be made in enterprise reorganization, waste and loss must be stemmed, and latent potential must be exploited; and production dispatching must be strengthened so as to increase the output of marketable items.

In January-August of this year, this city's foreign trade has already amounted to $380 million in exports. The conference concluded that this city's foreign trade must be in accordance with the characteristics of the capital and must better serve the capital's economic construction and the people's requirements. It is necessary to make an effort to invigorate trade and technical and economic exchange, and to use various techniques of actively expanding foreign trade; advantageous situations must be brought into play, markets must be opened up, and the number of new customers increased. The foreign trade management system must be reformed, and production enterprises must gradually be made into foreign trade economic entities; management and administration of foreign trade enterprise must be improved, and the ideology, organization and functional development of the foreign trade economic machinery must be intensified.

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CSO: 4006/29

GENERAL

TECHNIQUES, SIGNIFICANCE OF TECHNICAL POLICY FORMULATION DISCUSSED

Tianjin KEXUEXUE [SCIENOLOGY] in Chinese No 4, 20 Aug 81 pp 31-34, 10

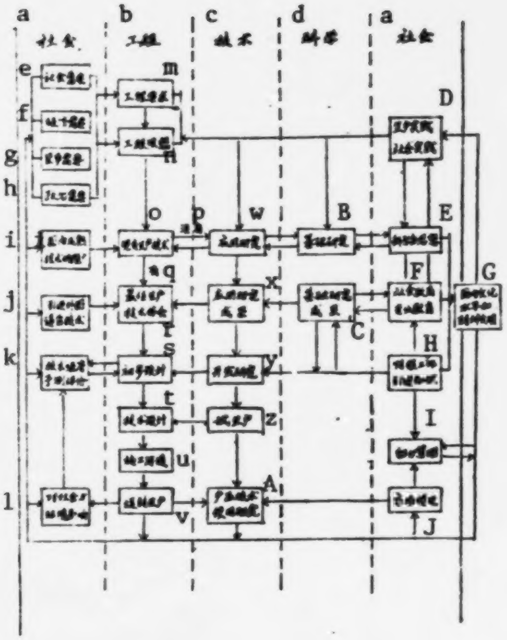
[Article by Yang Peiting [2799 3099 7200], China Research Institute of Scientific and Technical Information: "Technical Policymaking in Economic Work"]

[Text] 1. The Place of Production Technology in Economics and Society

The history of scientific and technical development is a process of action and reaction between science and technology on the one hand and economics and society on the other. Production technology is the most active factor in economic and social progress, but at the same time it is limited by economics and society. Under the influence of unfavorable economic and social factors, it may become stagnant and powerless; but in favorable conditions, it may manifest immense potential and great vitality.

The overall process of scientific and technical development, and particularly the recent development of modern science and technology, indicate that production technology is becoming increasingly closely connected to economics, society, science and culture, and that it (engineering) serves to link science to society and economics, thus occupying a pivotal position. Recently a scientific and technical work conference in this country proposed a development policy for the coming period. This five-point policy laid particular stress on production technology, because its development and correct utilization will be able directly to promote economic development and social progress; the key to development and to the correct use of production technology is "developing a rational technological structure," "correctly selecting technologies," and successful "technical development and expanded use of technology in factory and mining enterprises." There are two main sources of the knowledge for production technology: the first is "grasping, absorbing and assimilating foreign scientific and technical achievements," and the other is "guaranteeing that basic research will make steady progress on a stable basis." The five articles of this scientific and technical policy comprise an effective guiding ideology for developing science and technology and are mutually complementary, forming an organic unity.

If we "magnify" and "refine" this five-point scientific and technical policy, we obtain the following basic model for expanded reproduction of knowledge and products.



Key:

a. Society
b. Engineering
c. Technology
d. Science
e. Social needs
f. Economic needs
g. Military needs
h. Political needs
i. Expanded utilization of mature domestic technology
j. Importation of suitable foreign technology
k. Technical and economic forecasting and evaluation
l. Social and environmental effects
m. Engineering requirements
n. Engineering concepts
o. Existing production technology
p. None available
q. Available
r. Understanding of optimal production technology
s. Preliminary design
t. Technical design
u. Construction
v. Operation, production
w. Applied research
x. Results of applied research
y. Development research
z. Experimental production
A. Product technology applications research
B. Basic research
C. Results of basic research
D. Production practice, social practice
E. New scientific thought
F. Social education, specialized education
G. Domestic cultural level and spiritual culture
H. Information collection work, importation of knowledge
I. Organization and management
J. Market conditions

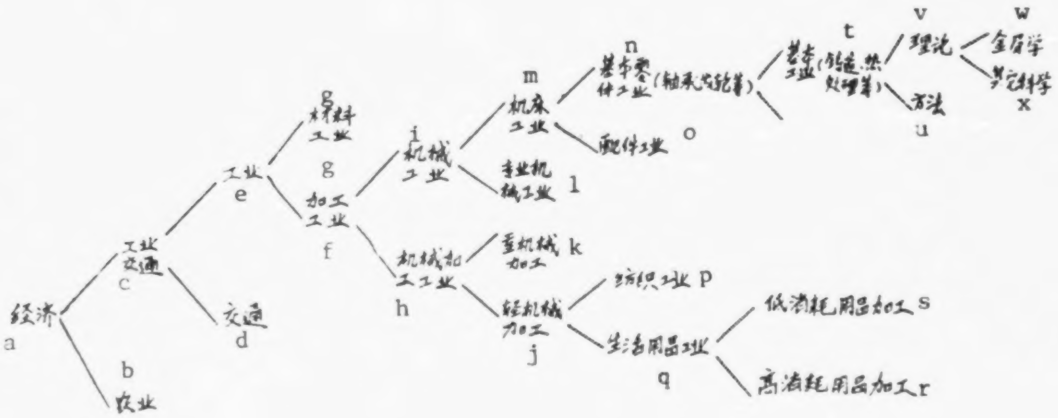
2. Some Methods of Policymaking for Production Technology and Economic Planning

The last 2 centuries' history of the economically and scientifically-technically developed countries makes it clear that the conversion of science and technology into productive forces is affected by many factors and has its own laws. If we understand the laws of conversion of science and technology into productive forces, we can utilize them and can adopt policymaking methods which are in accordance with them to make economic policy.

A. The Method of Hierarchical Analysis

All things are divisible and accordingly have a hierarchical structure. Penetrating into a hierarchy is a process of moving from quantitative to qualitative change and accordingly represents a change of essence in the process of development of things. When we speak of technological policymaking, we mean causing the original entity to make great progress by technical modernization, leading to a qualitative breakthrough. Accordingly, the fundamental aim of technical policymaking is to bring about more profound hierarchical changes, leading to a new stage or level; this is done by adopting new technical measures. How we conduct an analysis of economic hierarchy is a critical matter which will determine to which aspects the technical policymaking is applied.

Below we carry out an analysis of the usual hierarchical structure of economic components:



Key:

a.	Economy	k.	Heavy machining
b.	Agriculture	l.	Specialized machine industries
c.	Industry/communications	m.	Machine tool industries
d.	Communications	n.	Basic components industry (axle bearings, gears, etc.)
e.	Industry	o.	Fittings and parts industry
f.	Processing industries	p.	Textile industry
g.	Materials industries	q.	Daily-use articles industry
h.	Machining industries	r.	High-level consumables processing
i.	Machinery production industries	s.	Low-level consumables processing
j.	Light machining		

t. Basic industry (casting, * heat treatment, etc.)
u. Methods
v. Techniques
w. Metals science
x. Other sciences

On the basis of this hierarchical analysis of economic components, we obtain the following laws which merit attention in technical policymaking.

(1) Every hierarchy has a division into "light" and "heavy." The term "heavy" refers to hierarchical elements of a fundamental nature which are rather far from the ultimate product (direct consumables), while "light" refers to hierarchical elements which have an applied nature and are closer to the ultimate products (direct consumables). For example, agriculture among the economic divisions, communications as part of the industry-communications area, processing industries within industry as a whole, light industry within the mechanical processing industries, and the daily-use articles and other direct consumable products among light industry, are all "light" in character. Conversely, industry among the economic divisions, the materials industries within the industrial category, the iron and steel industry among the materials industries, and the machine tools industry among the mechanical industries, are "heavy." The relationship between "light" and "heavy" is the relationship between basic and applied, and between intermediate products and end products (direct consumables). Other cases are similar; for example, there is a "light-heavy" relationship between basic science and production technology within the scientific and technical field, and between data handling and information analysis (including specialized services) in scientific and technical information work.

What is the relationship between these two factors? First, we must note that the development of the "light" factor requires that it function as the overall objective and that the needs of the "light" element drive the "heavy" elements and expand their relative importance, with the result that the outmoded overall structure develops into a progressive overall structure (heavy → light). For example, the English Industrial Revolution began with modernization of spinning machine production technology, which was "light" with respect to the metallurgical and other mechanical industries of the time; but textile machinery drove the entire machinery industry, as well as power machinery such as steam engines. In Germany, railroads and chemical engineering drove the development of the mechanical, metallurgical, coal and other industries, another case in which the "light" drove the "heavy" and stimulated its development, while conversely the goal of promoting the development of the "light" element was achieved. Science and technology in the scientific-technical area, and data handling and information research in the information field, also stand in this relationship, and approaches which are at odds with this state of affairs are not beneficial to development.

(2) At a certain time and place and under certain conditions, the contradictions between a "light" and "heavy" pair in each hierarchical level will inevitably have a main aspect. The main contradiction aspects of the hierarchical levels form a main contradiction line, and a more profound recognition of the main contradiction line is the essence of structural analysis. By analysis of the main contradiction line we can find the "leading industry" the "leading technology," and the "leading element." These naturally constitute the focal points, and when we have found the path and direction of work, we have determined a policy: This is the policymaking

process. Of course the three great industrial changes which postwar Japan has made on the basis of economic structural analysis were a process of this sort. The first change was in 1945-50, when the military industry was replaced by light industry and agriculture, and labor-intensive industries and industries which gave a rapid return on funds were developed on a large scale. When the raw and other materials needed by light industry and agriculture limited their development, Japan entered a new stage in which it developed the materials industries (iron and steel, synthetic chemistry and the like), i.e., the capital-intensive industry stage, which was also an energy-intensive stage (1950-65), in which output value increased at a maximum rate. However, the large-scale development of the materials industries led to the "energy crisis" and the "environmental crisis" which induced Japan to change its orientation again from the materials industries to the knowledge industries, i.e., from funds-intensive and energy-intensive industries to knowledge-intensive industries (electronics, automobiles, aviation and instrumentation). Each change of orientation was a strategic policymaking process of abandoning the old leading industry and seeking the new leading industry. This strategic policymaking process was a process of selecting, investigating and utilizing production technology in a way that maintained a high rate of economic growth.

(3) The outer levels (large-scale concepts) determine the strategic position of the inner levels (small-scale concepts), and the contradictions at the inner levels are reflected in concentrated form at the outer levels. This can be seen rather clearly in a general way from the following hierarchy: economy--industry--processing industries--mechanical industry--machine tool industry--basic parts industry--axle bearing industry--basic process--theory--metals science.

If developing the production departments which equip the mechanical industry is a strategic policy decision aimed at meeting the requirements of absorbing labor, increasing output value and creating foreign exchange, it will inevitably affect all the production departments in the mechanical industry. Furthermore, if a basic process has not yet come into its own, it may negatively affect the quality of machinery in all sectors. This constitutes the reciprocal limitation between the internal and external levels of a hierarchy.

(4) Working backward when drawing up plans helps to resolve contradictions between hierarchical elements. We can use the structural analysis described above to determine a policy, but the arrangements (planning) for implementation of the policy require that we use the technique of working backward. The planning method which is generally used involves logical inference based on the old indicators and on expectations, thus determining the new indicators, then using these indicators to determine the measures to be taken; while the "working backward" method works backward from needs (i.e. of the market and the like). For example, at the end of the 19th century, Germany first reconstructed its railroads on a large scale in order to meet the most pressing needs, then developed its rolling stock industries, which in turn drove the mechanical, metallurgical and mineral exploration industries. Japan also used the technique of working backward in developing its iron and steel industry; it first expanded its steel rolling abilities, which then drove the iron and steel refining industries. The extrapolation method is an important method of finding latent potential when developing an economy and carrying out technical modernization.

B. The Wave Analysis Method

As described above, within a given period an entity has a time of quantitative change and also a time of qualitative change. The time of quantitative change generally is a period of low ebb, while the period of qualitative change generally is a high tide; and the succession of low ebb and high tide comprises the law of wave-like change. The social process of conversion of science and technology into productive forces reflects not only a spatial hierarchy, but also a temporal wave-like structure. Below we use historical examples to describe the objective nature of the law of wave-like structure and to show that this law can be used to predict the future and develop policies for active implementation.

1. Historical fluctuations of society, science, technology and production

	Ideological enlightenment	Scientific revolution	Technical revolution	Development of production
First high tide	13th-16th centuries	17th century	18th century	19th century
Second high tide	18th century	19th century	20th century (1930's-1950's)	20th century (1950's-1970's)
Third high tide	20th century (end)	21st century (beginning)	21st century (1st half)	21st century (1st half)

2. Historical fluctuations in the development of production technology

Production technology	Steam engines, textile machinery	Iron and steel, railroads, internal combustion engine	Nylon plastics, television, computers	Genetic engineering, new energy sources, television communications
High tide	1770-1830	1850-1900	1930-1950	1990-?
Low tide	1830-1850	1900-1930	1950-1990	?-?

3. History of production technology development in the United States

生产周期[a]	纺织、蒸汽、钢铁[b]	钢铁、铁道、石油[c]	电力、内燃机（汽车飞机）、机械[d]	合成化工、空间、原子能、电子技术[e]
[f] 高潮	1790—1837年	1843—1893年	1897—1960年	1965—1990年
[g] 低潮	1837—1843年	1893—1897年	1960—1965年	（1990—2020）年
[h] 性质	[i] 工具机革命 （机器、蒸汽机）	[j] 交通革命 （火车、轮船）	[k] 动力机革命 （电机、内燃机）	[l] 控制机革命 （计算机）

Key:

- a. Production cycle
- b. Textiles, steam power, iron and steel
- c. Iron and steel, railroads, petroleum

d. Electric power, internal combustion engine (automobile, airplane), machinery
e. Synthetics chemistry, space, nuclear power, electronics
f. High tide
g. Low tide
h. Nature
i. Tool and machine revolution (machines, steam engine)
j. Communications revolution (train, steamboat)
k. Power machinery revolution (electric motor, internal combustion engine)
l. Control machinery revolution (computer)

4. History of development of specialized production technology

	无 机 a	有 机 b	煤化工 c	石油化工 d
e 化 学	1774—1787年	1830—1870年		
f 化工技术	1746—1859年	1870—? 年	1870—1938年	1938年—?
g 代表产品	h 硫酸、碱		i 染料、肥料	j 塑料、合橡、合纤

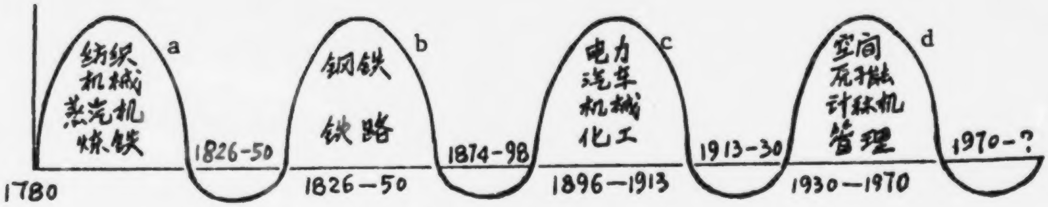
Key:

a. Inorganic
b. Organic
c. Coal-based chemical engineering
d. Petroleum-based chemical engineering
e. Chemistry

f. Chemical technology
g. Representative products
h. Sulfuric acid, soda
i. Dyes, fertilizers
j. Plastics, synthetic rubbers, man-made fibers

According to the capitalist economist Kondratieff's theory, the capitalist economy follows a wave pattern and is periodic in nature. Kondratieff's statistical analysis indicated that since the 19th century there had been a small economic crisis every 8 to 12 years and a major economic crisis every 50 to 60 years. His statistics went through 1921-22. He concluded that every 50 to 60 years there is a cycle of prosperity and depression. This law of wave motion is determined by the nature of the capitalist system. But is technical revolution a factor? Schumpeter's results indicate that it is. We may consider that the flourishing or decline of economic development directly influences technology, and a technical revolution also directly affects the economy; every time there is a cycle of economic prosperity and decline, there is a corresponding cycle of technological revolution and technological stagnation. This is a "resonance phenomenon." Kuhn's subsequent theory of scientific patterns is a development of this idea.

The figures below show that the "resonance" between economics and technology is quite apparent (the original source on the "resonance" between economics and technology only carried it out to 1920; the extension here was made by the present author).



Key:

- a. Textile machinery, steam engine, iron smelting
- b. Iron and steel, railroads
- c. Electric power, automobile, machinery, chemical engineering
- d. Space, nuclear power, computers, management

We must make it clear that the decisive factor in this "resonance" is the economic system, and technical revolution is the secondary factor, but the two are closely connected. Since a socialist country has a planned economy, can it have the "resonance phenomenon"? Theoretically it can, but it will not have the amplitude of variation that occurs in the capitalist market economy. The amplitude of the "resonance phenomenon" in socialism is determined by the scientific quality of planning; the factor of artificial control has a very large influence and accordingly, provided that we give sufficient attention to bringing the scientific spirit into play, we can make production technology play a greater role in economic planning. Capitalism, on the other hand, relies on the market to stimulate technology, and accordingly there is blind action and stagnation; this is a respect in which capitalism cannot compare with socialism.

C. The Integrated Analysis Method

The relationship between production technology and economic development is amenable to a relational analysis of different hierarchical elements in spatial terms, revealing the economic line of maximum resistance (the main contradiction line), so that a production technology strategy can be scientifically selected and economic development promoted. Temporally, it is possible to make a wave analysis and find the laws governing the changes in the technological motive factor in economic development, thus making it possible to take the initiative, adopt a new production technology strategy, and carry out economic planning with knowledge of the future. Finally, an overall synthesis must be imposed on the spatial and temporal technical strategy so as to arrive at an optimal plan which is in good accord with the real situation, which is truly capable of promoting economic development, and in which feasible technology is integrated with economic needs.

The main method of policymaking and planning is the integrated analysis method; the spatial hierarchy method and the temporal wave-motion method described above are preconditions for the integrated analysis.

There are two types of integrated analysis: One is the balance method, which assures that planning and policymaking for science and technology will be in harmony with economics and society and that the structure of production technology itself will be rational; the other is the optimum method, which assures that technological policymaking will, by the use of economic planning, be able to produce optimum social and economic effect.

First let us discuss the balance method. A given economic structure reflects the specific requirements of a particular social stage. In order to promote the development of the economy, it is necessary to bring the energizing factor of production technology into play and enable it to achieve its aim of changing the economic structure; this will lead to a new, unbalanced situation, and accordingly a new balancing method is required. This is the fundamental contradiction which economic planning must resolve. Accordingly, the balance method of planning is very important; it is used to harmonize all relevant areas with the sector in question. For example, social needs, resources, equipment, manpower conditions, relevant technologies and other related economic departments must all be suitably coordinated. Accordingly, fixing rational proportional relationships is the essence of the balance method and the main technique of unifying planning.

Only by coordinating expanded reproduction of knowledge with expanded reproduction of products is it possible to make the former effectively change the latter and cause the latter to progress. Mutual adaptation of production and consumption (market) is assured by analysis and research based on product balance charts. Finance, raw materials, equipment and labor are also handled on the basis of balance charts. But an even more important factor is generally neglected: this is the production and utilization of knowledge. A balance between the production and utilization of knowledge is also guaranteed by analysis using knowledge balance charts (e.g. dealing with the situation in relation to the intellectuals). Comparison of knowledge balances and material balances generally must be begun well in advance. First they are rationalized structurally, after which they are coordinated quantitatively.

We now turn to the optimization method. The main attention in policymaking and planning work is directed toward finding the most rational and effective program for use of such resources as materials, manpower and finance, as well as knowledge, so as to achieve the goal of maximizing results and minimizing losses.

Optimizing policymaking and planning requires stress on the use of modern mathematical methods; scientific mathematical methods are used to select from among a variety of policies and plans the program which gives the greatest economic and social effect. The criteria used for selecting and fixing a program are extremely important. It is generally necessary to choose several comprehensive indicators and certain principles regarding progressiveness and rationality of structure. These are used to determine procedures and objectives which are in keeping with the strategic requirements.

Mathematical programming is an important, highly vital method of selecting an effective program. Mathematical modeling can also be used in express the quantitative relationships between various indicators.

By using these methods it is possible to engage in specific policymaking and planning work aimed at satisfying the main requirements of the people's livelihood. One of the most important aspects of this work is economic and technical forecasting. When there are different economic objectives involved in satisfying the people's needs, there will be different technological strategies, and in addition there should be various different programs and forecasts of scientific and technical development. Only when these conditions are met can mathematical modeling be used to determine long-term requirements and to identify the final, practicable program.

Hence we have made planning which embodies the three elements of economics, society and the scientific-technical area our objective. In order to view these three as a unified whole, we must devote the requisite attention to integrated methods.

By an integrated method we mean a planning path which is based on the balance and optimization methods and takes the needs of people and society as its basic principles, which sets basic comprehensive indicators and then breaks them down into indicators for the various subordinate departments, and ultimately uses detailed computation data for the various departments to revise the initial assumptions. In this way, through repeated feedback, the method approaches closer and closer to the most realistic and rational policies and plans. The progression of whole → parts → whole and repeated revision constitute the normal logical process of policymaking and planning. This process proceeds via multiply-iterated revision of the macromodel, the intersectorial model and the micromodels. Its end result is an optimized overall balance plan, with economic policymaking running through the entire economic plan.

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GENERAL

IMPORTANCE OF BETTER BUSINESS OPERATION STRESSED

Shanghai WENHUI BAO in Chinese 19 Sep 81 p 3

[Article by Shen Zhichun [3947 0037 2504]: "Give More Thought to Business Operation"]

[Text] At an exhibition of new products, a new type of shampoo was on display for sale. In four-size packages, large, medium, and small, the shampoo was for sale at different prices. The price of the large package was of course much higher than that of the small package, but in terms of content the large-size package was more economical than the smaller one. Yet, contrary to expectations, large-size packages were lying idle while sales of small packages were brisk at the exhibition. Why? It turned out that consumers in general bought small packages for a "trial" because, not knowing the quality of the new product and how good it was, they were afraid it would be unsuitable for their use. This gave the production unit an idea: it is necessary to study the psychology of consumers and give more thought to business operation.

Business Operation and Management Are Like Two Legs

The guidance of operational thinking is indispensible both in the sphere of production and in the sphere of circulation because it promotes the development of production and the growth of sales. Many instances of this can be cited. The guidance of operational thinking is reflected in the design of a product. In the past, travelling suitcases were portable. Now, some suitcases are fixed with automatic wheels, suiting the convenience of travelers and opening to the producers a good market for this commodity. Furthermore, when it comes to sales it is all the more necessary to be particular about the marketability of goods. In the survey conducted by the Shanghai nonstaple foods trade a few years ago, one thing was discovered: Arrowheads were sold out in some food markets but were overstocked in others during the winter. Why were sales of the same product entirely different in different areas? It turned out that in areas where arrowheads were sold out there were more northern Jiangsu inhabitants who loved arrowheads whereas the areas where the product was overstocked had relatively fewer inhabitants from northern Jiangsu. The proportion of goods was later adjusted with the result that the problem of "no stock" in one area and overstocking in the other was satisfactorily solved. These instances show that whether an enterprise attaches importance to business operations or not will greatly determine whether its economic effects are good or bad. The question even has a bearing on the future of the enterprise. If we want the economic effects of "booming business" we should pay particular attention to the strategic decisions in business operations. It is necessary to stress strategic decisions in business operations from the viewpoint of microeconomics and it is even more so from the viewpoint of macroeconomics.

Over the years, people's understanding about the question of strengthening business management and management of the national economy has been raised with initial results, but the importance of business operations has not been sufficiently stressed. Attaching importance to business operations is a problem that must be given full attention in our current improvement of economic work.

Business operation and management are often linked to each other and are two aspects supplementing each other. But they are not the same thing. As far as an enterprise is concerned, the main problem for management consists in coordinating the mutual relations between the upper and lower working procedures and among different departments within the enterprise, instituting and perfecting the necessary systems so as to ensure progress of various operations in an orderly and efficient way. The main problem for business operation consists in correctly determining the direction of production development and closely watching the connections between enterprises and the economic activities of society so that enterprises' production activities will become a part of social production activities.

As far as commodity production is concerned, the main problem to be solved by management consists in cutting down consumption as far as possible and lowering the cost so as to ensure that the time (including materialized time) taken to produce a certain product is far less than the socially necessary time of labor. The main problem to be solved by business operation consists in ensuring that the products turned out are put into the sphere of circulation as soon as possible and are sold quickly so as to realize the value of commodity according to the socially necessary time of labor. Ours is a planned socialist commodity production, and each commodity must realize its value in the sphere of circulation. Therefore, simultaneously with strengthening business management and management of the national economy, it is particularly important to stress the importance of knowing how to operate efficiently. It frequently happens that a well managed and highly efficient factory consumes less materials and produces at low cost but, through faults in operational decision or because of out-dated designs and colors or failure to publicize the special features of new products at the marketing link, finds its products selling slowly or long kept in stock with the result that they cannot quickly realize their value. Under such circumstances, consumption of less materials and low cost will count nothing. Strengthening management, it may be said, is aimed at laying a solid foundation for higher economic effects while improving business operation is aimed at creating conditions for increasing the economic effects. Business operation and management, like two legs of a man and two wings of a bird, move enterprise forward vigorously and develop the entire national economy steadily and soundly.

How to Ensure Efficient Operation?

The socialist system opens a broad world for the development of commodity economy. It acquires more conditions for launching various sorts of operational activities to suit the convenience of the masses under the guidance of state plans, making it entirely possible to unify operation and management and achieve better economic effects. Then, how to ensure efficient business operation? We think attention should be paid at least to the following aspects:

First, commodities should be marketable. The commodities provided for the society by the production department must meet market requirements, and the commodities purchased by the commerce department must be such that they can be sold quickly. In other words, both in the sphere of production and in the sphere of circulation, we must place the marketability of commodities in the primary position. Such is the most fundamental requirement of efficient operation. It is also dictated by the most fundamental aim of socialist production. If we want commodities to be salable, we must analyze consumer requirements from time to time, keep track of market prices and build direct links between production and sale. In this connection, Shanghai has done something. In addition to such forms of production-sale integration as factory-store links and joint industry-trade negotiations with foreign merchants, Shanghai has set up more than 500 sales departments and managers' departments of industrial enterprises. Through these "windows" social surveys are widely conducted and market information is gathered. These forms of operation played a positive part in renewing a variety of products, developing new products, improving product quality, increasing variety of colors and designs, and beautifying packing. Gratifying steps have been taken towards the salability of commodities. Persistent efforts in this direction will bring more grist to the mill of promoting business operation and developing production.

Second, do a good job of market forecasting. Forecasting means foresight. It is the precursor of efficient business operation. Any production enterprise that wants better operational results must apply scientific methods in investigating and studying the variety, quality, quantity and price of its products, find out whether its products meet market requirements, forecast the trends of change and development of various factors, and take different demands on products as the motive force for improving its business operation. The industry-commerce and industry-trade departments should coordinate with each other, correctly analyze the internal law of social requirements, feed-back the production department as the means of affecting and directing production.

Third, circulation of goods must be facilitated. This is the basic requirement of raising the level of business operation. To facilitate circulation of goods will shorten the time of circulation, cut down circulation cost, minimize wear and tear of goods, speed up fund turnover, and achieve better economic results. Since the Third Plenum of the Party, the urban and rural economy has gradually been stimulated and diverse channels of circulation have taken shape. While there are more channels of circulation now than in the past, there are still some obstructions, and some supply measures are confused. There are also speculative activities and smuggling activities carried on by some unlawful elements. For this reason, it is imperative to take measures to crack down on speculative activities, perfect different systems, continue to remove obstacles from the circulation channels, organize flow of commodities properly, cut down unnecessary circulation links, and bring the roles of various circulation departments into full play.

Fourth, serve the users and consumers. Generally speaking, whether the production department and sales deaprtments can coordinate closely, think of the interest of users and consumers thoroughly and provide them with various types of service will produce significant effect on the sales of technique-intensive, durable and high-priced goods. For instance, when making sales of electomechanical products, it is advisable to provide users with manuals, to guarantee supply of parts, to perform repair service, and to help install large sets of equipment. This should be done not only for products sold on the home market but also for goods sold on foreign market. By performing good service a broad market can be opened. Commodity propaganda and recommendation are an important link in service. New products should be publicized and recommended so that people can understand their performance, special features, effects and methods of use. Even old products should also be publicized because propaganda is the medium of commodity sale. There are many channels of propagana and recommendation, e.g., advertisement, commodity exhibition. In addition, the sales staff of the commerce department may propagate and recommend goods at their counters.

The above is only a part of business operations which are extensive in content. Various trades and industries have accumulated many experiences which should be summed up, put into practice and improved upon. In the interest of the development of socialist construction, the economic department should train a large number of managerial personnel who adhere to the socialist road, know how to operate, have specialized knowledge, an enterprising spirit and a strong sense of responsibility: this is one of the important tasks ahead of us.

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GENERAL

ADAPTION OF PRODUCTION RELATIONS TO PRODUCTIVE FORCES URGED

Guangzhou GUANGZHOU RIBAO in Chinese 10 Sep 81 p 3

[Article by Song Ziho [1345 1311 0735]: "Changes in Production Relations Should Meet the Requirement of Development of Productive Forces"]

[Text] Production relations must be suited to the character of productive forces. This basic principle of historical materialism brings to light the universal law governing the development of human society. Following this principle, the "Resolution on Certain Questions in the History of the Communist Party of China" summed up the lessons and experiences of the past 32 years and pointed out: "The change and perfection of the relations of social production must be adapted to the state of productive forces and must help develop production." To comprehend this principle conscientiously and to implement it well are of momentous significance in reforming and perfecting the socialist relations of production in our country and building a modern and powerful socialist country.

The basic principle of historical materialism tells us that as a social form of production, production relations are determined by their material content, and they develop and change along with the development of productive forces. They react on productive forces, playing a part in promoting the development of productive forces when they are suited to the character of productive forces, and playing a part in hindering the development of productive forces when they are not suited to the character of productive forces. If we understand this law, we shall be able to change production relations consciously according to the requirement of the development of productive forces. But whether these changes are correct or not can be objectively judged, in the final analysis, only by whether the development of productive forces is promoted. This is to say, changes in the relations of production that promote the development of productive forces are those that are adapted to the state of productive forces and are correct; otherwise, the changes are not adapted to the state of productive forces and are wrong. Therefore, in drawing a line between right and wrong for the changes in production relations over the past 32 years, and in studying how to reform and perfect the socialist relations of production from now on, we should take as the criterion whether production relations ultimately help develop productive forces. This basic principle is adhered to in the "Resolution."

Some people think that by entering into a socialist society without passing through a capitalist society, our country has violated objective economic laws. This view ignores the objective fact that in terms of economic growth rate, over the past 32 years our country not only has far surpassed old China but also has exceeded the majority of capitalist countries. Apart from this, the view represents a simple, mechanical understanding of the role and form of objective economic laws. True, according to the general requirement that production relations must be suited to the character of productive forces, the logical order of development of human society would be from primitive society to slave society, to feudal society, to capitalist society, and then to communist society (including socialist society, its lower phase). But when it comes to a particular country or nation, this law of development has its particularity because of different historical conditions. China's democratic revolution came in the era of imperialism and proletarian revolution, and the practice of struggle proved that the capitalist road was not possible; as Comrade Mao Zedong pointed out, "Only socialism can save China." Changing from a semifeudal, semicolonial society to a socialist society through new democracy was the particular road to the social development of China. Citing massive facts, the "Resolution" proved that this change brought on the "rapid development of productive forces at a rate unknown in the old society." Apart from this, we should understand the socialist society as a process of development. As the productive forces of our country are still comparatively backward, socialist society in our country is bound to go through a stage during which it is economically imperfect and institutionally immature and imperfect; this is precisely dictated by the law that productive forces determine production relations and that production relations must be suited to the character of productive forces. The leftist errors committed in the past in changing the relations of production were precisely the result of our not recognizing this process of development and our attempting to build a perfect, mature socialist society at one stroke.

The institution of a socialist system in our country was marked by the basic consummation of the socialist transformation of agriculture, handicrafts, and capitalist industry and commerce. Through the three major transformations, production relations basically acquired the essential characteristics of a socialist society--public ownership of the means of production, and distribution according to work. This was the most profound and greatest social change in the history of our country. Practice has proved that this change has not only opened vast vistas for the rapid development of productive forces but has also avoided the temporary decline in production that is hard to avoided in every great social change. In the years of change from 1953 to 1956, gross industrial output averaged a progressive annual growth rate of 19.6 percent, and gross agricultural output a progressive annual growth rate of 4.8 percent. Economic growth was fast, and the people's living conditions improved markedly. This, of course, had much to do with the proportional and coordinated development that was determined according to plans at that time. But it was also strong proof that the guiding principle underlying the three transformations was entirely correct. For all its defects and deviations at the later stage, the epochal success of this fundamental change cannot be denied. Therefore, the "Resolution" affirmed: "In the transition period, our party creatively opened the road of socialist transformation suited to the characteristics of China."

At the same time, the "Resolution" pointed out that in changing the relations of production, we traversed a tortuous road forward, along which we committed leftist errors of rash advance and "indiscriminate approach" divorced from the level of productive forces. In 1958 the movement for universal establishment of people's communes was rashly launched, blowing the communist wind of "larger size and a higher degree of public ownership" and "egalitarianism and indiscriminate transfer" which led to the undermining of productive forces. In the early 1960's, the Party Central Committee and Comrade Mao Zedong discovered the above errors and corrected them in actual work, thus enabling industrial and agricultural production to be restored and developed quickly. Through these twists and turns, our party acquired valuable experiences in leading the socialist revolution. But liquidation of the leftist errors in guidance was not clearly proposed at the time, and the result was that the errors of rash advance and oversimplified and uniform approach subsequently were repeated when the relations of production were changed. Added to this were the disruptive activities perpetrated by the Lin Biao and Jiang Qing counterrevolutionary cliques, who criticized the previous stage's correct approach as "capitalist" and "revisionist," "forced a transition to the higher stage despite poverty: in the sphere of circulation, and practised egalitarianism in the area of distribution; all of these measures were divorced from the level of productive forces and led to another severe undermining of productive forces.

Since the Third Plenum of the 11th Party Central Committee, with past experiences and lessons learned, a policy of comprehensively restructuring the economic system step by step has been explicitly put forward. Restructuring the economic system means making adjustments to those production relations that are unsuited to the development of productive forces, so that the socialist relations of production in our country can more effectively promote the development of productive forces and give fuller play to their superiority. For example, the policy of letting diverse sectors of the economy and diversified forms of management exist side by side has brought about the restoration and development of the collective economy and individual economy in towns and cities, and various forms of economic combinations. The structure of ownership have begun to suit the state of multilevel productive forces. Experiments have been made across the country, according to plan to expand the power of enterprises to manage themselves. Enterprises have begun to change from units attached to administrative organs into vital economic cells. The system of "eating from the same big pot" is being changed. Under the guidance of state plans, attention is being given to bringing the supplementary role of market adjustment into play. The role played by the law of value in regulating production and circulation is being given importance, and the operational mechanism of the socialist economy is being improved. Various forms of the responsibility system with remuneration linked to output--forms that were initiated and perfected in agriculture--have brought the collective economy in agriculture to a new stage of development. Later, the economic responsibility system has in various forms begun to spread to various sectors of the national economy, integrating economic power and responsibility closely with their interests. An effective form of applying the principle of distribution according to work in managing socialist enterprises has been found. The central authorities are pursuing special policies and adopting flexible measures with regard to Guangdong and Fujian. Externally, economic activities are made more open; internally, policies are more relaxed; and the power to make economic decisions is delegated further to the lower levels. The two provinces are required to start off in restructuring the economic system. These momentous policy decisions to reform production relations have not only enlivened the national economy as a whole but also enabled us to see what pattern of socialist economy is best suited to the basic conditions of our country at the present stage.

However, as the "Resolution" pointed out: "There is no set pattern of development of socialist relations of production. Our task is to create, according to the requirement of the development of our productive forces, specific forms of relations of production that are suited to productive forces and are conducive to continuous progress." To strive for and create these specific forms is an important and formidable task in building a modern and powerful socialist country.

9780
CSO: 4006/14

FUTURE ECONOMIC DEVELOPMENT OF GUANGZHOU

Guangzhou GUANGZHOU RIBAO in Chinese 17 Sep 81 p 1

[Article: "General Target of Economic Development Outlined at Guangzhou Party Congress"]

[Text] What is the general target of economic development of Guangzhou for the next 3 years? This was explained by Comrade Liang Lingguang [2733 7227 0342] in his work report delivered at the Guangzhou party congress. The general target is this: Comprehensively implement the eight-character policy centered on readjustment and, in particular, grasp restructuring and readjustment while continuing to readjust the proportional relations and increasing economic results. Conscientiously carry out the special policies and flexible measures, integrate "centralization" with "flexible development," integrate full application of the economic approach with the necessary administrative management and administrative intervention, and integrate the development of production with the gradual improvement of people's living conditions. Ensure that industrial and agricultural production maintain steady growth rates, and lay a strong foundation for development following the readjustment.

To ensure this target, Comrade Liang Lingguang pointed out in his report: First, it is necessary to continue to adjust rationally the structure of industries, mainly the light and textile industries. The limited financial and material resources should be used mainly for the purpose of developing production of consumer goods demanded on the market and developing light industrial and textile goods, food products, chemical and electronic products, and light industry apparatus for daily use as well as labor-intensive products like handcraft articles and clothing for tourists. The weak links like energy, transportation and building materials industries should be strengthened.

It is necessary to continue to carry out the special policies and flexible measures. This was the second point mentioned by Comrade Liang Lingguang. He said: "In order to accelerate the economic development of Guangzhou and give full play to its role as the economic center in the true sense of the word, it is imperative to exploit its superiority--proximity to Hong Kong and Macau making it convenient to bring in foreign capital and overseas Chinese capital--further emancipate our thinking, unify understanding, overcome obstacles and, on our initiative and on the principle of equality and mutual benefit, encourage investment and export. We should fully apply the powers delegated to our municipality as laid down in the Provincial Committee's 'summary of minutes' on the work of economic readjustment. All this has created excellent conditions for our economic activities with foreign countries. We should work out corresponding concrete measures in this spirit."

Comrade Liang Lingguang went on: The third point was to restructure the economic system more effectively. It is required to set clear aim of restructuring on the principle of "open external doors, relax internal policies, and delegate powers to the lower levels," and to create conditions for carrying out extensive reforms in the future. It is necessary to draw up working measures to bring the enthusiasm of all sides into full play. At the same time, it is necessary to deal with the interests of the state, enterprises, and individuals correctly and see to it that the state gets more revenues, enterprises retain more profits, and individuals get more income. The departments of industry, communications, finance-trade, capital construction, and urban construction should enthusiastically push and implement at each level the economic responsibility system (from the bureau level, to the company, enterprise, shop and team-group levels and to individuals), and develop things along the "contract line." The principle of distribution according to work should be implemented while the results of production achieved by enterprises and the amounts of profits accumulated for the state by enterprises should be integrated with the interests of units and individuals. All departments must use their brains to open all avenues for production and learn the art of earning, accumulating and using wealth.

It is necessary to reorganize enterprises, carry out technical transformations effectively and upgrade economic results. This was the fourth point mentioned by Comrade Liang Lingguang. He said: "Reorganizing enterprises is the most realistic way to tap the potential of enterprises, increase the economic results and revenues, and ease the financial difficulties."

Continuing, he set forth the specific demands at the fifth point as follows: In agriculture, it is necessary to implement further the relevant policies laid down by the central authorities and the provincial committee, to amplify and perfect the system of agricultural production responsibility, to adjust the distribution of agriculture rationally, to survey resources, to continue to stress production, and to develop economic diversification in a manner suited to local conditions so as to enable the peasants to get well-to-do early. In the case of urban counties, the policy of serving cities should be continuously implemented; simultaneously with stressing grain production, efforts should be made to step up production of meat, eggs, milk, aquatic products, fruits, and sugarcane, as well as production of native and special products, and gradually to build the suburban counties into a base of nonstaple foods and a base of raw materials for light industry. He said: "The suburbs should place vegetable production in the primary position, ensure the vegetable planting acreage, step up capital construction of vegetable plots, and make efforts to ensure 'harvest despite drought and water-logging' and 'better quality, high yield, greater variety, and balanced and early supply to market.' All the urban trades should vigorously give financial, material and technical aids to agriculture through all channels and bring about faster development of agriculture.

Talking about the specific demands at the sixth point, Comrade Liang Lingguang pointed out: "It is necessary to lay emphasis on the planned economy while giving full play to the subsidiary role of market adjustment. It is required to continue to relax policies and stimulate the economy. With public ownership occupying a predominant position, the diverse sectors of economy should be allowed to exist side by side and efforts should be made to run state-operated enterprises successfully and develop the individual economy appropriately so as to turn it into a supplement to the socialist public ownership. Individual economy should be given support politically and economically and must not be discriminated against. We should welcome all enterprises in the province and from other localities who come to Guangzhou to sell their commodities, particularly agricultural and sideline native and special products, and provide them with facilities. At the same time of stimulating the economy we should strengthen planned management and market management, exercise the administrative supervision and intervention that is necessary, and solve new problems cropping up in the process of stimulating the economy."

Finally, Comrade Liang Lingguang referred to the stabilization of market prices, saying "stabilization of market prices is an important thing bearing on the matter of ensuring the living standard of the urban people, and must be grasped seriously." "As Guangzhou is the center of trade and international intercourse with a large floating population, the gap between the volume of available commodities and the amount of money put into circulation brings the question of commodity prices into more striking relief. This is an overall and complicated question and something will have to be done by the central authorities and provincial authorities under unified arrangements, but it behooves us to assume a positive attitude, take effective measures, and strive for basic stabilization of market prices."

9780
CSO: 2006/22

HONG KONG PAPERS COMMENT ON SHANDONG BANK STOCK ISSUES

HK231521 Hong Kong TA KUNG PAO in Chinese 18 Oct 81 p 3

[Article by Tien Ming [3944 2494]: "Shandong Bank Makes First Issue of Stock"]

[Text] Recently, a bank in China issued stock. This was the first time that China has issued stock in 30 years.

This bank is a branch of the Chinese Construction Bank in Yantai, Shandong Province. It issued stock in order to raise funds for constructing a local power station. The money it raised amounted to 110 million yuan (about HK$400 million).

The construction bank is one of the four main banks in China. The other three main banks are the Chinese People's Bank, the Agricultural Bank and the Bank of China. The construction bank specializes in dealing with investment in state-run and local capital construction projects. During the period of the four modernizations and the readjustment of the national economy, its main task is to administer, regulate and supervise the rational use of construction funds in various localities. In the meantime, by using usual banking business methods, it stores idle funds retained by enterprises, units and residents in the society and uses them in production and construction, where funds are urgently needed.

During the economic readjustment period over the past 2 years, the state has stipulated that some capital investment funds will still be allocated by the state, but most of them will be extended as bank loans. As a result, the construction bank is playing a greater leverage role in economic construction.

The fact that the Yantai Branch of the construction bank made its first issue of stock can be regarded as a new effort to absorb idle funds to assist with local capital construction.

In recent year, Shandong Province has scored great success in developing its industry, agriculture and economy. In particular, it has made new breakthroughs in agricultural production, such as in the production of grain and cotton and soon. This is well known throughout the country. The development of industrial and agricultural production in the Yantai area has been fairly rapid and it has now become one of the richer areas of the province. However, a severe shortage of energy has hampered its development. There is a coal min in Longkou County near Bohai

Bay, where a power station can be built. About 2 years ago, the State Planning Commission approved a plan for building Kenghou power station, with a generating capacity of 600,000 kilowatts, to solve the problem of the shortage of energy. According to plans, the power station construction project will be carried out in two phases. The investment for the first phase project will amount to 165 million yuan. About 60 million yuan will be supplied by the Ministry of Electric Power Industry and the remainder (105 million yuan) must be raised by the local government.

Under such circumstances, the construction bank has played its necessary role. After working out a plan together with the local authorities, it was decided that the branch of the bank in the Yantai area would issue stock to centralize local idle funds for local use. As a result, the subscription quota of 110 million yuan has not basically been fulfilled.

The stock is actually a fixed bond which cannot be transferred at will. There is not possibility of speculation or profiteering, but the bondholders will draw a high rate of interest. After the completion of the power station and the commencement of its first phase of operation, the bank can start repaying capital with interest. The local department concerned has estimated that the generating units, which can produce 100,000 kilowatts of electric power, may make an annual profit of 19 million yuan. In other words, capital with interest will be paid off in 5 years. Over 7 years, the amount of profit will be equal to the total amount of funds raised through the stock issue. This means another power station, which requires an investment of 160 million yuan, can be built after 7 years. Why should they not engage in such a profit-making business?

Recently the following view prevails on the mainland: now the state is poor, but local enterprises and people have become rich. At the present stage, this is actually not a bad thing. In a recently held meeting, Li Baohua, director of the Chinese People's Bank, told branch managers of the bank in various provinces and munitipalities: over the past 2 years, the national economy has been readjusted and reformed. In the preliminary distribution of national funds, the proportion of funds distributed in the financial budget has dropped, and the amount of money controlled by enterprises has increased. People in the urban and rural areas will be quite well off. This will give banks a greater chance to play their role in accumulating funds.

It is obvious that banking activities in China should be enlivened. The fact that the branch of construction bank in Yantai has made the first issue of stock is a good example.

CSO: 4006/62

PRC STRATEGY FOR FOREIGN TRADE DEVELOPMENT

HK220859 Hong Kong WEN WEI PO in Chinese 20 Oct 81 p 2

[Special feature by WEN WEI PO reporter Lan Ching-chung: "The Advance of China's Strategy for Foreign Trade"]

[Excerpts] There are many indications that China has made new policies from the high plane of strategy to take the initiative in establishing economic relations with foreign countries and promoting foreign trade. Such indications are extremely common such as the following ones:

Authoritative persons have proposed recently that foreign trade personnel should travel to foreign countries to do business and that foreign trade personnel should establish marketing networks in foreign countries;

At a forum of first secretaries of all provincial CCP committees held after the party's sixth plenary session, Vice Chairman Deng Xiaoping called for actively using foreign capital to quicken the pace of economic development;

A conference on special economic zones in Guangdong and Fujian provinces; which was presided over by Vice Premier Gu Mu shortly before the party's sixth plenary session, discussed special policies and flexible measures in the two provinces, changed the previous formulation of "allowing the two provinces to become prosperous first" which is of partial significance, and put forward the new formulation of "making experiments in the reform of economic systems and the exploration of new ways for development" which is of overall significance. The conference also called for "lifting more restrictions on external work, relaxing more (policy) restrictions on internal work and transferring more power to lower levels."

The total export value at last year's two Guangzhou trade fairs amounted to over $5 billion which accounted for one-third of the whole country's total export value ($18 billion). This shows that the binanual trade fair in Guangzhou is still one of China's important sites for doing export business.

CSO: 4006/62

BRIEFS

CHINA, ROK TRADE--Hong Kong reexports of China-origin goods to South Korea increased 118 percent or HK$97 million during the first 6 months of this year, the government announced yesterday. This substantiated earlier reports that China has been doing business with South Korea through Hong Kong as the middleman. China earlier this month admitted publicly for the first time in a report carried by GUANGZHOU RIBAO that it conducts trade with South Korea via Hong Kong. China has close links with communist North Korea and does not recognize the government in Seoul. And Chinese officials had consistently dismissed reports of trade with South Korea. Seoul businessmen estimated that China's trade with their country might reach the HK$1 billion-mark, compared to nearly HK$600 million last year. [Excerpt] [HK170112 Hong Kong STANDARD BUSINESS STANDARD in English 17 Sep 81 p 1]

CHANGING FOREIGN TRADE--["Responsible Members of State Council Talk About Speeding up the Development of China's Foreign Trade and Setting up Sales Network in Foreign Countries"--dispatch] Beijing--Recently, responsible members of the State Council talked about speeding up the development and reforming the structure of foreign trade. According to the spirit of this talk, there will be tremendous changes in the work methods and scope of the foreign trade departments. According to authoritative sources, foreign trade should not be carried out within our country alone. The Chinese export commodities fair which is held twice a year in Guangzhou is doing business from behind the counter. It is a limited form of foreign trade and, we have not gained footholds in many parts of the international market. [Text] [HK160833 Hong Kong WEN WEI PO in Chinese 16 Oct 81 p 2]

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DIFFERENCE BETWEEN PRODUCTIVE AND NONPRODUCTIVE LABOR UNDER SOCIALIST SYSTEM

HK301400 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 81
pp 22-29

[Article by Wang Jiye [3769 4480 2814]: "On the Difference Between Productive and Nonproductive Labor Under the Socialist System"]

[Text] The correct distinction between productive and nonproductive labor involves not only the basic principle of political economics, the scientific categorization of the structure of the national economy, the social product and the national income, but also exerts a direct impact on the indicator system of planning and statistics. In the last 6 months, a number of articles have been published in succession in the newspapers and periodicals, presenting discussions on this topic and airing opinions different from those in the past. Some comrades maintain that socialist productive labor comprises that which is undertaken under the socialist production system without exploitation and for the purpose of satisfying the physical and cultural needs of the society. Socialist productive labor is not confined to the production of materials only. It includes both physical labor and mental labor, with those in physical material production satisfying the needs of material life and those in nonmaterial production satisfying the needs of cultural life. National income comes from both the material production realm and the nonproductive realm.

Those comrades who take the above viewpoint also maintain that the theory claiming that under the socialist system productive labor comprises only the production of physical materials do not follow the Marxist doctrine of productive and nonproductive labor, nor is our present distinction between productive and nonproductive labor and the computation of national income in conformity with the original intention of Marx both in the sense of extension and intension. They come to the conclusion that our negligence of commerce, the service trades, science, education and cultural work as well as the refusal to accept those who work in these areas as part of the working class for a long time in the past was the negative outcome of the incorrect distinction between productive and nonproductive labor.

This being so, it is quite necessary for us to clarify what is right and what is wrong in theory through discussion and make a correct distinction between productive and nonproductive labor, if we are to persist in the economic doctrine of Marxism and to expedite the healthy development of our economic construction.

Three Difficult Points

To distinguish between productive and nonproductive labor, we have to trace back to Marx's theory about productive and nonproductive labor under the capitalist system. This has been a theoretical issue for a long long time, and I think that this is quite a difficult problem in political economics. By and large, three aspects may be mentioned in this regard:

First, in the understanding of some comrades, it was Marx's viewpoint that what comprised productive labor covered more than that of the workers who created surplus value in the field of material production, as all labor that provided capitalists with profit (including labor in the nonproductive field) was considered as productive. For example, the labor of singers, dancing girls, actors, and so on, just as the labor that produces material products and creates surplus labor, would also be productive labor. Then, arises the problem: While Marx mentioned more than once in his book "Das Kapital" that productive labor was that which created surplus labor in the process of capitalist production (material production), why did he again devote considerable space in his book the "Theory of Surplus Value" to explain that all labor that provided the capitalists with profits would be productive labor?

Second, in the discussions many comrades quoted Marx's comment on the first definition of productive labor formulated by Adam Smith as the ground for their argument. To be specific, in what sense exactly did Marx endorse or approve the first definition of productive labor formulated by Adam Smith? To put it briefly, Smith's first definition meant the following: Labor expended in exchange for capital constituted productive labor, while that expended in exchange for income constituted nonproductive labor. Since the labor that is exchanged for capital is integrated into capital itself, the integrated labor becomes part of capital, not only replenishing the laborer's value of consumption, but also providing a certain amount of surplus value. For this reason, it is productive. On the other hand, since the labor that is exchanged for income does not constitute a capital forming factor, it is unable to provide the capitalists with a surplus. Hence, its nonproductivity. Then, can it be understood that Marx's endoresement or approval of Adam Smith's first definition of productive labor could mean the definition became Marx's own definition?

Third, does the word production in the phrase productive labor have the same meaning or some different meaning when compared with the word production in the phrase the sphere of material production? The Chinese version of the "Collected Works of Marx and Engels" published in our country was retranslated from the Russian version of the works, in which it can be found that the two words "production" in Russian are two different words. The former means effectiveness brought about by production, a synonym for labor productivity. It seems that this word should be translated as labor of a productive nature. The latter means material production, bearing the same meaning as the word production in the process of production. In the Russian version, the two words cannot be used interchangeably, while in the Chinese version the two words have been translated the same. This causes a lot of trouble in the discussions on productive labor and the limit of the sphere of material production. Then, can it be said that the size of the sphere of socialist productive labor coincides with that of its corresponding sphere of material production? In the case of productive labor which corresponds to the sphere of material production, is it to be understood as productive labor as dictated by the material conditions of labor or is it to be understood as productive labor as dictated by the social conditions (production relations) of labor?

The above-mentioned three problems constitute the crux of our current discussion on productive and nonproductive labor. If we bypass these problems, it seems that no satisfactory or convincing conclusion can be drawn from any postulations.

General Productive Labor and Special Productive Labor

Let us investigate the problem from the facet of the mutual relations between general productive labor and special productive labor.

Labor is a process. First of all, labor represents a relation between mankind and nature. This is to say, through its own activities, mankind regulates and controls the material mutation between mankind and nature. To get the expected results from the labor process, there must be the simple or most essential elements. They are purposeful activities or labor itself, the subject of labor and the means (or instruments) of labor. This is seen from the viewpoint of the labor process. Seen as the results of labor, or investigated from the angle of labor products, the means of labor and subject of labor are manifested as means of production, and labor itself is manifested as productive labor. In this way, it can be said that the labor which produces products is productive labor, and its corresponding labor process is a productive process. If the result of the labor process is not a product with use value but a waste product, even with the completion of the labor process, the labor so expended does not constitute productive labor, nor can the corresponding labor process be deemed as a productive process. Whether labor can be manifested as productive labor depends on three things: (1) It cannot be separated from the labor process; (2) it cannot be separated from the simple elements of the labor process; (3) it cannot be separated from the labor product. This kind of productive labor never alters with the mutation of various social economic modes, because labor like this is an extension of the material property of labor rather than that of the social property of labor. "In terms of the labor process itself, only labor with a product (namely a material product, as only material wealth is involved here) can be productive." (Marx: "The Result of the Direct Production Process," People's Publishing House, 1964, p 114) We can [call] such labor productive labor in general or general productive labor.

General productive labor varies in form under different social systems. As for productive labor with a special form, we call it special productive labor. In capital production, how is general productive labor manifested as special productive labor? As far as capitalist production is concerned, the deciding factor of the mutation from general productive labor to special productive labor is the creation of surplus value, since the search for surplus value is the goal of capitalist production. In this sense, only the labor that creates surplus value is productive labor, and the creation of surplus value is carried out in the sphere of material production. Under the capitalist system, productive labor is the labor that creates surplus value in the process of the production of material products.

Given the general productive labor manifesting itself as the labor that creates surplus value in the process of material production, namely, special productive labor, does it also manifest itself as the wage labor in the nonproductive sector that provides the capitalist with profits? This would involve the question--in what sense did Marx approve of Adam Smith's first definition of productive labor.

Adam Smith wrote: "For certain labor, when it is applied to a subject, it adds value to that subject. This does not work for other kinds of labor. The former is called productive labor, as it creates value; while the latter is called nonproductive labor." (Quoted by Marx in his work "The Theory of Surplus Value," "Collected Works of Marx and Engels" Vol 26, I, p 146) Regarding this, Marx commented: "Productive labor is such that it creates surplus value--its owner's profit--in addition to the reproduction of its own (the wage laborer's) living expenses." (Marx: "The Theory of Surplus Value," "Collected Works of Marx and Engels" Vol 26, I, pp 146, 148, 142 and 143) Marx further pointed out: "In a definition prescribed for productive labor from the point of view of capitalism, Adam Smith has touched on the essence of the problem and grasped the main points. One of his great scientific contributions (just as Malthus correctly points out that Smith's distinction between productive and nonproductive labor still constitutes the foundation of the whole bourgeois political economy) lies in the fact that he was the first one to formulate the definition that productive labor is labor that is exchanged directly for capital." (Ibid)

A correct understanding of this comment made by Marx is extremely important. The reason is that the labor which is exchanged for capital includes not only wage labor that engages in material production, but also that which belongs to the nonproductive category. Smith was of the opinion that both were productive labor and Marx agreed. Does this imply that Marx's doctrine of productive labor under the capitalist system is a simple repetition of Smith's first definition of productive labor? This definition is considered to be the foundation of the whole bourgeois political economy. How can this be understood? In my opinion, the theme which equates Smith's first definition of productive labor with Marx's contention is quite debatable. When Marx went on commeting on Smith's first definition of productive labor, he quickly made another comment: "Here, the distinction between productive and nonproductive labor is made from the point of view of the money holders, the capitalists, and not from the point of view of laborers." (Marx: "Theory of Surplus Value," "Collected Works of Marx and Engels," Vol 26, I, pp 146, 148, 142 and 143) How should this be explained? My understanding of this is as follows: Marx's approval of Smith's first definition of productive labor must be taken into consideration in comparison with Smith's second definition (productive labor is the labor that has been embodied in commodities.) The definition which Marx agreed upon reflects the viewpoint of the money holders, or the capitalists.

What then were the viewpoints of Marx regarding reproductive labor under the capitalist system?

Marx said: "In the sense of capitalist production, productive labor is a kind of wage labor which is exchanged for the variable part of capital (the part of capital which is expended for wages) and which is not only capable of reproducing this part of the capital (the equivalent of the costs of the laborer's own labor power), but also creates surplus value for the capitalists in addition. Through this and this alone are commodities and money transferred into capital, enabling capital to be produced." (Ibid)

Some articles maintain that this passage may not be entirely the same as the original quotation of Adam Smith's, but is a restatement of Adam Smith's idea by Marx. I don't think this is true either. Leaving aside for the moment the concepts used in the passage (for example, variable capital and surplus value) which could not possibly be used by Smith, what is more important is that what is referred to here as "creating surplus value for the capitalists" means the creation of surplus value created by the wage laborers in the material production sphere without any indication of the implication that laborers in the nonproductive sphere also create surplus value. Marx resumed his comment immediately by pointing out that the existence of the capitalist class is built upon its corresponding rate of production, or in Marx's own words, "the workers not only replenish the original value, but create new value. The labor time which is embodied in the commodities is more than that embodied in those products required for the subsistence of the workers. This wage labor of production is the very foundation of the existence of capital." (Ibid)

Therefore, I believe that when Marx said that productive labor in the capitalist sense is that which creates surplus value, he meant the labor of those who engaged themselves in material production, excluding the labor of those who worked in the nonproductive sphere.

Some comrades pointed out that in the days of Marx, capitalist scientific research, culture, art, education, sanitation and other related nonmaterial production sectors were still very much undeveloped. Just as Marx himself had pointed out, all these manifestations of capitalist production in the aforesaid sectors, compared with these of the entire production, would have been quite negligible, and therefore could be ignored. If Marx had witnessed the reality of today, he would not have made such a comment as "not to be mindful of them." At first sight, this seems to be an important point, but on second thought, with careful analysis this point is also open to question. Indeed, Marx did once say: "Such labor in comparison with the volume of capitalist production is minimal approaching zero...Therefore, it is permissible to be not mindful of them." However, Marx immediately added: "This labor can only be discussed when it is in the form of wage labor, without being productive labor at the same time, and when it falls into the category of wage labor without being productive labor at the same time." (Marx: "The Outcome of the Direct Production Process" pp 112, 105) Under the capitalist system, not all wage labor is productive labor, even though all productive labor is wage labor. From the above exposition by Marx, no conclusion can be drawn to the effect that this labor is productive labor. In view of the actual situation, these sectors take up a considerable percentage of the capitalist national economies, exerting important influence over the development of material production. If we regard this labor as productive labor on these grounds, the conclusion would be quite doubtful too. The percentage growth of these sectors in the national economy does not indicate that the labor concerned has undergone a change, a transformation from nonproductive labor to productive labor.

Under the capitalist system, the reason why labor in these sectors is regarded as productive labor is merely that part of the productive labor takes a distorted form, namely wage labor producing no surplus value takes the appearance of producing surplus labor. For example, in the case of a theatrical company owned by a capitalist, the wage labor of the actors brings profit to the capitalist. To the capitalist, such labor is productive. However, in terms of form of value, the total income of this theatrical company is transferred from the value created by workers in the material production sectors. In terms of physical form, the wear and tear of the physical assets used by this theatrical company are also replenished by the products of the material production sectors. It can be obviously seen that the taking on of the appearance of redistributing surplus value in the nonproduction areas is only a phenomenon which is more illusory.

As demonstrated above, under the capitalist system the general productive labor is manifested as special productive labor as well as the labor creating surplus value. "Only the labor that directly creates surplus value can be productive labor, and only those who expend labor that directly creates surplus value can be productive workers. In other words, productive labor can only be that which is expended directly for the purpose of multiplying value for capital in the process of production." (Marx: "The Outcome of the Direct Production Process," pp 112, 105) However, this special productive labor cannot exist in the absence of general productive labor, as the former is only a form of manifestation of the latter. It is exactly in this sense that Marx said: "The capitalist labor process just cannot eliminate the general property of the labor process." (Ibid)

Productive Labor Under the Socialist System

It is my belief that first of all we should take into consideration the relationship between general productive labor and special productive labor, when we discuss the transformation of general productive labor into special productive labor under the socialist system. As to the problem of distinguishing the material production areas and the nonproductive areas, this is the problem to be studied next. Then, how is general productive labor manifested as special productive labor?

Marx said: "Suppose no capital exists and workers receive their own surplus labor with the result that the value they create would exceed what they consume. It is only in such a situation that labor is truly creative. That is to say, new value is created." (Marx: "The Theory of Surplus Value," "Complete Works of Marx and Engels," Vol 26, I, p 143) This assertion of Marx provides us with a clue for the study of productive labor under the socialist system.

First, the individual economy still exists in socialist society. The labor of the self-employed laborer, viewed from the angle of general productive labor, is productive labor; while viewed from the angle of special productive labor, it is not. It is a transitional form heading for socialist productive labor. When we speak of it as socialist productive labor, we are referring to the transitional property of such labor.

Second, the labor that produces the commodities for the necessary labor, viewed from the angle of general productive labor, is also productive labor, because it creates the physical commodities and value needed by the laborers (workers) for their means of subsistence. Viewed from the angle of special productive labor, it is again not productive, because it is unable to satisfy the growing needs of the laborers and provide them with the needed material products for their material and cultural life. When we speak of it as socialist productive labor, we are referring to it only in the sense that it satisfies the daily necessities of life of the laborers, rather than taking it as productive labor in the sense that it satisfies the growing material and cultural needs of the laborers' life.

Third, in terms of the social property of productive labor, in the sense that general productive labor is manifested as special productive labor, I believe that under the socialist system productive labor is that which produces surplus products. Labor that produces surplus products is labor that satisfies the growing material and cultural needs of the society. However, the reverse is not true. It cannot be said that all labor that satisfies such needs is productive labor, because the latter includes not only the labor that creates surplus products, but also that which belongs to the nonproductive area producing no surplus products. To take the labor that satisfies the growing material and cultural needs of the society as productive labor necessarily gives rise to various queries.

If we take all labor that satisfies the needs of the society to be socialist productive labor, then with the extermination of the exploiting class in our country, what labor is there that does not satisfy the needs of society? Even the labor of those who are in government service exists for the satisfaction of the needs of the society. Without their labor, the life of the society would be thrown into chaos, socialist construction would be stopped, and the needs of the society would be left unfulfilled. It is quite obvious that to define productive labor in terms of the concept of satisfying social needs actually is equating social labor with productive labor.

If we accept the assumption that socialist productive labor includes both the labor that produces material products services, then it naturally follows that both of them should be able to furnish surplus products. Actually, however, the non-productive labor that satisfies the needs of society does not furnish surplus products. In furnishing services, definitely there would be wear and tear of fixed assets and consumption of fuel, and so on, and these will be replenished by products produced by the material production sector. Indeed, the service sector has its own monetary income and management expenses, but they are the results of the redistribution of national income created by the material production sector.

As to the division of the material production sector and the nonproductive sector in comparison with the distinction between the productive and nonproductive labor in terms of social properties, they are problems of different levels. The social property of productive labor, or special productive labor, is not suitable for dividing the material production sector and the nonproductive sector. It is the material property of productive labor, or general productive labor, which comprises the basic ground for dividing the material production sector and the nonproductive sector. In terms of economic work, the concept of socialist productive labor is more suitable for research work and for indicating labor productivity and the economic effectiveness of other areas, while the concept of general productive labor is suitable for dividing up the material production sector and the non-productive sector. In the total material output are included not only the material products of those laborers who are capable of producing surplus products, but also the material products of those laborers who do not produce surplus products (for example, the products of the enterprises that fail to make a profit or incur losses). Besides, in the total material output is also included the products of the laborers who operate under nonsocialist production relations (for example, the products of self-employed laborers, the products of household sidelines in the countryside, and so on). If a comparison is made of the distinction between productive and nonproductive labor and the division of the material producing sector and the nonproductive sector, it can be said that the delineation of the material producing sector, comparatively speaking, is more in direct contact with general productive labor. Therefore, it is of special importance to investigate the division of the material production sector and the nonproductive sector under the socialist system.

The Material Production Sector and the Nonproductive Sector

In terms of the properties of general productive labor, what departments should fall into the material production sector, and what departments should fall into the nonproductive sector? I propose to discuss four aspects of this problem:

Judged from the angle of whether or not material products are produced, those that are capable of producing material products fall into the material production sector, while those that do not produce such products fall into the nonproductive sector. Communications, transportation, posts and telecommunications, commerce, material supplies and sales as well as other departments are the extension of material production in the process of circulation. Even though they do not produce materail products directly, nevertheless they comprise the indispensable link in effecting consumption of the material products (consumption for production as well as for daily life). Without this link, it is impossible for the material products created in the direct production process to be materialized as use value and value.

Viewed in terms of the nature of consumption, the consumption in the area of material production is productive consumption, as the consumed material wealth is incorporated into the use value of the product. While the incorporated value of material wealth is transferred to the new product, the consumed living labor also creates value. The labor consumed in the nonproductive area is also consumption (for example, the consumption of mental power, physical power, fixed assets, energy, and so on), but it does not form material products. This kind of labor consumption cannot be embodied into the material product. Therefore, it is nonproductive consumption.

Viewed in the light of consumption replenishment, the material consumption in the area of material production is to be replenished by new products of its own area, or to be compensated by the production compensation fund. In the nonproductive area, the material and labor consumed are to be replenished by surplus products furnished by the productive areas.

In terms of the products of consumption, the products of the area of material production are newly produced material wealth, while the results of consumption in the nonproductive area are the new needs for material wealth.

The above are the main indicators for dividing the material production area and the nonproductive area. Here, we may as well mention another problem. In some economic statistics work, instead of dividing the whole national economy into a material production area and a nonproductive area, it is divided into a material production area and a nonmaterial production area. The concept of nonmaterial production area used here is by no means exact and unambiguous. It may give the reader the following impression: In the light of the national economy as a whole, all labor is productive and falls into the area of production. The difference is that one category produces material products while the other category produces nonmaterial products. For this reason, I suggest that the concept of the nonmaterial production area should be nullified and in its place the concept of a nonproductive area should be used in order to prevent misunderstanding.

With reference to the division of the material production area and the nonproductive area, disputes arise more from the problem of setting boundaries for the nonproductive area. In the broadest sense, it can be said that the nonproductive area comprises the service sector. In the relatively narrow sense, the service sector refers mainly to the sector of services for people's daily life. The main feature of the service sector is its provision of use value. In actual economic life, service activities are multifarious. Conceptually, service is a complex notion. Consequently, it is necessary to make a concrete analysis regarding the contents and features of labor devoted to services.

First, the department in direct service of production. For example, in the broad sense, the maintenance of the means of production (fixed assets) should also fall into this category. In essence, it is an activity relating to material production, and should be included in the department of material production.

Second, the trades offering services to people's daily life with business income. Let us take for example the repair trade for consumer goods. At first sight, it seems that this trade should fall into the category of material production on account of the fact that it restores the use-value of durable consumer goods with the nature of industrial operation. It also provides income for the laborers in this trade. On second thought, however, the materials consumed by the repair service trade are furnished by the laborers of the material production sector. The income in this trade is just a redistribution of national income created by the laborers of the material production sector. Moreover, the repair of consumer goods takes place only after they are transferred from the material production sector to the consumption sector where with a lapse of time they are worn down by wear and tear. On account of this, to include the repair service for consumer goods in the material production sector awaits further consideration. The same situation exists in other service trades, such as barber shops.

Third, the service departments which serve the reproduction of labor such as education, health, and so on, should not be included in the material production section. The labor of the laborers of these departments, important as it is, nevertheless does not act on the subject of labor in the material production process, nor does not create any material products which exist by themselves separate from human laborers. It is exactly for this reason that education, health, and certain other departments have no source of direct compensation funds for the materials and labor they consume, nor the corresponding material products for the compensation funds. Marx said: "The labor of doctors and teachers does not directly create the funds out of which payments are made for their remuneration, even though the injection of their labor would mean production expenses which generally comprise the funds by which all value is created, or to put it in a different way, the production expenses which are added to labor power." (Marx: "Theory of Surplus Value," "Collected Works of Marx and Engels, Vol 26, I, pp 159-160) Some comrades not only regard the labor of teachers that transfers knowledge as productive labor, but also think that those who are educated, by virtue of the fact that they receive education and training coupled with independent deliberation and studying, also exert labor which should be classified as productive labor. I don't think this is appropriate.

Fourth, the cultural and arts sector. Certain parts of this sector do not turn out products (for example, dancing and acting); these should be included in the nonproductive sector. Other parts do provide material products (for example, the publishing houses, the motion picture industry, and so on). These should be included in the material productive sector.

Fifth, the science and research department. Science and research, including technology, do perform important functions. With the exception of science and technology that act directly or indirectly on the production elements, the other science and research departments are not productive departments. This is because their labor results do not constitute the actual productive force in direct form. It takes a transitional process for them to combine with the production elements and play their role in promoting production. Through raising the technological level of the laborers, improving the instruments of labor or improving their efficiency, and providing high quality or new subjects of labor, science and technology play their role of promoting labor force.

As this is a relatively more controversial problem, eliciting different understandings of Marx's exposition, I think it is quite necessary to interpret the following passage by Marx.

Marx made the following comment on productive labor in the capitalist sense: "It is from the direct product of an individual producer that a product is transformed into a social product, and the common product of all the workers or the combined laboring members. The various individuals of the total of workers directly or indirectly, in the relative sense, work on the subject of labor. Therefore, with development of the cooperative nature of the labor process itself, productive labor and its bearer--the productive worker—as a concept necessarily become wider in scope." (Marx: "Das Kapital" Vol 1, People's Press Publishing House, 1975, p 556) Various labor power "takes part directly in very diverse forms in the process of commodity formation or product formation (here, the process of product formation is more nicely put): some work mainly with their hands, some work mainly with their brains, some work as managers, engineers, technicians, and so on, some work as supervisors and some work as manual laborers doing simple and rough work. As a result, more and more functions of labor power are included directly in the concept of productive labor." (Marx: "The Outcome of the Direct Production Process" pp 106-107) "It is of no relevance whether the function of an individual laborer in his capacity as a simple member of the total laboring class is very close to or far removed from plain manual labor." (Ibid)

The following is my crude understanding of Marx's exposition. In regard to whether or not the labor of a mental worker can become productive labor, first of all we should note whether or not it exerts indirect action on the subject of labor (the most important factor). Second, we should note whether or not is participates in the process of product formation. Third, in the case of indirect action on the subject of labor, or in the case where the function of a mental worker is far removed from rather than close to that of manual labor, no inference should be drawn that "we should begin with the workers who act directly on the subject of labor and then extend outward layer by layer to the remote area." If deductions along this line are continued, the dividing line between "direct" and "indirect" will be blurred, and the sequence would be "direct," "indirect," and further "indirect" heading for infinity with the result of making the total social labor productive labor.

Leaving out the capitalistic nature of productive labor, the exposition of laborers in totality by Marx as mentioned above also applies to the socialist production process. The labor of mental workers can become productive labor, only when it is applied indirectly to the subject of labor (extending layer by layer to the remote area makes no sense). The examples quoted by Marx in regard to capitalist productive labor were workshops. In the socialist economy, should this scope be extended? And to what extent? This is a question worth discussing. My preliminary conclusion is that it can be extended to the range of integrated enterprises and specialized corporations, provided that these corporations are those which function as organizers of production rather than being merely administrative or general economic management entities. As for the labor of those who work in science and research institutions and economic management departments, it should not be regarded as productive labor.

Sixth, the government organizations (including economic management departments). They exercise the function of organizing social production. However, they do not create material wealth. What they do is to formulate the plans and programs of social and economic life, and to accumulate such experiences. In this respect, they are similar to those departments that supply cultural wealth.

What is still left untouched is the rather difficult department of finance. Its labor deals with the management of monetary funds and the promotion of coordinated development of the various sectors of the national economy through bank credit in incessant circulation. A part of the activities of this department are credits in the service of production. The other parts are in the service of nonproductive activities (for example, the work on savings deposits). The former activities are similar to productive labor. When Marx analyzed the general process of capitalist production, he included money capital and commercial capital (commodity capital) in the distribution of surplus value in the process of material production due to the fact that the movement of capital invariably takes the form of money capital, production capital and commodity capital in succession.

I have made a preliminary probe, as shown above, into the question of the distinction between productive labor and nonproductive labor as well as the question of division of the material production sector and the nonproductive sector. Inappropriateness being hard to avoid, I welcome criticism and correction from my fellow comrades.

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LAW OF SUPPLY, DEMAND DISCUSSED

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[Article by Lin Wenyi [2651 2429 4135] and Jia Liran [6328 1462 6245]: "On the Law of Supply and Demand and Its Role in the Socialist Economy"]

[Text] In the recent study of the theory about regulating the socialist economy, we neglected the study of the law of supply and demand, which is peculiar to the realm of circulation of commodities in the market. In discussing the basis of regulation by market mechanism, people generally summed it up as taking the law of value as the basis of regulation. We believe that this is a major defect. We will present our views on this question in this article.

I. The Content of the Law of Supply and Demand and the Relationship of This Law With, and Its Differences From, the Law of Value

What is the law of supply and demand? Some comrades hold that it is a law concerning the equilibrium between the supply of and demand for commodities. Some other comrades hold that it governs the necessity for the supply of commodities to be compatible with the demand. A third group of comrades say that it governs the development from disequilibrium to equilibrium and again to disequilibrium in the supply of and demand for commodities. We think none of these are proper descriptions of the law of supply and demand, because they present it as a law concerning the relationship between the supply of and demand for commodities or concerning the movement of the contradiction between supply and demand, instead of one governing the relationship between supply and demand on one hand and price on the other as well as changes in supply, demand and price. It is incorrect to consider the equilibrium between the supply of and demand for commodities as a law, because equilibrium is only one form of existence of the contradiction between supply and demand, just as disequilibrium between supply and demand is the other form of existence of this contradiction. In the movement of this contradiction, the existence of equilibrium is relative, whereas the existence of disequilibrium is absolute, though in specific forms disequilibrium may appear as supply exceeding demand or the other way round. The change from equilibrium to disequilibrium and vice versa represent two tendencies in the movement and change of the contradiction between supply and demand. Therefore, we must not regard the regular tendency of the maintenance of equilibrium as a law, because the change from equilibrium to disequilibrium is also a regular tendency. Marx said: "The regular tendency of the maintenance of equilibrium is only a counteraction to the constant disruption of such equilibrium." (Marx: "Das Kapital," Vol 1, People's Publishing House 1975 edition, p 394; same edition in further quotations) It is also incorrect to consider the necessity for the supply of a commodity to be compatible with the demand as a law, because considering the contradiction between supply and demand, the relationship between supply and demand is one of the unity of opposites. Supply and demand are both interdependent and relatively independent; they are both compatible with each other in a certain sense and incompatible with each other in another. Considering their compatibility with each other, supply not only closely follows demand, but also imposes a forceful constraint on demand; and on the other hand, demand not only helps determine supply, but also accommodates itself to supply. Therefore, supply and demand must be compatible with each other, and we must not only require supply to be compatible with demand. Whether we are talking about supply making itself compatible with demand or vice versa, these help constitute the substance of the relationship between supply and demand, as does the deviation of supply and demand from each other, and therefore cannot be said to constitute a law. As for the law concerning the change from disequilibrium to equilibrium and then again to disequilibrium, it concerns the contradiction between production and consumption as well as the reflection of this contradiction in the market. Therefore, the law governing the movement of the contradiction between the supply of and demand for commodities is not tantamount to the law of supply and demand.

What then is the law of supply and demand? We hold that it is the law governing how to change in the supply of or demand for a commodity and a change in the price of the commodity interact on, affect and determine each other. In other words, it is a law concerning how a change in supply or demand and a change in price serve as the cause and also the effect of each other. This is a law peculiar to the study of the circulation of commodities. At all times and in all countries, so long as commodity economy exists, changes in the supply of and demand for commodities as well as price changes do objectively exist and they appear as the cause and also the effect of each other; that is, changes in supply and demand will cause price changes, and conversely price changes will induce changes in supply and demand. The following is the main substance of this objective law.

1. A change in supply or demand will cause a price change. This finds expression in this form: prices will rise if supply falls short of demand and fall if supply exceeds demand.

2. A price change will induce a change in supply and demand. A price change cannot determine the total quantities of commodities supplied and the total quantities demanded. However, it can determine changes in the supply of and demand for some individual commodities. Marx said: "If supply and demand determine market price, then on the other hand, market price...in turn determines supply and demand." (Marx: "Das Kapital," Vol 3, p 213) This is manifested in the following way: "When a price rises, the immediate consequence is that a larger quantity of the commodity under consideration will be offered for sale

in the market, so that the quantity supplied will increase (for example, some products produced by producers for their own consumption will be converted into commodities); while the quantity demanded will decrease (because people's purchasing power is limited). The indirect consequence is that for one thing, because the price is higher, producers find it more profitable to produce the commodity under consideration, so that development in the production of that commodity is promoted, and this leads to an increase in the quantity supplied. For another thing, the decrease in quantity demanded help limit the production of those products which need that commodity as a means of production. Marx said: "The prices of the means of production which are converted into a commodity supplied determine the demand for these means of production, and hence determine the supply of that commodity... The price of cotton is of decisive importance to the supply of cotton fabric." (Ibid, p 213) When a price falls, the immediate and indirect consequences which affect supply and demand will be the opposite to those just mentioned.

3. A change in supply or demand and a change in price go in opposite directions and form a cycle. Specifically, when the supply of a commodity falls short of the demand, its price will rise. A price rise will cause an increase in the quantity supplied and a decrease in the quantity demanded, so that the shortage of supply in relation to demand will give way to an equilibrium between supply and demand. Moreover, if the price continues to rise, the supply will exceed demand. Then, the price will fall, causing a decrease in the quantity supplied and an increase in the quantity demanded, so that the excess of supply over demand will give way to equilibrium between supply and demand. Moreover, when the price continues to fall, supply will fall short of demand. These changes will recur, resulting in continuous cycles.

The roles of both the law of supply and demand and the law of value are closely related to price changes. If so, what are the differences and relations between these two laws?

Over many years in the past, some comrades have been confusing the role of the law of value with the role of prices, erroneously regarding the role of the law of supply and demand as being tantamount to the role of the law of value. This is precisely the cause of errors in understanding this problem.

The law of value is the basic law governing commodity economy. The objective requirement of this law is that commodities must be exchanged on the basis of their values because their values are determined by the necessary social labor time used in their production. Price is value in monetary form. Because the law of value requires the exchange of commodities to follow the principle of exchange at equal value, price must be compatible with the value it represents. Value is the basis on which price is formed; it determines price. That is, commodities of high value command high prices, and vice versa. Prices rise and fall with value; prices must change with value. Price changes must be centered round value as the core.

However, in actual buying and selling value may not always be consistent with price. Price may be compatible with value or may deviate from it, because the formation of a price not only takes value as the basis, but also takes supply and demand as a condition. When supply falls short of demand, price will be higher than value. When supply exceeds demand, price will be lower than value. The supply of a commodity and the demand for it must be in equilibrium if price is to be compatible with value.

Because the deviation of price from value and the attainment of consistency by price and value depend on changes in supply or demand, the observation of the law of value is closely related to the role of the law of supply and demand, because when an equilibrium gives way to disequilibrium, the price will rise above value if supply falls short of demand or fall below value if supply exceeds demand, and conversely, when an excess of demand over supply or an excess of supply over demand gives way to an equilibrium between supply and demand, the price will proceed from a level that is higher or lower than value to a level that is consistent with value. Thus, the movement of price away from or toward value reflects the role of the law of supply and demand. This role is precisely the condition for the realization of the requirement of the law of value. This law requires that price must be compatible with value. Such compatibility requires that supply and demand must be in equilibrium. However, very often, equilibrium cannot be attained. Therefore, the requirement of the law of value can be realized only through upward or downward price movements in the long run and over the whole of society, movements in which price rises above or falls below value. Specifically, by virtue of the role of the law of supply and demand, that part of price in excess of value offsets the gap by which price falls short of value in upward and downward price movements induced by changes in supply and demand. Therefore, in the long run, or considering society as a whole, the overall level of commodity prices is equal to the overall level of value. Engels said: "Only by virtue of fluctuations caused by competition and consequently by virtue of fluctuations in commodity prices, can the law of value that governs the production of commodities be implemented, and can the determination of commodities' values by the necessary social labor time be realized." (Engels: "Preface to the German edition of "The Poverty of Philosophy," in "Collected Works of Marx and Engels," Vol 21, p 215)

The roles of the law of value and of the law of supply and demand are interrelated and also differ from each other. The role of the law of value is that value determines price and is the basis on which price is formed. The level of value determines the level of price, but does not regulate it in such a way as to make price higher or lower than value. Such regulation depends on the role of the law of supply and demand. Therefore, we must not equate price changes with the role of the law of value or confuse the role of price with the role of the law of value. Price changes can be a reflection of the role of the law of value and can also be a reflection of the role of the law of supply and demand. Considering the former, if a commodity's value increases, its price will correspondingly rise, and vice versa. Considering the latter, if supply falls short of demand, the price will rise; and if supply exceeds demand, the price will fall. Therefore, the regulation of production and circulation by price cannot be attributed solely to the role of the law of value. It is possible for the law of supply and demand to play a role, and for both laws to play their roles simultaneously. Moreover, under general conditions, changes in value are relatively stable, while changes in supply and demand are much more frequent and induce much more sensitive price changes. Understanding this point is of great significance in applying the law of value and the law of supply and demand under socialist conditions, to setting prices, to satisfactorily controlling prices and to doing a good job of regulation by market mechanism.

II. The Question of Whether the Law of Supply and Demand Plays a Regulatory Role in Socialist Economy

For many years, some comrades have been denying that the law of supply and demand can play a regulatory role in socialist economy. They regard the role of the law of supply and demand in regulating an economy as peculiar to capitalist society only, and hold that the law of supply and demand plays a role in regulating the distribution of social labor only in a capitalist society. As one turns pale at the mention of a tiger, some comrades, on hearing that the law of supply and demand also plays a role in regulating the economy under socialist conditions, think that this will inevitably lead to capitalist restoration.

Actually, this is a total misunderstanding. The law of supply and demand is not peculiar to the capitalist economy, but is common to all commodity economies. It existed even before the existence of the capitalist economy. Even then, people could discern the law of supply and demand through numerous market phenomena. For example, in our country, the "Collected Biographies Concerning the Accumulation of Wealth" in the "Historical Records" mentions how Ji Ran, the commercial theorist in ancient China, analyzed the relationship between supply and demand on one hand and price on the other under the conditions of a simple commodity economy. He said: "We can know whether goods are cheap or expensive by studying whether there is a surplus or shortage." He also said: "When goods continue to become more expensive, they will eventually reach an upper limit and then become cheaper again. When goods continue to become cheaper, they will reach a lower limit and then become more expensive again." In a capitalist society, price changes have become the capitalists' "barometer" for knowing the ratio between supply and demand, and become the basis on which they plan for the readjust production. The basic economic law of capitalism governs the entire economy, but the proportions according to which the means of production and the labor forces are distributed among various sectors are formed under the regulation of the law of supply and demand.

Socialist society is established on the basis of public ownership of the means of production. Therefore, it is possible to comply with the requirements of the basic economic law of socialism and the law of the planned and proportionate development of the national economy and thus to organize the economy, to consciously overcome disequilibrium, to organize a new equilibrium, to establish and maintain a rational ratio between supply and demand, and to strive for price stability. Therefore, changes in market supply, demand and price will not be so drastic and frequent as in capitalist society. Moreover, in socialist society, the fundamental interests of producers of commodities and people engaged in the distribution of commodities coincide, and there is no intense life-and-death competition, marked by each trying to cheat and outwit the other, which is characteristic of the capitalist society. Therefore, the role of the law of supply and demand is limited to various degrees. However, in socialist society, the production and exchange of commodities and also the market still exist. Therefore, the law of supply and demand will inevitably play a role. It will inevitably regulate circulation, and hence production and the distribution of social labor, through changes in supply, demand and price. This regulatory role manifests itself not only in the urban and rural markets in agricultural products, which people often talk about, but also in the market within the economy governed by the system of socialist public ownership.

The market within the socialist economy has the market that is subject to planning as its core and also includes a market in which the free circulation of commodities is permissible. The role of the law of supply and demand is much more conspicuous in the free-circulation market than in the market that is subject to planning. In the buying and selling among the socialist enterprises that are engaged in production, in the making of purchases from producers by the socialist commercial organizations, in the sale of products by such organizations to the consumer, and in the selling and buying among such organizations, negotiated prices and floating prices rise and fall with changes in the supply of, and demand for, third-category commodities which are not subject to state planning, second-category commodities produced in excess of planned tagets, and a small portion of first-category commodities for which free circulation is permitted. The only peculiarity is that in the case of commodities subject to floating prices, prices may vary only within the prescribed limits within which they are permitted to float. Changes in the prices of these commodities in turn help regulate changes in supply and demand. When prices rise, enthusiasm in selling is enhanced; and when prices fall, enthusiasm in buying is promoted. Moreover, the rise and fall of prices play a very important role in regulating the production of those commodities whose free circulation is permitted, in particular the third-category commodities, including agricultural and industrial products, means of livelihood and means of production, has been fluctuating. Invariably, periods of excess supply lasting several years have alternated with roughly equally long periods of inadequate supply. This provides evidence for the role of the law of supply and demand in regulating those commodities which are allowed to be freely circulated within the socialist economy.

The limitation on the law of supply and demand is more severe in the market that is subject to planning. This is particularly so with regard to goods and materials subject to centralized distribution by the state and also commodities subject to state monopoly for purchase and marketing. However, even so, the law of supply and demand has not ceased to work. Consider the regulatory effect on prices. In recent years, the overstocking of some means of production has been a very serious problem. The excessive stock of steel products has reached [words indistinct] building and electrical machinery industries is worth more than 60 billion yuan. Therefore, aside from readjusting our economic structure, striving more vigorously to suit production to needs and making our products marketable, we have been forced to do away with convention of distribution and allocation by the state, to permit enterprises engaged in production to market some overstocked means of production and organize exhibitions and trade fairs, to entrust the marketing of products to commodity departments and commercial departments, to organize markets in the means of production, to organize cooperation in handling goods and materials, and so on. Moreover, some prices different from those prescribed by plans are set for commodities handled by means of cooperation, and prices of some commodities purchased or marketed by the state are determined through negotiation. Thus, the prices of these commodities can move downward. Furthermore, goods and materials that have been kept in stock for many years have been subject to open supply and also price cuts. In regard to the means of livelihood, although the overall market situation is marked by supply falling short of demand, the composition of goods in stock is irrational. The prices of many commodities must be lowered because their sales are small and their stocks abundant, they are not marketable, their quality is inferior and their prices are high, or they have deteriorated in quality or have been damaged. In 1978, the system of commercial departments alone handled and cut the prices of a stock of such commodities worth nearly 3 billion yuan, the losses involved amounting to over 500 million yuan. A considerable proportion of such commodities consisted of those subject to planning, especially knitted and cotton textile goods. This situation has still not been completely put to an end. These facts have demonstrated that the law of supply and demand does play a role in the market that is subject to planning. Actually, this role is not necessarily reflected in modifications of prices prescribed by plans. Even when such prices remain fixed, this role will be indirectly reflected in disguised rises or falls in prices. Although the state plans specify the prices of those commodities that are subject to planning, including those subject to state monopoly for purchase and marketing, free prices have always existed, including not only free prices openly quoted in country trade fairs, but also black market prices. The free prices produce an impact on prices stipulated by state plans, so that the state, aside from prescribing the latter, must also adopt some flexible measures. For example, in recent years, in the purchase of agricultural products, there are a number of schemes such as the bonus-rate prices for purchases in excess of planned targets; bonuses in the form of certain quantities of those goods or materials purchased (which actually enable the sellers to earn the difference between the country fair price and the planned price); the fixing of basic quantities purchased so that the producers can retain an appropriately larger quantity of their output in excess of planned targets (thus actually enabling the sellers to earn a higher income by selling their retained products at the country fair prices); purchases with payment in kind (actually enabling the participants of this scheme to earn the difference between the planned price and the country fair price by selling the manufactured products they obtain by offering their own products in exchange); the return of processed sideline products to sellers (returning certain quantities of processed sideline products, such quantities being calculated on the basis of the quantities of agricultural products sold as raw materials, so that the sellers can earn the difference between the planned price and the country fair price); the return of profits to sellers (returning a certain proportion of profits arising from the processing of agricultural products sold as raw materials, the returned profits being calculated on the basis of the quantity of agricultural products sold, so that the sellers' income can be increased); and so on. Consider another example. The prices of certain commodities subject to planning remain unchanged. However, when supply falls short of demand, the quality of these commodities is lowered, work is done shoddily or inferior materials are used or wrong parts are assembled together in producing them, and so on. When supply exceeds demand, the commodities are disposed of through hire purchase, supplying them at reduced prices, gratuitous delivery of goods, internal price discounts and so on. All this is an indication of the role of the law of supply and demand. Considering the regulation of supply and demand by price, we can see that over many years, because the pricing structure has been irrational, the prices of some commodities subject to planning have stayed above their values, promoting the aimless development of production and restricting demand. Consequently, these commodities have been in excess supply and have been overstocked. The prices of some other commodities have stayed below their values, affecting enthusiasm in producing them and encouraging people to consume them. Consequently, they have been in short supply for many years, some of them having even been out of stock. Moreover, price changes have been unable to help determine changes in the total quantities supplied or demanded, but the latter have been able to help determine the overall level of commodity prices. This is also an important reflection of the role of the law of supply and demand. The socialist centralized market is in a similar situation. In the market, whenever the total quantity supplied is relatively close to the total quantity demanded, commodity prices are rather stable; but when the shortage of supply compared with demand is relatively severe, the overall level of commodity prices tends to rise conspicuously.

Thus, it can be seen that the law of supply and demand objectively exists in the realm of the socialist centralized market and also plays a regulatory role. Just as we understand the point: "Where there are commodities and the production of commodities, the law of value cannot be dispensed with," we should also clearly understand that where there is a market, the law of supply and demand must definitely exist and play a role.

III. Under Socialist Conditions, We Must Exploit the Role of the Law of Supply and Demand

Because the law of supply and demand objectively exists and plays a role in the socialist centralized market, we must respect this objective law when we organize the socialist economy. We must, as far as possible, prevent it from playing its role blindly and thus hampering the development of the socialist economy. We must also fully exploit its role to serve the development of the socialist economy.

First, in formulating national economic plans, we must exploit the role of this law to serve the organization of equilibrium between supply and demand and the organization of the comprehensive equilibrium of the national economy.

The aim of socialist production is to satisfy the ever-growing material and cultural needs of the masses of people. Therefore, production must be compatible with consumption and social production must be organized in the light of social needs. Under the conditions of a well-developed commodity economy, social reproduction must be achieved through the circulation of commodities, because in such an economy, the relationship between social production and the marketing of products must be reflected in the relationship between market supply and demand. This requires that the market supply of commodities must be compatible with the market demand not only in terms of the total quantities exchanged, but also in terms of composition, so that social reproduction can be achieved. Therefore, in formulating national economic plans, we must respect the law of supply and demand and consciously use it to serve the organization of equilibrium between supply and demand. That is to say, first, we must conscientiously study the conditions and trends of development of market supply and market demand; in particular, we must conscientiously study and analyze the conditions of supply of and demand for those products which are important to the entire national economy, and make scientific forecasts correspondingly. If there is disequilibrium between supply and demand in terms of total quantity or composition, we must pay special attention to readjusting the proportions in production and distribution, and we must also fully make use of the lever of pricing. That is, under the prerequisite of maintaining price stability and a rational price structure, and in the light of the available national financial and material resources we must appropriately readjust the prices of certain commodities to facilitate the attainment of equilibrium between the supply of and demand for commodities, and also comprehensive equilibrium in the national economy. For example, when the supply of consumer goods falls short of demand to a relatively considerable extent, we should help satisfy the needs generated by any additional purchasing power, and by means of pricing, we should more vigorously plan for promoting the production of those commodities that are in line with the orientation or allocation of the additional purchasing power, especially those commodities which help withdraw a great deal of money from circulation. Moreover, we can appropriately raise the price of some commodities whose supply falls short of demand, and which are not very important to the national economy and the people's livelihood, so that larger sums of money can be withdrawn from circulation.

Second, in implementing our plans, we must exploit the role of the law of supply and demand to regulate production, circulation and consumption.

The socialist economy is a planned one. To ensure its proportionate development, we must organize production and circulation and guide consumption in a planned way. The implementation of plans must rely on market activities, and therefore must be affected by the role of the law of supply and demand. Precisely because of this, we can also let the role of this law serve regulation by planning mechanism. In implementing plans, in the light of feasibility and necessity, we must appropriately raise the prices of those commodities whose supply falls short of demand. (Of course, generally, the prices of those commodities essential to the people's daily life must not be raised even if supply lags behind demand.) Conversely, we must appropriately lower the prices of those commodities whose supply exceeds demand. We can use such upward or downward price adjustments to promote or restrict production, purchases and marketing, to readjust supply and demand, to encourage or limit consumption, and to induce consumers to economize on commodities in short supply and use substitute goods in the production of which the resources used are amply available. Thus, we can help make supply and demand, and hence production and consumption, become compatible with each other. Aside from readjusting prices in a planned way, we can also flexibly use various economic levers such as profits, taxation, credits and so on so that they can serve the successful implementation of our plans. Actually, this is another form of price adjustment. For example, if we grant tax or profit concessions to producers of certain commodities, or if the banks grant them loans at low interest rates, then with the retail prices remaining unchanged so that the consumers' interests can be safeguarded, the producers are actually being subsidized in some ways other than a price subsidy.

Third, in the reform of our economic systems, we must exploit the role of the law of supply and demand so that we can establish a rational pricing system and fully bring the regulatory role of price as an economic means into play.

The reform of our economic systems is a major change affecting the relationship between the production relations and productive forces as well as the relationship between the superstructure and the economic base. The essence of this reform is to liberate the productive forces and to create the most favorable conditions for the long-term and healthy development of our national economy. In this reform, the commodity-pricing system should be the first to undergo reform, because a rational commodity-pricing system is an absolutely indispensable external condition for the normal functioning of various economic entities. To make the commodity-pricing system rational through reform, we must fully exploit the role of the law of supply and demand. This is because over many years in the past, the control on our commodity-pricing system has been too rigorous, so that this system has been very rigid, lacking the requisite amount of flexibility. The limits of authority have been too narrow for the localities. The enterprises have almost no power to set prices. The range of commodities whose prices are prescribed by the plans is too broad. There has only been one single form of pricing. All these amount to a disregard of the law of supply and demand. In the reform of our systems, we should pay attention to the role of this law and we must fully bring the supplementary role of regulation by market mechanism into play under the guidance of planning. That is, we must appropriately reduce the range of commodities whose prices are determined through planning. Some commodities are not very important to the overall situation of our economy and market, and it is inconvenient for the state to directly specify their prices in its plans. Changes in their prices should be automatically regulated by changes in market supply and demand, so that their production, circulation and consumption can be regulated. Diverse forms of pricing should be adopted. In addition to fixed prices, there can be various other forms of prices for some categories of commodities, such as floating prices, prices set by the enterprises themselves, prices for products produced through cooperation, negotiated prices, and country fair prices which change with changes in supply or demand within the limits of the country fair. These are forms of pricing that embody automatic regulation to various degrees. In determining prices through planning, not only must supply and demand conditions be taken as an important basis in the determination of purchase, transfer, wholesale and retail prices, but the differences between these prices must also be flexibly regulated according to the state of supply and demand. The expenditure of the necessary social labor time must be taken as the basis for determining basic price differences, whereas in the determination of actual price differences, such differences must be consciously enlarged or reduced in the light of conditions of supply and demand. It is only in this way that regional price differences help encourage or restrict circulation or transport of commodities between localities; seasonal price differences can help promote or restrict the stocking of goods or the purchasing or marketing of goods ahead of time or at a delayed time; price differences due to differences in variety can help promote the increased production of marketable varieties and help curb the production of unmarketable goods, so that most varieties of products offered for sale are marketable and the replacement of old products and old varieties by new ones is quickened; price differences due to differences in quality can help stimulate the production of superior quality products and penalize the production of inferior quality ones; and price differences due to differences in grade can help promote the increased production of products of marketable goods and help curb the production of those of unmarketable grades. Ordinary commodities (except those in seriously short supply) must be subjected to a system of gradual price reduction, so that the removal of old products from stock, the production of new ones and also the turnover of commodities can be speeded up. Some commodities are highly perishable, such as fresh fish, meat, vegetables and fruit and so on. Their prices may be allowed to change in a matter of days or even in the same day, so that they can be quickly sold before they go bad. Thus losses can be prevented. With the commercial departments, a uniform discount rate must not be applied to all commodities without consideration to differences in grade, value, marketability or order of importance, because this will dampen the enthusiasm in operations of wholesale and retail units in the localities where the commodities are sold, and will be disadvantageous to the operations in marketing minor commodities and to the selling of overstocked commodities. To sum up, pricing must be reasonably flexible and the role of the law of supply and demand must be fully exploited. To achieve this, the power to manage commodity prices must be appropriately transferred to the lower levels; the limits of the localities' authority in regard to the pricing of commodities must be extended; and economic organizations and the enterprises must be assigned greater power to determine commodity prices. Moreover, under the auspices of centralized state planning, measures must be formulated to suit local conditions and various problems concerning commodity prices must be tackled promptly and flexibly, so that the attainment of equilibrium between supply and demand can be promoted, production can further develop, circulation can be enlivened and consumption can be properly guided.

Lastly, to stabilize commodity prices, the role of the law of supply and demand must be exploited.

Although the law of supply and demand states that commodity prices change with changes in supply and demand, the exploitation of the law is not bound to be in contradiction to the stabilization of commodity prices. In any case, the overall level of commodity prices can be stabilized only on the basis of a proper proportion of supply to demand. To achieve such stability, we must not rigidly stick to the idea that changes in the prices of individual commodities are in contradiction to price stability. On the contrary, so long as commodity prices are kept from fluctuating conspicuously, certain flexible changes in commodity prices which can promote the attainment of equilibrium between market supply and demand are desirable.

To sum up, the role of the law of supply and demand objectively exists in a socialist society. If people know this and consciously exploit it, they will achieve results favorable to the development of the socialist economy. If people deny this objective law or even act against it, they will inevitably be penalized in real life.

IV. Our Own Understanding on Several Popular Views

Over many years, people have held many different views on the law of supply and demand as it appears under socialist conditions. This is natural. Here we will present our own preliminary views on some of these views

1. Will regulation by means of the law of supply and demand inevitably lead to the development of capitalism?

Under capitalist conditions, the distribution of social labor (including the means of production and the labor forces) among various sectors is accomplished amid competition and under the aimless regulator actions of the law of value and the law of supply and demand. Price becomes the baton which directs socioeconomic activities. Under socialist conditions, the situation is different. Social labor is distributed among various sectors through regulation by planning mechanism and according to the requirements of the law of the planned proportionate development of the national economy. However, this does not mean that it is impossible and unnecessary for the state to undertake the requisite regulation of social labor through market activities. This is because by means of regulation by market mechanism, we can only proceed from society to prescribe the distribution of total social labor among various sectors, thus arriving at various ratios relevant to economic development; but commodities are numerous and our plans cannot embrace everything. Therefore, we need the coordination of regulation by market mechanism. That is, market prices, like levers, provide guidance for producers of commodities and other people involved in various categories of operations, so that they will divert the means of production and labor forces under their control from the production of commodities whose supply exceeds demand to those commodities whose supply falls short of demand. This will be conducive to the proportionate development of the economy. Thus, we must naturally exploit the regulatory role of the law of value and that of the law of supply and demand. Because these regulatory roles take place under the socialist and not capitalist conditions, because they do not occur spontaneously but are exploited consciously, and because they are not concerned with the overall distribution of the total social labor but are concerned with exerting regulatory effects on various enterprises, they will not give rise to capitalism, but on the contrary, they will be conducive to the development of the socialist economy. The law of supply and demand, like the law of value, governs the commodity economy and is not peculiar to the capitalist economy. Just as we have rehabilitated the reputation of the law of value, we should likewise eliminate the misunderstanding about the law of supply and demand.

2. Is it true that the law of supply and demand can only play a role aimlessly and spontaneously and cannot be consciously applied?

A popular view is that a change in supply or demand and a change in price can affect each other at any time, and therefore, under socialist conditions, it is very difficult to talk about exploiting the role of the law of supply and demand. We hold that all objective laws are independent of man's will, and the law of supply and demand is no exception. Whether people know and apply it or not, it will play its role. However, objective laws can be understood and applied. There is no law that is doomed to play an aimless role only. People cannot apply a law, so that it will play an aimless role, only when they do not understand it. We can consider the regulatory role of the law of supply and demand as the basis for regulation by market mechanism precisely because this law can be understood and applied (though changes in supply and demand are complicated). Of course, conscious application is not tantamount to saying that all regulation must be conscious. Sometimes, within the limits of what we can exercise control over, it is harmless to let the objective role of the law of supply and demand bring about automatic regulation. For example, when setting planned prices, we may consciously exploit the role of this law to effect regulation. However, in adopting the country fair prices, the negotiated prices, the prices for products produced through cooperation and the floating prices, we can let the law play the role of automatic regulation. To exploit the role of the law in this way is not tantamount to some blind action.

3. Is the regulatory role of the law of supply and demand confined to the market in consumer goods without [word indistinct] the market in the means of production?

In the past, because there was an erroneous idea that only consumer goods are commodities and the means of production are not, some comrades drew the conclusion that objective laws governing the commodity economy, including the law of supply and demand, do not play a role in regulating the circulation of the means of production. Now that many people have resolved the question of whether the means of production are commodities under socialist conditions, the question of whether the law of supply and demand plays a role in regulating the market in the means of production can be easily resolved.

4. In the reform of our pricing structure, should we insist that price must be consistent with value, or should we allow price to deviate from value?

A popular view holds that for many years, our pricing structure has been gravely irrational. The prices of many commodities have deviated too substantially from their values. Therefore, in the reform of our pricing structure, we must make price compatible with value. Only thus can the objective requirement of the law of value be reflected. We hold that if this view means that the pricing structure, or the relationship of relative prices, embodies taking the values of various categories of commodities as the basis on which commodity prices are formed, then this view is correct. We began to stabilize commodity prices in 1950. At that time our commodity prices were not free from the relative price relationship that had been formed in the semifeudal, semicolonial old China. However, the pricing structure of old China was formed under the condition of imperialism plundering raw materials at low prices and selling manufactured goods at high prices. Subsequently, despite many rounds of investigation [as published], the shortage of supply relative to demand continued to plague the market for a long time. Thus, to stabilize prices became the primary task in our work in connection with commodity prices. Moreover, several setbacks in economic development caused disequilibrium in fiscal revenue and expenditure, so that price readjustments were limited to some patchwork efforts and a relatively thorough reform was impossible. That is to say, the majority of price readjustments in the past were basically readjustments of the prices of some individual commodities under the condition that there was no major change. Therefore, many aspects of the present pricing structure are still irrational and villate the requirements of the law of value. Of course, to eliminate such irrationality through reforming the pricing structure, we must take value as the basis to set prices for various categories of commodities, and thus to establish a rational relative price relationship. However, we must definitely not erroneously consider a rational pricing structure as a relative price relationship formed by a set of prices which must be consistent with values, because actually this implies denying the fact that it is both possible and necessary for price to deviate from value, and thus implies denying the role of the law of supply and demand in regulating prices. In the foregoing analysis, we have said that regulation by market mechanism not only involves the exploitation of the regulatory role of the law of value, but also involves the exploitation of that of the law of supply and demand. Therefore, rational prices must not only be based on value, but must also embody a full consideration of the relationship between supply and demand and must take changes in supply and demand as an important basis. Therefore, when we readjust the pricing structure, we must permit prices to deviate from values to various degrees in the light of the order of importance of each commodity and other relevant specific conditions. That is, we can raise the prices of certain commodities whose supply lags behind demand to a level above their values, and lower the prices of certain commodities whose supply exceeds demand to a level below their values. When supply and demand become consistent, we can readjust prices to bring them closer to values. Only thus can the requirements of the law of supply and demand be satisfied and can the power of pricing policies be brought into play. Such appropriate rises and falls in price in response to changes in supply and demand are not in contradiction to the necessity for prices to have values as the basis, because rises and falls in price are still centered round value as the core. Such appropriate rises and falls in price in response to changes in supply and demand are quite different from the past phenomenon of prices staying above or below values for long periods of time. The latter phenomenon reflected the violation of the requirements of both the law of value and the law of supply and demand, because it meant that price deviated from value for a long time; that in addition, price continued to deviate from value even when supply and demand became consistent; and that there was even an irrational situation of price continuing to stay below value when supply fell short of demand, and continuing to stay above value when supply exceeded demand. Therefore, a rational pricing structure should take both the law of value and the law of supply and demand as its basis.

We must not apply only one of these two laws. We must not one-sidedly require price and value to be always consistent. We must not one-sidedly require price to deviate from value without approaching it. We also must not distort the meaning of the idea that price must be readjusted at appropriate times according to changes in supply and demand by saying that price can remain fixed for a long time independently of changes in supply and demand, staying for a long time above or below value. Only a pricing structure that is established on the basis of the requirements of these two economic laws can be rational and can promote the rationalization of the production structure. Conversely, if we violate the requirements of these two economic laws and the pricing structure is irrational, then it will be difficult for the production structure to become rational.

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ECONOMIC RESPONSIBILITY SYSTEM DISCUSSED

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[Article by Feng Yi [2800 1355]: "Bravo to the Economic Responsibility System Practiced by Industrial, Transport, Financial and Trading Enterprises!"--slantlines denote boldface type]

[Text] At present, industrial, transport, financial and trading enterprises throughout the country are actively enforcing the economic responsibility system. In the past few months since April, the situation has been developed even faster and the effects have been better than expected. Practice has shown that to establish and practice the economic responsibility system in industrial, transport, financial and trading enterprises is something developed among the masses, which is consistent with the present productive and administrative levels in our country and accords with the general trend and the people's will.

The enforcement of the economic responsibility system in industrial, transport, Financial and trading enterprises is definitely not fortuitous. Over the past years, various responsibility systems have been practiced by a few enterprises and have made certain contributions to strengthening enterprise administration. Because they were directly linked to the material benefits of enterprises and staff and workers themselves, those systems failed to produce greater effects, and some of them even became mere formalities. In the last 2 years, in implementing reforms of economic systems, we have expanded the self-determination power of enterprises; under the direction of the state plan, we have strived to give full play to the function of market conditions and thereby give the enterprises some economic motive force. Inspired by the success achieved in practicing the system of linking remuneration to production in agricultural production and after having summed up the historical experiences of the practices of system reforms in our country, the economic responsibility system practiced by industrial, transport, financial and trading enterprises was developed. This system has emerged as the new situation required.

The economic responsibility system practiced by industrial, transport, financial and trading enterprises aims mainly at overcoming two kinds of egalitarianism: that existing among enterprises, and the other inside enterprises. Therefore, in order to make the economic responsibility systems function in these two aspects, we must handle well the economic relations between the state and enterprises and expand the enterprises' system of economic responsibility to the state; in other words, we must "assign" to enterprises the tasks which are designated to them according to the state plan and the portion of profits they should hand over to the state, to ensure the necessary conditions for accomplishing the tasks, and therefore further resolve the problem of binding the enterprises too tightly and that of "eating out of a big pot." On the other hand, we must also handle well the distribution relations inside each enterprise, and broaden the internal economic responsibility system; in other words, the tasks assigned to each enterprise and the expected economic results should be reassigned to every individual in the enterprise, according to the responsibilities of different levels, units and posts. In the meantime, the income of staff and workers should be directly linked to the labor achievements. The enterprises' system of economic responsibility to the state is the prerequisite while that inside each enterprise is the basis for economic work; they complement each other and form an organic entity. Without the economic responsibility which enterprises undertake for the state, there will be no basis for the economic responsibility system inside every enterprise. On the reverse side, the former cannot be carried out without the latter.

Of course, due to the differences in the nature and characteristics of production, subjective and objective conditions and so on between various enterprises, the forms of the economic responsibility systems for enterprises and inside enterprises should be varied. But no matter what concrete form they take, we must always pay attention to the following problems so real effects can be achieved.

1. /Properly handle the economic interests of the state, enterprises and staff and workers./ More revenue for the state means more profits retained for enterprises and more income for individuals; better economic effects is the key link to ensure more revenue for the state and more income for individuals. In coping with this problem, the practice of paying attention to just one aspect must be avoided and fraudulent practices must not be allowed. The enforcement of the system of taking full responsibility for profits and losses in enterprises must be integrated with the setting of norms such as productivity, variety, quality, consumption, safe production and so on. The enterprises must ensure that the state plan can be comprehensively completed. Required to be responsible to consumers, they should pay more attention to reaching the target of socialist production. In practicing the economic responsibility system inside enterprises, we must also aim at the overall completion of the state plan in the whole enterprise and the realization of increased production and revenue.

2. /Well-defined responsibilities, strict assessment and rewards and penalties in forms of economic benefits must be integrated so as to make the various responsibility systems in all sections of an enterprise compatible and form a complete set of responsibility systems./ A sound set of responsibility systems is the important guarantee for an enterprise to carry on regular productive activities and realize the expected economic results. The relations between different links and different jobs must be cooperative relations of labor division inside an entity. Therefore, the leadership responsibility system for heads of plants (managers), the responsibility system practiced in every workshop (office), team and group, and finally the job responsibility system for every

staff member or worker must all center around the completion of the overall task of enterprises, and thereby be provided with well-defined requirements. All factors such as power, responsibility, effect and profit must be comprehensively and organically integrated, in which the effect is the key factor, with the well-defined responsibilities as the basis. Here the effect not only means the working results of an individual but also in particular the comprehensive and actual economic results of an enterprise. In practicing the economic responsibility system, we must expand various basic functions of enterprise administration. At present, we must pay special attention to those basic functions such as administration and so on, so as to build up the economic responsibility system on the basis of scientific administrative works.

3. /Ideological and political works must be strengthened./ Under the economic responsibility system, the economic results achieved by an enterprise are directly linked to the material benefits of the enterprise and its staff and workers. This is an efficient way to overcome egalitarianism. Therefore, in the enforcement of the system, we must conscientiously carry out rewards and punishments and keep our promises to the people. However, the guarantee of material benefits can never substitute for political and ideological education. On the contrary, in practicing the economic responsibility system, we are bound to come across various ideological and practical problems. For this reason, it is necessary to strengthen ideological and political works, thoroughly arouse the initiative of the vast numbers of staff and workers as the masters of the cause through well-oriented, convincing, thoroughgoing and painstaking ideological work. The sense of political responsibility, combined with economic responsibilities, is the solid guarantee for kindling the enthusiasm of enterprises and their staff and workers. We must have a comprehensive understanding of this matter while carrying out the economic responsibility system.

Today, although the economic responsibility system has just been started in industrial, transport, financial and trading enterprises and a lot of problems still need to be discussed, we have been able to see that the system is a good form for further carrying out the principle of distribution according to work, a step toward the rectification of enterprises, and an important enrichment to the reform of economic administrative system. Following its gradual perfecting, the system will surely show its vitality daily.

CSO: 4006/87

ECONOMIC PLANNING

BRIEFS

GANSU COMMERCIAL MANAGEMENT FORUM--Gansu Province held a forum on managerial responsibility systems of commercial enterprises from 6 to 12 October. The forum reported that as of mid-September, 1,275 retail sale departments, restaurants and service centers in the province, 32.9 percent of the total, had instituted managerial responsibility systems. The forum urged that profit quotas to commercial enterprises be scientifically and reasonably fixed so that state revenue will not decrease and enterprises' interests are protected; that maximum amounts of bonuses and workers' wages be fixed; that the workers' floating wage not be given too great a portion and that regulations for labor protection and other benefits not be easily changed. [SK250359 Lanzhou Gansu Provincial Service in Mandarin 1125 GMT 19 Oct 81 SK]

CSO: 4006/87

FINANCE AND BANKING

LOANS HELD DIVERSIFY BEIJING'S RURAL ECONOMY

OW051345 Beijing XINHUA in English 0256 GMT 5 Nov 81

[Text] Beijing, November 5 (XINHUA)--Bank and credit cooperative loans amounting to 15.6 million yuan have been taken out in the first nine months this year especially for diversifying the rural economy in the Beijing area, according to the municipal people's bank authorities.

Around 14 million yuan has been loaned to 2,800 production teams in the area to diversify the rural economy, and another 1.6 million yuan has gone to individual peasant families to develop household sideline production. Loans of this kind started to be made in May last year to promote forestry, fishery, animal husbandry, collective sideline production and household sideline production in a bid to increase the income of the peasants as well as of the collective units and to improve the market supply.

Production resulting from such loans has provided 50,000 rural people with jobs so far this year. According to incomplete statistics, some of the money has been used for 250,000 hens for egg laying as well as a large number of pigs, rabbits, ducks and bees.

From January to September this year, the loans taken out and repaid in the Beijing area by the rural communes and their subdivisions were 40 percent more and by individuals 53 percent more than in the same period of 1980. Bank deposits in Beijing's rural areas also rose during the period.

CSO: 4020/24

FINANCE AND BANKING

BRIEFS

FINANCE SOCIETY MEETING--The 1981 annual meeting of the China Finance Society and the fifth national forum of financial theories ended in Nanjing on 1 November. Chen Rulong, vice minister of finance and vice president of the China Finance Society made the closing speech. The meeting discussed questions on how to make, accumulate and use money. More than 120 academic papers were exchanged at the meeting. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 1 Nov 81 OW]

CSO: 4006/84

BRIEFS

JILIN PLASTER DEPOSIT--An investigative report submitted by the No 4 geological survey team on prospecting plaster deposits in Tonghua County recently was approved by the Jilin Provincial Mine Reserve Committee. This large plaster deposit was discovered in 1977. It has a confirmed reserve of 20 million tons. The deposit is easy to extract, and transport facilities are available. It will provide indispensable raw materials for developing the province's construction materials and light industries. [SK140402 Changchun Jilin Provincial Service in Mandarin 2200 GMT 13 Oct 81 SK]

CSO: 4006/84

INDUSTRY

SHANGHAI SENDS MORE GOODS TO COUNTRYSIDE

OW021215 Beijing XINHUA in English 1220 GMT 2 Nov 81

[Text] Shanghai, 2 Nov (XINHUA)--Shanghai, China's leading industrial and commercial city, will provide China's rural markets with five percent more consumer goods this year than last, according to an official of the municipal commercial department.

From July through September this year, the city shipped more than 1,200 million yuan worth of daily necessities, cotton knitwear and household electric appliances to different parts of the country, 11.3 percent more than during the same period in 1980. The volume of the cotton knitwear shipped out was up 17.5 percent, the official said.

Shanghai shipped out eight percent more sewing machines in the July-September period this year, 18 percent more rubber boots, 17 percent more aluminium pots and pans and 150 percent five-pound thermos bottles, compared with the same period of last year. Television sets were up nearly 60 percent and radio sets up 32 percent.

China expects a good harvest this year, which means the purchasing power of the peasants will continue to rise.

Figures from Shanghai's commercial department show that, from January through September this year, the volume of retail sales for consumer goods in the city's suburbs, which have a population of 5.45 million, rose 11.9 percent over the same 1980 period, while in the urban districts with a population of more than six million sales were up 7.2 percent. Rural market sales of wrist watches, TV sets, woolen piece goods and bedsheets increased between 20 percent and 100 percent over the 1980 corresponding period.

New designs account for one third of the 2,000 kinds of cotton knitwear shipped to the country's rural areas. Shipments of knitting wool, cotton sweaters and trousers and synthetic fabrics went up from 40 to 100 percent in the July-September period this year.

CSO: 4020/27

XINING MAYOR VIEWS INDUSTRIAL OUTPUT FIGURES

SK050850 Xining Qinghai Provincial Service in Mandarin 2330 GMT 4 Nov 81

[Excerpts] (An Diming), Xining municipal mayor and deputy to the provincial people's congress, said: Since the last half of 1981, the industrial and communications fronts in Xining Municipality has scored remarkable economic achievements following the implementation of responsibility systems. By the end of September, Xining Municipality had fulfilled 74 percent of the annual industrial output value plan. The average monthly profits gained in July, August and September increased 180 percent over that of the January-June period.

(An Diming) said: There are three good points in implementing the economic responsibility system: 1. We can achieve the goal of increasing production and income. 2. This system helps promote enterprise consolidation and improve product quality. 3. It ensures the state will collect more revenue, enterprises to share more profits and individuals have more income.

(An Diming) said: The industrial output value plan of Xining Municipality in 1981 is 260 million yuan. Thanks to the implementation of the economic responsibility system, the industrial output of Xining Municipality has been increasing in the last half of this year. We are summing up our experience, studying the new situation and solving new problems. We are determined to overfulfill this year's industrial and communications plan.

CSO: 4006/87

BRIEFS

XINJIANG INDUSTRIAL, COMMUNICATIONS PRODUCTION--On 30 September, model workers on the industrial, communications and capital construction fronts in Xinjiang region, who had attended the forum held by the regional federation of trade unions happily talked about the excellent situation of industrial and communications production. They declared that they would strive to increase production from October to December. Approximately 40 people attended. Regional party committee second secretary Gu Jingsheng attended and spoke. Others who attended included Huang Luobin, regional party committee secretary, and Yang Yiqing, regional party congress Standing Committee vice chairman. [HK130105 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 Oct 81 HK]

CSO: 4006/87

BRIEFS

SHANDONG AIR-RAID SHELTERS--Qingdao, 30 Oct (XINHUA)--The coastal city of Qingdao in Shandong Province, in an effort to use thousands of square meters of idle space, has recently converted unused air-raid shelters to public utilities. A total of 63,000 square meters of space thus made available have been converted to warehouses, hotels, cold storage, restaurants and meeting rooms. The city's commercial department has converted enough room for a cold storage with a capacity of 10,000 tons. In July, the Qingdao No 3 Knitwear Mill used 8,000 square meters for storage of imported nylon. Use of the shelter space will mean a financial savings of 100,000 yuan each year which the mill used to spend on rent. Two hotels and four restaurants have opened in air-raid shelters since 1980. One hotel, the Longshan, has 55 rooms, 200 beds and a dining hall with a capacity of 300. [Text] [OW311131 Beijing XINHUA in English 0717 GMT 30 Oct 81 OW]

GUANGZHOU HOUSING PROJECT--Guangzhou, 24 Oct (XINHUA)--Construction began this week of a housing project, called New Jiangwan Village, on a land fill in the Pearl River in Guangzhou, capital of Guangdong Province. The Pearl River Foreign Investment Construction Company of China is building the project in cooperation with American United Properties, Ltd of Hong Kong. New Jiangwan Village will cover an area of 27,000 square meters. The first phase included five buildings of 20 or 25 stories. The housing project which was designed by architects from Guangzhou and Beijing will eventually have buildings of different heights and designs interspaced with parks. All the buildings will be on raised pilings so that pedestrians can walk through the arcades and see the Pearl River. [Text] [OW261211 Beijing XINHUA in English 1224 GMT 24 Oct 81 OW]

CSO: 4020/27

BRIEFS

TEXTILE WORKERS MEETING--Zhengzhou, 25 Oct (XINHUA)--A national meeting of young textile workers to exchange experiences in operations closed in Zhengzhou, Henan, on 25 October, after 10 days in session. In a speech Hao Jianxiu, minister of textile industry, called for efforts to launch mass activities to study, exchange and master basic operational skills in order to further develop the textile industry. She said: The textile industry's average total output value in 1979 and 1980 increased 18 percent each year. Taxes paid to the state and profits made by the textile industry in these 2 years rose an average of 19.8 percent each year. Foreign exchange earned by the textile industry in these 2 years increased an average 22 percent each year. [Beijing XINHUA Domestic Service in Chinese 1641 GMT 25 Oct 81 OW]

GUANGZHOU YOUTH INDIVIDUAL UNDERTAKINGS--In Guangzhou Municipality, individual industrial and commercial undertakings engaged in by youths awaiting jobs increased from 5 percent in 1979 to 46 percent now of the total number, and has reached the figure of 6,700 persons, the greatest in number among the eight biggest municipalities in the country. Their businesses include handicrafts, barbers, tailors, the repair service trades, and hawkers of food and small commodities. They enliven the market and facilitate the people's livelihood. The basic reason for the increase in their number lies in the implementation of the party's policy of giving them political and economic equality and rendering help to them. The departments concerned supply the raw materials they need at wholesale prices and help them to solve the problems of business sites, funds and technology. Measures have been adopted to encourage youths awaiting jobs to go in for individual businesses. They include simplification of the procedures of application for business licenses, revocation of unreasonable economic burdens such as street charges and charcoal charges and the adoption of regulations that do not restrict their turnover and economic income as long as they are not illegal. Now the average monthly turnover of those engaged in commerce is 300 to 400 yuan and their average monthly income is 80 to 90 yuan per capita. The average monthly income of those engaged in roasted and cured foods that are more profitable is about 200 yuan per capita. [HK160801 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 13 Oct 81 HK]

TIANJIN PROFIT-INCREASING CAMPAIGN--The Tianjin Municipal Trade Union Council on 27 October held a rally to report on the achievements in the campaign in which staff members and workers are encouraged to create more profits for the state. Labor models, workers, engineering and technical personnel, managerial cadres and some collectives who distinquished themselves in this campaign were commended at the rally. The campaign was initiated first at the municipal metallurgical industrial bureau. Through tapping potential, each of its some 20,000 workers created 1,700 yuan more profits for the bureau. By the end of September, the bureau had earned 190 million yuan of profits, 82 percent of its annual target. During the January-September period, each worker at the municipal textile bureau created 340 yuan more in profits for the bureau. The municipal communications bureau also launched the campaign in July. By the end of September, this bureau had fulfilled 99.84 percent of its annual profit quota. [SK290924 Tianjin City Service in Mandarin 0030 GMT 26 Oct 81 SK]

CSO: 4006/87

BRIEFS

HUBEI RAILWAY SERVICES--Beginning 0000 hours on 11 October, like all other railway bureaus throughout the PRC, the Wuhan Railway Bureau will bring into effect the new schedule for the movements of trains. Hubei will properly readjust passenger trains and add passenger trains to railway services. In accordance with the new schedule, the speed of the trains of the Wuhan Railway Bureau will be increased. Numbers 137 and 138 direct passenger express trains from Wuchang to Beijing will be changed to Nos 37 and 38 special express trains and the traveling time will be 2 hours and 10 minutes shorter than before. Numbers 107 and 108 express trains from Wuchang to Chengdu vis Chongqing will be changed to Nos 117 and 118 express trains which will run from Wuchang to Chongqing in future. The Wuhan Railway Bureau will add a slow train between Wuchang and Hengyang and a direct express train between Beijing and Chongqing via Luoyang, Xiangfan and Jiayu counties to the schedule. The express trains between Beijing and Nanchang via Wuchang and between Beijing and Guiyang via Wuchang which now run every other day will run every day in future. [HK260749 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 7 Oct 81 HK]

XINJIANG RAILWAY SERVICES--Beginning 0000 hours on 11 October, a new schedule for the movements of passenger trains throughout the PRC will become effective. From this date, No 54 direct passenger express train from Urumqi to Shanghai and No 70 direct passenger express train from Urumqi to Beijing will be changed to special express trains. After the change, the traveling time of No 54 train will be 78 hours and 4 minutes, 4 hours and 34 minutes shorter than before the change. The number of stops at stations will be reduced from 72 to 49. The traveling time of No 70 train will be 72 hours and 36 minutes, 4 hours and 53 minutes shorter than before the change. The number of stops at stations will be reduced from 77 to 49. After the new schedule becomes effective, No 144 direct passenger express train from Urumqi to Xian will be added. Number 72 train from Urumqi to Zhengzhou will be changed to No 172 direct passenger express train. Number 144 train from Urumqi to Lanzhou will be changed to No 244 direct passenger express train, which will run every 2 days. Number 394 train from Urumqi to Yumen will be changed to No 494 direct passenger train. The time of leaving Urumqi of the above-mentioned trains will be: No 54 train at 1650 hours; No 70 train at 2133 hours; No 172 train at 0925 hours; No 144 train at 1923 hours, No 244 train at 1500 hours, and No 494 train at 2209 hours [local times]. [HK200803 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Oct 81 HK]

XINJIANG RAILWAY LINE--The entire South Xinjiang Railway Line opened to traffic on 20 October. The railway line, which starts from Turpan in the east and ends at Korla in the west, is over 470 km in length. Construction of this railway started in 1974. The PLA Railway Engineer Corps Unit which took part in this project dug 29 tunnels with a total length of 33 km and built 492 bridges. [OW231115 Beijing Domestic Service in Mandarin 2230 GMT 21 Oct 81 OW]

NORTHEAST CHINA TRANSPORTATION--On 1 October an integrated highway transport service was established in Shenyang, Liaoning Province; Changchun, Jilin Province; and Harbin, Heilongjiang Province. Highway transport stations have been established in the three municipalities to handle municipal transportation. The dispatch of vehicles and accounting will be made in a unified way to improve efficiency. [SK132241 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 12 Oct 81 SK]

HEILONGJIANG RIVER TRANSPORT VOLUMES--This year's navigation period for the Heilong Jiang in Heilongjiang Province ended on 20 October. Thanks to responsibility systems, Heilong Jiang transport volumes for this year reached a record high. Its passenger transport volume was 77,000 people, 54 percent higher than as planned and 21 percent higher than in 1980. Its cargo transport volume was 66,000 tons, 10 percent higher than as planned and 50 percent higher than in 1980. [SK250226 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 21 Oct 81 SK]

NEW GUANGXI RAILWAY--A new railway line between Laibin and Liangjiang has been built recently and opened to traffic. The examination shows that the quality of the railway line is up to standard. The line is 11.3 km. This line was built by the Liuzhou Railway Bureau and No 2 construction bureau of the Ministry of Railways. [HK260749 Nanning Guangxi Regional Service in Mandarin 1100 GMT 8 Oct 81 HK]

CSO: 4006/87

GENERAL

IMPORTANCE OF IMPORTING MANAGEMENT METHODS STRESSED

Tianjin KEXUEXUE [SCIENOLOGY] in Chinese No 4, 20 Aug 81 pp 40-43

[Article by Guo Xinchang [6753 0207 2490] and Yang Haitian [2799 3189 3944] of the Institute of Economic Research at the Tianjin Academy of Finance and Economics entitled: "Not Only Import Equipment But Also Import Management." The article was edited by Guan Xipu [7070 6007 2528] and He Zhongxiu [0149 6988 4423].]

[Text] Since 1972, we have imported whole plant equipment successively from the United States, Japan and Western Europe. This has an important significance for the level of technology and equipment in our industrial sectors. However, along with these successive investments in equipment came an extremely obvious contradiction. The contradiction is that our management methods are unsuitable for this modern equipment.

Comparison of Economic Results

First, we made the following comparison of the economic results of certain imported equipment with various domestically produced equipment. The generating equipment for the power plants at Tangshan's Douhe, Tianjin's Dagang, and Inner Mongolia's Yuanbaoshan was all imported. Except for a slight difference in the quality of the equipment for Yuanbaoshan, no technical problems occurred in transit for the Douhe and Dagang equipment (sic). The economic results of these facilities was much better than that of domestically produced facilities. The power supply coal consumption for the period January through August 1980 at thermal power plants using domestically produced equipment averaged 471 grams per kilowatt-hour. The aforementioned three power plants used 344, 350 and 367 grams per kilowatt-hour, respectively, an average of 353.7 grams per kilowatt-hour. The plant consumption rate was, in general, over 10 percent for plants with domestically produced equipment while the figure for the above 3 facilities was 6.27, 8.33, and 8.81 percent, respectively. The results for 13 large chemical fertilizer installations imported during the same period, all of which were in operation by September 1980, were all fairly good. For example, the earliest of these in operation, the Siquan plant currently consumes 40 kilowatt-hours per ton of ammonia while domestic medium-sized chemical fertilizer plants consume at least 1500 kilowatt-hours per ton. Based on 1 year's production, this one project can save more than 440 million kilowatt-hours of power. This is equal to the annual production capacity of a 50,000 kilowatt thermal power plant.

If the operating results are compared with similar foreign equipment, that is a different situation. The coal consumption for these three plants for January-August 1980 is still higher than that of the Soviet Union (1979-330 grams), Italy (1976-336 grams), and Japan (1976-337 grams). The plant power consumption rate for Douhe alone, our lowest, is still higher than that for England (1977-5.9 percent), the Soviet Union (1975-5.9 percent), Japan (1977-4.7 percent), France (1976-5.0 percent), and Italy (1976-5.8 percent). The various economic and technical targets for large chemical fertilizer plants do not completely achieve design requirements either. The power consumption per ton of ammonia was designed to be 1.97 kilowatt-hours for the U.S.-Netherlands model and we average 4.56 kilowatt-hours; the Japanese model was designed for 34 kilowatt-hours and we require 41.57 kilowatt-hours. As for long term operations, similar synthetic ammonia plants abroad run 468 days in the United States, over 300 days in India, while our longest run is 266 days.

From this it can be seen that although the results produced by the imported technology and equipment are much better than those for domestic equipment, a comparison of the operating results of our equipment with similar equipment abroad or the design requirements leaves our plants somewhat deficient. That is to say, the full potential of the equipment has not been achieved.

The Historical Problem of Imports

Why is it that the same equipment which shows good results abroad is not that effective once imported? The reason is naturally multifaceted, but the most basic reason is that our current management methods, management systems, and management structures are not adaptable to the demands of this modern equipment.

Production organization management is both the embodiment of a specific production relationship and the objective demand of a certain time in the development of productive forces. Along with scientific and technical advances, and the renewal of equipment, a corresponding reform in management methods must be carried out. Otherwise, further advanced equipment cannot be brought into full play. This point was proven abroad long ago and 30 years of experiences domestically are also sufficient to illustrate the point.

Our Ministry of Chemical Industries has imported the most equipment, the majority of which was whole plants. In general, a look at the effects and an economic comparison of equipment already on-line shows the 1950's as best, the 1960's as worst and the 1970's as relatively good. Why is this? It is common knowledge that during the 1950's our equipment was imported primarily from the Soviet Union. At that time, we had no experience managing socialist enterprises. We mostly emphasized learning from the Soviets. At the same time we imported technology and equipment. We also gave attention to importing the Soviet management methods and systems and strengthening every rule and regulation to allow this equipment to have its fullest effect on the development of our chemical industry. In the 1960's, we imported technology and equipment primarily from Western Europe. Although a comparison with the 1950's shows the technological level to be relatively high, our management methods did not change, especially after the 10 years of catastrophe began. To talk of importing enterprise management methods during the despotic rule of the extreme left was to talk of a leopard changing its spots, which led to poor economic results. In the 1980's, technology and equipment was imported primarily from the United States, Japan and Western Europe. It was naturally even more advanced, however, the management methods were still the Soviet methods of the fifties. It was only after the smashing of the gang of four that some advanced foreign management methods were imported along with the equipment. Some units which imported equipment also began giving attention to importing advanced management experiences. Although it hasn't been long since this was begun and the things learned are also one-sided, the results achieved are especially obvious. For instance, after the 13 chemical fertilizer plants came on line, a tendency for improved operations, increased production, decreased consumption and lower yearly costs was noted.

The facts fully explain that contemporary scientific technology and contemporary scientific management are the two wheels which drive contemporary economic development. If we emphasize importing advanced foreign technology and equipment while we do not import the corresponding management methods and we attempt to use the advanced technology or equipment by accommodating the traditional backwards management methods, this is the same as putting two dissimilar tires on a cart; it is very difficult for it to roll smoothly and quickly.

Manifestations of Backwards Management

The following are the four most obvious examples.

1. Workers and Staff Too Numerous

The power, chemical fertilizer, and chemical fiber plants which we imported during the seventies generally all have a single set of large-scale characteristics such as a high degree of self-control and strong continuity. An important indicator of the use of these advanced installations is a high rate of labor productivity and a small work force. For example, in the past 30 years, following the critical increase in energy resource requirements, the public power industries of many nations were swiftly expanded but the number of personnel in the work force did not increase greatly and in some cases there were even decreases in work force. Since 1951, privately managed public power companies in the United States have had only a 20 percent increase in operations and maintenance personnel. The British power industry work force has on the other hand decreased by 1/4 in 10 years. Over the past 30 years in the Soviet Union, power production and installed capacity has increased by more than 12 times while the work force has increased only by about 4 times. Looking at the power plants alone, the number of personnel used abroad is still very few. For instance, the world's largest fossil fuel burning power plant, the Kagoshima power plant in Japan, has an installed capacity of 4.4 million kilowatts with only 350 people in the work force.

The most important reason why industrialized nations are able to obtain such high labor productivity in power, chemical fertilizer and other industries is because they follow the principles of socially run plants, realizing a highly developed specialized cooperation. While our nation, on the contrary, follows the traditional method of a plant run society where specialized cooperation does not develop, even those large-scale enterprises for which modernized complete plants were imported are no exception. Therefore, the establishment of an imported complete plant results in the appearance of a "small city," which has everything it needs. In addition to those departments directly connected to production, it has a hospital, post office, stores, capital construction, motorpool, farm, child-care center, kindergarten, primary and middle schools, technical secondary schools, a hostel, and even police and fire stations. For example, in one of our power plants equipped with imported modern equipment, the work force is nearly 1,112 personnel, of which the operations personnel number 193, 17 percent of the total work force. The number of personnel in the maintenance, heat and chemistry shops is 532, 48 percent of the whole. Administration, funding and farming take 387 people, which is 35 percent of the total.

2. Non-professional Leadership and Multi-level Directions

The businesses with imported modern installations are both economic organizations of socialized production and ones which have the special characteristics of strong production continuity and a high degree of self-control. The lessons and experiences of some enterprises also show that any incidence of managerial or technical negligence, mistake or dispute can result in a mishap, creating a great economic loss, even a gross calamity. Therefore, although there are many different organizational styles in the businesses of the industrialized nations, they all have one common characteristic. That common characteristic is the use of specialists implementing highly concentrated, unified leadership and guidance. However, in our enterprises which have imported equipment, not only are factory level leading groups overstaffed with deputies but the ration of cadre who understand the technology, economics and management is not quite one in three. The number of middle level leading cadre fills even more authorized strengths and yet the number of those attaining a university or polytechnic school level is still not better than one in three. This situation of overstaffing, multiple administrative levels, and this many amateurs in the ranks of the cadre creates one of the primary causes for the numerous disputes, low efficiency, bureaucratism, misdirection, numerous accidents, and unclear lines of responsibility in our imported enterprises.

3. Low Technical Levels of Labor and First Line Management

One more important reason that the work force is small and efficiency high in similar foreign enterprises is that the scientific and technical level of labor and basic level management is high. For example, the majority of operations personnel in a power plant have all graduated from college or gone through specialized training and have attained a college level expertise. It is also necessary for support technicians and management to have a general knowledge of modern power plant production. Safety personnel are not only expert in one thing and good at many, but a lot of them are also qualified for operations positions. This is in sharp contrast to our enterprises. Take for example a certain power plant with imported advanced equipment which has an overall total of 735 workers. The average technical grade is a mere 2.79 which is lower than the national average for the industrial work force.

4. Lagging Management Methods

Modern, advanced installations demand correspondingly advanced management methods.

In the power industry abroad, large capacity units universally adopt single element concentrated control. Central control rooms monitor operations through a screen display and controllers jointly use computers. Some plants even use computers for direct control of the entire plant. The three power plants we have imported still basically use minor specialized management. Although automated control has been partially realized in control rooms, controllers are still generally in the phase of knowing something is so but not knowing why. Fuel transport still remains a mechanical or hand-operated operation.

Thus, steadfast guidelines for a small work force, high efficiency and specialized cooperation should be adopted in modern industries with imported equipment and technology. This is the correct path to resolving the contradiction of advanced equipment and backwards management practices.

The Reason Reforms Produce Deficient Results

It should be pointed out that after imported equipment is brought on line, some enterprises feel they should insist upon guidelines for high efficiency and a small work force, and they implement reforms for specialized cooperation, but the results achieved are not great. To date, there still has been no relatively successful experiences concluded.

For example, a certain chemical fertilizer plant of equipment imported from the United States was constructed and brought on line at the end of 1976, with a work force of 1,520 people. Beginning in September 1979, reforms were carried out in this plant. The maintenance and repair shop for the fertilizer plant was placed under the unified management of the general plant mechanical repair shop. The hostel, cafeteria, stores and school were returned to the plant's life services company and education office, respectively. Some administrative technical offices also carried out corresponding simplifications and the work force was reduced to 315 personnel. However, doing this for more than a year not only did not facilitate production but brought on a lot of trouble. Production not only did not increase, it showed somewhat of a decrease. There was no choice but to change it back.

Paths To Resolve the Contradictions

Since advanced equipment and backwards management is the current primary contradiction, and it has already seriously affected the economic results of the imported equipment, what is the solution? There are only two paths to take. One is to put undue emphasis on national conditions making the imported equipment adapt to traditional management. The other is to give attention to national conditions while emphasizing foreign conditions and importing scientific management at the same time that technology and equipment are being imported.

Although those comrades who support the first concept admit, in theory, to the necessity for reform of our current management methods, when met with a practical problem, they can only stress that our population is great, our foundation poor, wage levels low, and it is necessary to have a priority resolution to the employment problem. The imported modern industries are no exception. Therefore, even though the technological level of the equipment is continually increasing, the need for personnel is also steadily increasing. This is not to say that maintenance and service personnel exist in name only but that the number of production personnel are greater than those abroad. Each shift of operating personnel on a similar foreign power plant, for instance, averages 5 people (the United States is the lowest with 2-3 people). Our 3 power plants all have approximately 12 people. The operations of a urea installation requires 7 people abroad while ours requires over 10 people.

We feel, in our economic work, that there should be a high degree of emphasis on employment problems, but this is not to say that all enterprises without exception should adopt the principle of lower wages, higher employment. The majority of imported self-contained plants are in capital intensive industries for which a low need for personnel and high efficiency are characteristic. If we do not emphasize this characteristic and, even as in the labor intensive industries, implement extensive measures to lower wages, increase employment, and do all without seeking personnel, not only will the subjective initiative of the work force be affected, but the production efficiency of the equipment will decrease, and an organizational abscess may even cause delays in everything. At present, employment problems universally exist in the industrialized nations as well, but the method for resolution is not to, without exception, implement lower wages and higher employment without discriminating between the nature of industries, but rather to solve the problem in labor intensive industries and support services. A further example is a power plant which originally had a work force of more than 1,200 and which began implementing reforms in 1978. Except for maintaining the operations, coal transport, heating and chemistry workshops, it has reunified the maintenance shop, cafeteria, hostel, motorpool, and others under the control of the services company and the inspection and repair office of the main power plant. In this way, the power plant work force was reduced to 813 people and the technical offices reduced to 56 people. However, following the reforms, matters troublesome to the power plant did not decrease. The debate over responsibility for the first instance of maintenance work was disputed for several weeks. The cafeteria was not well run and the workers preferred eating at privately owned food stands nearby. The result was that the majority of staff and cadre in the plant did not approve of this reform.

If not implementing specialized cooperation is unacceptable, how is it that implementing specialized cooperation is also unacceptable? We feel that the problem lies not in specialized cooperation itself, but in the process of implementation and in overlooking some of our special conditions. Chief among those special conditions are:

1. Dispersed Distribution of Similar Businesses

The site selection for chemical fertilizer and petrochemical plants originally should have placed them in those sites which would most easily give play to economic results and distributed them in relative concentration, only then would favorable conditions be created for specialized cooperation. Furthermore, when we are establishing plants, we above all, often take into consideration political factors, even military factors, thus creating dispersed distributions. This not only created deficient economic results for some plants but also created difficulties for specialized cooperation by similar businesses. The 13 chemical fertilizer plants, for instance, were spread over the entire country on the principle of 1 plant per province. The result was that because the distance between plants was so great, it was difficult to establish specialized maintenance and service companies. It is being done with great effort and the cooperative economic benefit produced will be offset by the unreasonable transportation costs.

2. The System of Multiple Managers

For example, the four chemical fiber plants at Siquan, Changshou, Liaoyang, and Tianjin which were imported in 1972, are still under the leadership of four entities including the Ministry of Petroleum and the Ministry of Chemical Industries. The Tianjin Dagang power plant is situated in the suburbs and thus ought to be under the guidance of the Tianjin Municipal Power Bureau, but because the plant often has an oil supply crisis and the Dagang refinery generally only guarantees its customers about 30 percent, Tianjin is powerless to resolve this troublesome problem. Only if the plant is under the control of the Huabei Power Bureau can production at this plant be maintained.

3. Traditional Ideas of Large but Complete

In the past several years, due to being overly accustomed to the days of "large but complete," and not asking for help in anything, some cadre and groups feel unaccustomed to specialized cooperation. Some cadre even feel that to establish specialized companies would only relinquish the little bit of independence recently obtained, do away with the fiscal power and political institutions of the businesses, and make it even more difficult to deal with the two difficult matters of production and not having cash or party notes in hand. Thus, not long after the founding of specialized companies, some of the original institutions which had been abolished gradually returned, adjusting one group of cadre and further utilizing a group of cadre. The so-called main plants and companies only had one more administrative level.

4. Catching Up Lagging Technology

Even after the importation of advanced technology and equipment, because our industrial technology lags behind the industrialized nations by several years, it is very difficult for the laggard technology to catch up immediately. At present, the 13 imported plants have tried 1,007 domestically produced spare parts of 7,334 items. Of these there are 263 fittings in 5 key units. They have achieved pitiful results. However, when speaking of need alone, there is still some distance to go since several key fittings must continue to be imported at high prices.

5. Patching Up Old Maintenance

Developing the potential of equipment is correct, however, from the economic results angle, it is not unlimited. Because all advanced technology or equipment has its natural and economic lifespans, they will all be controlled by the fact that the new supersedes the old. In a situation where science and technology develop swiftly, when the economic lifespan is extended, the technical characteristics grow older and lag farther behind. Furthermore, when some of our businesses overemphasize developing the potential of equipment, overlooking the inexorable law of depreciation, they do everything they can to use patched up maintenance, and even if they have spare parts they are unwilling to use replacements. This inevitably causes the maintenance business to become arduous and complicated. With these ideas for guidance, after equipment is imported, each plant must put together a vast, specialized maintenance power to cope with the complicated maintenance tasks.

6. No Responsible System of Guarantee

No matter whether it is intraplant cooperation or interplant cooperation, both are economic organization forms. Only if there are explicit responsibilities, feasible economic contracts established, rules for the cooperating sides to follow and records to check after a problem arises, can this organizational form have practical significance. Otherwise, it is only a form and that's all. Many enterprises make revisions without great results and this is one main reason.

The Outlook for Future Reforms

Experiences from abroad and the lessons from our reforms both show that if the main contradiction of imported equipment and backward management is to be resolved, we must import corresponding management methods when importing equipment while resolutely following the road of specialized cooperation. It is also necessary to, at the same time, squarely face our current practical difficulties and steadily adopt diversified reforms in accordance with existing conditions and the production characteristics of the imported equipment.

An imported modern power plant has a series of characteristics such as large capacity, high degree of automation, etc. It produces an invisible product whose quality, quantity, and cost do not depend completely upon the plant itself but are controlled by materials supply and the entire power network. Thus, unified management of the network by area is the current management trend by the worldwide power industry. From our standpoint, the distribution of power plants is still fairly concentrated and providing relevant adjustments are made for the jurisdictional questions of some power plants, and providing economic legislation and contract guarantees are strengthened, then specialized cooperation between areas can be successful. For instance, there are currently five power plants in the Tianjin area whose distribution is relatively concentrated and appropriately, the Tagang power plant is the dominant one. A specialized company was established by the Tianjin Power Bureau which, first of all, through a strict system of contracts and responsibility, organized a training center for specialized maintenance companies and the power industry. They later expanded their scope steadily and when conditions were right established unified power companies in the Beijing, Tianjin, and Tangshan areas.

The large imported chemical fertilizer installations have the special characteristics of airtight cycles and continuous operations. They produce a tangible product and product quantity, quality, and cost depend mainly on the plant itself. A further consideration of the distribution of our large chemical fertilizer facilities and the specific conditions in the small and medium facilities where costs which are too high await regulation, shows that these businesses should primarily implement internal reforms first through study and importation of foreign advanced management experiences. Supportive cooperation between plants can be implemented. For example, under the unified coordination of the Ministry of Chemical Industries, interplant cooperation among the Hebei Cangzhou chemical fertilizer plant, the Shandong Shengli chemical fertilizer plant, and the Liaoning Liaohe chemical fertilizer plant could be implemented during periods of major maintenance. When one plant is undergoing major maintenance, engineering and technical strength from the other two plants could be transferred for support to fulfill responsibilities, meet schedules, and insure that the major maintenance is completed on time. This would not only benefit the training of technical ranks, solve the problem of insufficient technical strength during major maintenance but could, at the same time, also lay a foundation for later specialized cooperation.

Special characteristics of imported machinery processing equipment are single stage operations and independence. Such installations basically are labor and capital intensive type industries. While the product quality, quantity and cost depend on the technical level of labor, they also depend on the size of the labor force, the hours of labor, and the relative independence between plants. Such businesses should first implement internal reforms of specialized cooperation. For example, a plant in Xian whose major equipment was all imported from England even sent personnel to the British companies to study production organization management experiences. At present, this plant is in the midst of conducting tests on the program control of production which will, through the formulation of a program control outline for production, bring about programming for supply, production, inspection, and transportation, each of the links in the production chain, thus guaranteeing a balanced sequence in production. The tests have shown that these management methods have obvious effects on discovering hidden perils in the work and insuring product quality. It appears as though, in similar enterprises when conditions are right, further steady implementation of specialized cooperation between shops, plants and areas, beginning with internal workshop processes, is a feasible path to take under current conditions.

In summation, if we liberate thinking, are practical and realistic, boldly import advanced management methods at the same time we import advanced foreign technology and equipment; and carry out steady, diversified reforms in accordance with national conditions and industry characteristics, only then will the present contradiction of backward management and advanced equipment gradually achieve the solution of imported technology and equipment. Then and only then will even greater economic benefit be derived.

9705
CSO: 4006/4

GENERAL

SHANXI PHONE CONFERENCE ON FINANCE, TRADE WORK

HK040436 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 2 Nov 81

[Summary] On the evening of 2 November, the Shanxi Provincial People's Government held a telephone conference calling on all the workers on the financial and trade fronts throughout the province to enhance their revolutionary vigor, go all out, work for the benefit of the enterprises and strive to accomplish this year's financial revenue task. The conference demanded that all areas do a good job of financial revenue work. The conference pointed out: It is necessary to extensively launch discipline inspection over financial and trade work in the province in accordance with the spirit of the two circulars of the provincial people's government; also, it is necessary to carry out thorough investigations.

The conference also pointed out: "In pushing forward the implementation of the economic responsibility systems, the enterprises must handle well the relationship between the interests of the state, the collective and the individual. It is necessary to rely on the improvement of the labor productive force but not to infringe upon the interest of the state in improving the living standard of the workers." The enterprises must retain a certain portion of profits in accordance with the state's stipulation and cannot change the proportion on their own initiative. The conference stressed: "While economizing on expenses, it is necessary to strictly control all kinds of expenses. We must resolutely forbid indiscriminate distribution of money at the yearend, in particular, distribution of bonuses. We must also prevent indiscriminate raising of bonuses." Vice Governor (Wang Ji) presided over the conference and spoke. He said: "Production is the basis of financial work. We must consolidate and develop the good situation of production which has appeared since September this year and continue to promote production, providing a more substantial and a richer material basis for financial trade. We must put an end to chaotic business management and correct all ill practices in violation of law and discipline. In order to obtain economic gains, the enterprises must rely on improving business management and improving the economic results." In conclusion, Comrade (Wang Ji) urged financial departments and banks at all levels to accomplish their tasks in order to promote work in an all-round way.

CSO: 4006/84

TIANJIN ENCOURAGES URBANITES TO MOVE TO SUBURBAN AREAS

SK310924 Tianjin City Service in Mandarin 1430 GMT 30 Oct 81

[Excerpt] According to our sources, a spokesman of the Tianjin Municipal People's Government has released a white paper on giving equal treatment to those who move from urban areas to new suburban residential quarters.

He said: The new residential quarters in Tianjin's suburbs, including (Dingzigu),(Beicang), (Miyunlu), (Changjiangdao), (Tiantenan), (Tiyuanbei), (Xiaohaidier), (Zhujiangdao), (Xinlicun), (Zhenlidao) and (Jiankangdao), will soon be completed. To solve the housing problem of earthquake victims, encourage the victims to move to new residential quarters and facilitate the dispersing of the urban population, the 49th meeting of the Standing Committee of the municipal people's government, which was held 23 October and presided over by Mayor Hu Qili, set forth the following stipulations:

First, those who move from urban areas to the new residential quarters will remain registered as urban residents. They will be guaranteed the freedom and the right to move back to urban areas in accordance with their needs.

Second, the supply of rationed daily necessities and commodities for everyday use to new residential quarters will be guaranteed. As for the supply of commodities in short supply, priority will be given to new residential quarters.

Third, in schooling and employment, children of residents in new residential quarters will be treated equally as urban residents.

Fourth, public transportation in the new residential quarters will be designed in the interest of the masses. Every new residential quarters must open direct bus lines to urban areas to ease passenger transfers.

CSO: 4006/87

BRIEFS

CHENGDU FINANCE, TRADE CONFERENCE--He Haoju, secretary of the provincial CCP committee, spoke at the provincial work conference on finance and trade. Comrade He Haoju said: The peasants are enthusiastic in selling agricultural sideline products to the state. However, we must pay attention to questions concerning procurement, allocation and transference of agricultural sideline products after multichannel business undertakings and profit-contract systems and award systems have been carried out. We must understand that whether or not we have fulfilled the procurement, allocation and transference of the state's quota is an important issue which relates to the implementation of the state's discipline in financial and economic affairs. To enliven the economy, we must practice multichannel business undertakings. However, the CCP committees at all levels and the people's government must strengthen leadership over procurement, allocation and transference of agricultural sideline products so as to guarantee fulfillment of the state's plan. After the management responsibility system has been practiced, apart from economic interests, the management departments should also consider economic effects and the interests of producers and consumers. [HK161300 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 12 Oct 81 HK]

GOODS IN STOCK--Beijing, 4 Nov (XINHUA)--Since the beginning of this year, many areas and departments in China have made use of goods kept in stock. According to incomplete statistics, 10 areas including Yunnan, Shanghai, Hebei, Henan, Heilongjiang, Gansu and Guangxi and 23 central government departments including the ministries of metallurgical industry, railways, petroleum industry and electric power industry and the seventh Ministry of Machine Building had utilized goods in stock with a total value of 1,407 million yuan in the first half of this year. The goods so utilized included 384,000 tons of rolled steel and machinery and electrical products valued at 902 million yuan. [Beijing XINHUA Domestic Service in Chinese 0035 GMT 4 Nov 81 OW]

CSO: 4006/87

BRIEFS

POLITICAL ECONOMY DICTIONARY--Beijing, 5 Nov (XINHUA)--The third and last volume of the "Dictionary of Political Economy," the first dictionary of its kind published in China, came off the press recently and will soon be distributed throughout the country. [Beijing XINHUA Domestic Service in Chinese 0152 GMT 5 Nov 81 OW]

ECONOMIC WEEKLY--Beijing, 6 Nov (XINHUA)--A specialized economic publication, the JINGJIXUE ZHOUBAO [ECONOMIC WEEKLY] will be published in January 1982. The new publication, sponsored by the All-China Federation of Economic Organizations, is designed mainly for readers among economic researchers, teachers and college students. [OW071125 Beijing XINHUA Domestic Service in Chinese 1322 GMT 6 Nov 81 OW]

CSO: 4006/87

INDUSTRY

STEEL MILLS COMPETE FOR EXPORTS TO HONG KONG

HK020146 Hong Kong SOUTH CHINA MORNING POST in English 2 Nov 81 Business News Supplement p 1

[Article by Nigel Gibson]

[Text] An export campaign by China's steel mills is putting mounting pressure on Hong Kong manufacturers who are already reeling from a strong U.S. dollar and rising production costs.

Prices for rolled steel bars--a staple ingredient for the construction industry--have tumbled to the lowest level for nearly a decade here as mini-mills in China have taken the unprecedented step of competing among themselves for a slice of the local market.

The strain on Hong Kong steel mills has also been highlighted by China's decision to step up its exports ofhigh-tensile bars in addition to existing supplies of mild, or softer, steel rods.

According to Shiu Wing Steel, the largest manufacturer here with a 35 percent market share, competition has reached "cut-throat" proportions with the prospect of little relief next year when demands is forecast to shrink by about 15 percent.

The company's executive director, Mr Harry Pong, estimated that profit margins could be even tighter during the first half of next year as contracts engaged 2 or 3 years ago start to dry up against a background of cheaper imports from China.

"At current levels, no one, not even China, is making money," he said.

Although precise figures have not been released, it is estimated that China is currently exporting between 30,000 to 40,000 tonnes of steel rods a month to Hong Kong. Roughly half of this is high-tensile.

In value terms, total imports, including those from China, of all iron and steel bars and sections rose just over 11 percent to [Hong Kong $988.5 million till July this year, compared with [Hong Kong] $890 million during the same period last year.

China Resources Ltd, the main outlet for China-made steel, is quoting about [Hong Kong] $1,440 per tonne, roughly [Hong Kong] $100 per tonne lower than Japanese and Taiwanese exporters, while local mills are caught like a vice between the two.

Other major importers like South Africa have also been forced to slash prices.

Price-cutting by China has caused Japanese exporters, who last year supplied 200,000 tonnes of high-tensile rods to the Hong Kong market, to cut back exports drastically.

Falling demand, both at home and overseas, has already forced Japan's minimills to cut output by more than 30 percent.

According to a spokesman from Marubeni HK Ltd's metals division, prices for steel rods are almost certain to fall further before the end of the year.

He estimated Japan's exports to Hong Kong for this year could be 50 percent down on last year's total.

"So far this year, we haven't taken a single order for steel rods from Japan," he told BUSINESS NEWS.

China's determination to win a larger share of the local market for high-tensile rods--it already controls 90 percent of imports for mild steel--has caused minimills there to export direct to Hong Kong customers, cutting out traditional agents.

"They are literally falling over themselves to supply. In the past, they would sell through a single source like China Resources. Now shipment advice comes from China Resources, mills and other sources," explained Shiu Wing's Mr Pong.

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'JINGJI GUANLI' ON LEARNING FROM ADVANCED UNITS

HK291410 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 81 pp 3-6

[Article by Xu Yunbei [1776 6663 0554]: "Learn Advanced Experiences, Strive to Improve Economic Effect of Light Industrial Production"]

[Text] In responding to the call of the 6th plenary session of the 11th CCP Central Committee, the broad mass of staff and workers of light industry, proceeding from reality, are earnestly learning from the advanced experiences of Shanghai with full confidence in victory. They are unremittingly improving the levels of technology, administration and management, and vigorously developing the production of consumer goods, so as to make new contributions in constructing a modernized, highly democratic and powerful socialist country with high-level civilization.

As pointed out by Premier Zhao Ziyang in the plenary meeting of the State Council, the way to get rid of the present economic predicament lies in the improvement of the economic effect; we rely in the first place in readjustment and in the second on reform. Readjustment and reform will enable the national economy to develop harmoniously and grow steadily, and to achieve a healthy cycle. From now on, in developing the national economy, we will no longer depend mainly on establishing new plants and expanding the scale of capital construction, but on giving play to the existing enterprises. We must make every effort to tap the latent power of these enterprises. On the other hand, Premier Zhao Ziyang pointed out that one of the practical ways to improve industry in the interior and tap its latent power is to learn and borrow advanced management and administration experience and technology from coastal areas, in particular Shanghai. This has shown us the direction and significance of learning advanced experiences.

Far back in the 1950's, the light industrial trades began to carry out activities of learning from the advanced experiences of Shanghai under the leadership of party committees and governments at different levels. Since the third plenary session, particularly this year, there have been new developments in the activities of learning from Shanghai, coastal areas and advanced units under the call put forward by the leading comrades of the party's central authorities for transplanting the advanced experiences of Shanghai. In provinces and cities such as Hubei, Tianjin, Jiangsu, Sichuan, and so on, activities of this kind are developing in span and in depth. In the past few years, in organizing such activities, some good ways have been invented and fine effects have been achieved in different areas. Quite a lot of enterprises in trouble have changed their situation and caught up with advanced units. Some units already graded as advanced ones have narrowed the gap between them and Shanghai. In the meantime, Shanghai and other coastal areas have also learnt useful experiences from the interior.

According to the experiences of different areas, the following problems should be emphatically solved in learning from the advanced experiences of Shanghai.

1. Enhance Understanding and Intensify the "Three Learning" Activities

Industrial cities such as Shanghai, Tianjin, Guangzhou, and so on possess a lot of advantageous conditions since their light industrial production has been developed quite early. Among them Shanghai is the most outstanding one which, being the oldest and largest industrial base in our country, has a history of light industry of more than 100 years. Shanghai is also an important base for scientific research and export, which produces many famous-brand products and keeps an advanced level in production technology and in management and administration in the country. The leading cadres of the State Council have pointed out that importance must be attached to key cities and famous-brand products in developing the consumer goods production in our country. By and large, Shanghai is maintaining a high level of coordination between specialized departments, it is advancing in a well-oriented production direction and possesses an advanced technological contingent, well transformed equipment, a high level of administration and an agile information network. Thus it can produce a vast variety of products of high quality which, being strongly competitive, can enliven the market and achieve a great economic effect. According to statistics made by the Light Industry Department, in 1980, the able-bodied productivity in Shanghai was higher than the average level of the whole country by 194.73 percent; the output value derived from every 100 yuan of fixed assets in Shanghai was higher than the average level of the whole country by 120.82 percent; the profit produced from every 100 yuan of output value in Shanghai was higher than the average level of the whole country by 107.72 percent. If the light industrial trades in all major cities throughout the country can attain or approach the level achieved by the same trades in Shanghai, the output value and the tax income will be greatly increased, with the fixed assets remaining unchanged, in other words, without investment from the state. Therefore, learning from Shanghai, coastal areas and advanced units is a shortcut for developing light industrial production.

The economic organizational structure, production technology, and management methods of Shanghai have incorporated advanced components originating from abroad while embodying good experiences of our own. Therefore, learning from Shanghai is more practical and effective than learning from foreign countries. At present, in further readjusting the economy and vigorously promoting consumer goods production, to transplant the advanced experiences of Shanghai is an act of practical significance to further organizing production and integration, tapping the potential of the existing enterprises, improving labor productivity and the economic effect, and enhancing the development of light industry. In this sense, the immediate purpose of the "three learning" activities is to enhance the rapid development of light industry in the interior.

In the future, the economic construction of our country must follow a new path which takes intension and expanded reproduction as the dominant factors. We should mainly depend on tapping potential, renovation and restructuring of old plants to make them keep on attaining a new level of technology. Therefore, learning from Shanghai, from coastal areas and from advanced units are definitely not provisional measures or merely a general problem concerning the working means, but a strategic problem concerning giving full play to the superiority of the socialist system, upholding the guideline which mainly stresses the principle of self-reliance, unremittingly satisfying the needs of the broad masses of the people, better promoting the production of consumer goods and achieving greater, faster, better and more economical results in developing our country's light industry.

While the whole country is learning from Shanghai, coastal areas and advanced units, Shanghai and coastal areas also have to learn useful things from the interior, as well as advanced technology and administrative experience from foreign countries, and conscientiously overcome their own shortcomings and weak links, so as to enhance the quality and variety of products, administration and technology to a new level. So, with Shanghai bringing along the interior and the interior in its turn pushing Shanghai, both are closely linked together to unremittingly raise our country's light industry to a new level through the activities of learning from and helping each other.

2. Learn How to Enhance the Management, Technological and Administrative Level of Light Industry and Improve the Quality of Products and Economic Effect

Indeed we can learn a lot of things from Shanghai. But, in doing so we must grasp the key link.

First of all, we should learn from the proletariat of Shanghai their glorious revolutionary tradition and pioneering spirit of arduous struggle. The Shanghai proletariat have accumualted rich experiences in the anti-imperialist antifeudal struggles over a long period of time. They have a high political consciousness, with a good working attitude and strict working discipline. Confined in small and narrow factory buildings, they create wealth for the people and society, unremittingly surmount technical difficulties and strive to attain new technological heights, while making nothing of hardship. In carrying out the "three learning" activities, we must strengthen ideological and political work again and again, and integrate it with production activities. With the Shanghai proletariat as our model, we must enhance the political consciousness of the broad masses of staff and workers, give full play to the role of the proletariat as masters and thus make new contributions to light industrial production.

In the second place, we must learn from Shanghai advanced technology. Science and technology are productive forces. With rich technological forces, Shanghai has closely integrated scientific research with production, and the introduction of new technology with self-innovation. They have actively adopted new technology, unremittingly renewed old equipment, transformed old enterprises, and kept on raising the productive technological level. In carrying out the "three learning" activities, we should learn their experiences in attaching great importance to the promotion of technological work and advanced technology, strengthening the fostering of technological contingent, giving full play to the role of technological personnel and unremittingly raising the technological level.

Moreover, we must learn advanced management experience from Shanghai. At present, if we consider the light industrial enterprises in the whole country, the standard of enterprise management is generally quite low and does not conform to the needs of production development. Shanghai has accumulated over the years a whole set of scientific management experience which is outstandingly displayed in some aspects we are going to mention below. They have conscientiously done the basic work for enterprise management. In paying attention to market investigation, they have managed to readjust unremittingly the product structure and technological structure according to the changing needs; they have promoted famous-brand and high-grade production, improved the quality of products, and caught up with or even surpassed the advanced level at home and abroad. They have paid attention to economic accounting and economic effect. In some other regions, some enterprises used to carry out the work before completing cost budgeting; but in Shanghai, they never follow such old practices. In the meantime, they really care about the fostering of qualified personnel and the exploitation of intellect.

Enterprise management work must be consistent with the level of development of the productive forces. Over many years, Shanghai has upheld the principle of "quality first." Taking quality control as the key link, they started from basic work to strengthen management work of production, technology, fin ance, labor, operation, and so on, and have unremittingly raised the level of production technology. Since 1979, comprehensive quality control, overall economic accounting and the training of able-bodied laborers have been carried out, the economic responsibility system has been vigorously enforced, various forms have been adopted to integrate economic responsibility, economic effect and economic profit. So the initiative of enterprises and staff and workers has been mobilized. The job technology responsibility system is a form of responsibility system. There are both job responsibility systems for workers and for cadres. Under these systems, everyone in an enterprise can exercise his own power, fulfill his own responsibility and act according to regulations. Hence, the enterprise can be turned into a complete and well organized production and labor collective. In realizing the improvement of quality, quite a lot of units have solidly organized comprehensive experiments of quality control in appointed workshops, teams or groups according to their own conditions. In enforcing economic accounting, the economic accounting system headed by accountants has been set up, and those unified fixed amount systems concerning matters such as raw material consumption and capital expenses, and so on, have been worked out. Many trades have set up unified procedures for cost accounting. Some enterprises have practiced trilevel administration and bilevel accounting; some other enterprises have enforced trilvel accounting and the cashier's cheque system, and have thus incorporated the masses in the accounting and made the system more complete with all aspects of targets, assessment, analysis and announcement considered.

In brief, in the "three learning" activities, we must enhance the levels of management, administration and technology through learning from the revolutionary spirit, advanced technology and administrative experience of the Shanghai proletariat.

3. In Learning Advanced Experience, We Must Proceed From Reality, Take Various Flexible Measures, Proceed in an Orderly and Gradual Way, Use the Experience of Selected Points to Promote the General Situation and go for Gradual Improvement; That is, We Must Use the So-called Climbing Upstairs Style of Learning.

As the conditions in various areas and enterprises are different, our way of learning must be flexible and varied. In some cases, we can send people out to learn from other units; in others, we can invite experts from advanced units to teach. We can even adopt the forms of fixed technical cooperation or joint operation. Practice in different areas has proved that the form of joint operation between coastal areas and inland enterprises is an efficient form to helping and learning. Shanghai must establish as soon as possible economic technological advisory service companies to provide information to various areas and help to train technical management personnel. Key cities in various areas should also establish step by step and as soon as possible advisory service companies or technology popularization centers according to their own specific conditions. At the same time, the Light Industry Department should also play a role in organizing and coordinating this work, so as to strengthen the interflow of experience in the "three learning" activities and provide information to units concerned.

In carrying out the activities of learning from Shanghai, coastal areas and advanced units, we must also do a good job of combining it with the following practices.

1) Combine the activities of learning advanced experience from other places such as Shanghai and coastal areas with those of learning from local units. Here what counts is the selection of key points, including key enterprises, key products, and so on, and the popularization of the experiences of selected units to promote work in the entire area. In Jiangsu Province, areas along the Shanghai-Nanjing Railroad and the Changjiang River where industry has been developed generally take Shanghai as the target to keep up with; while the region of Xuzhou and Huaiyin in northern Jiangsu generally take first southern Jiangsu and then Shanghai as the targets. They have classified those enterprises and arranged them in order. There are three types: the enterprises of the first type take Shanghai as the target to keep up with; those of the second type take the advanced units of the province as the target; while those of the third type are to undergo rectification and required to get rid of their backwardness within a fixed period. After deliberation, the Light Industry Bureau of Sichuan Province has recently adopted the way of "key cities learning from Shanghai, other cities learning from Chongqing, and all cities learning from advanced units in a unified way." Having selected 12 "dragon heads" among enterprises in Chengdu and Chongqing to learn from the advanced experiences of Shanghai, they held training classes in every trade to pass on experiences stage after stage and group after group, and organized enterprises in the two regions to learn from those "dragon heads." In the meantime, other cities are encouraged to learn from Chongqing. So, they have integrated the activities of learning from Shanghai and coastal areas with those of learning from Chongqing and advanced units, activating internal factors with external factors, popularizing the experiences of selected units among entire areas, proceeding in an orderly way and step by step and guarding against precipitate action.

2. The activities of "three learning" must be integrated with the activities of learning from advanced teams and groups, mechanized units and individuals inside

an enterprise. We must select at first in every plant some key mechanized units and individuals as models for learning from Shanghai, coastal areas and advanced units; then popularize their good experiences to the whole plant and amplify the results of learning from advanced experience.

3. The activities of "three learning" must be integrated with developing famous-brand products. All regions have their own famous brands, and we must take creating famous brands as one of the targets of "three learning" and push ahead with developing these products. At the same time, we must strengthen the integration between Shanghai, coastal areas and the interior, centering around famous-brand products.

4. The activities of "three learning" must be integrated with the rectification of enterprises. All enterprises which remain unrectified must undergo rectification in learning from Shanghai, coastal areas and advanced units. The rectification of enterprises must be concentrated on the improvement of management and administration and the enhancement of the economic effect. A strict economic responsibility system must be set up, labor discipline must be enforced, the principle of distribution according to work must be conscientiously carried out, and the practices of egalitarianism and "eating out of a big pot" must be eliminated.

4. Correct Economic Policies Must Be Adopted in the Activities of "Three Learning" to Ensure the Implementation of the Principles of Voluntary Participation and Mutual Benefit.

In order to succeed in learning from Shanghai, coastal areas and advanced units, we need to mobilize the initiative of four aspects: the initiative of the related departments and enterprises of the supporting areas; that of the staff and workers of supporting enterprises; that of the related departments and enterprises of supporting areas; and that of the staff and workers of supported enterprises. On the one hand, we must uphold ideological and political work, strengthening the overall point of view and giving full play to the spirit of socialist extensive cooperation. On the other, we must implement the principle of voluntary participation and mutual benefit, those who learn have the right to choose and those who help should not be loaded with extra burdens. Only in this way can the activities of "three learning" be carried out in depth and be sustained. For the transfer of possession of technology, we must work out the way to solve the problem of patents, which should encourage technological innovation and invention as well as push ahead the adoption and popularization of new technology. Economic compensation must be made for technological support and administrative service. An appropriate administrative service charge or technical service charge should be paid to supporting enterprises by those loss-suffering enterprises which have received support and therefore managed to effectively cut their losses. For those enterprises which succeed in turning losses into profits with the support of others, a certain proportion can be drawn from the surplus profit they have made as a service charge. For those enterprises which originally did not suffer from losses, and have succeeded in improving economic effect with the support of others, a certain amount of service charge can be drawn from the increased portion of profit. Economic compensation should also be made for single items of technological support. How great a proportion should be drawn as a service charge should be set down through bilateral negotiation according to the degree of difficulty and the value created. As for the distribution of service charges, apart from a small portion handed over to the financial and responsible departments of the state, the greater portion should be retained in the enterprises which have rendered service so as to mobilize the initiative of the supporting enterprises and their staff and workers in popularizing advanced techniques and management and administration experiences, to develop light industrial production and increase financial revenue.

5. Strengthen Leadership and Set Up a Fine Style of Study.

To learn advanced experiences from Shanghai, coastal areas and advanced units is a long-term task for the light industrial front. Therefore, it is necessary to set up a fine style of study, a good habit of earnestly learning from coastal areas and advanced units. We should draw lessons from the leftist mistakes made in the past, under the influence of which we used to launch political movements in dealing with economic problems, and practiced formalism and precipitate actions regardless of the objective conditions. In order to carry forward the party's style of study which integrates theory with practice, we have to be practical and realistic, proceed from the actual conditions of our own area and enterprise, work conscientiously and efficiently and get rid of the boastful practices of hue and cry. In the course of learning, we must learn how to handle things according to the laws of economics, learn business administration and raise the administrative level. We must learn technology and enhance the technological level according to the technological characteristics. We must follow the mass line, mobilize the masses, depend on them in doing painstaking ideological and political work, strengthening education, raising their consciousness and giving full play to the broad masses of staff and workers' sense of being masters. In coping with economic, technological and scientific research problems, we must uphold the scientific attitude, studying hard and carrying on experiments repeatedly. What we need is not impetuosity and recklessness but initiative. We surely have to set up a fine style of study in the economic field so as to enable the activities of "three learning" to develop healthily.

All light industry departments have to put the task of "three learning" on the top of the agenda. The major leading comrades of each department must look after the task personally. This year and next year, the Light Industry Department is planning to place stress on the helping and learning activities in the production of those key products such as bicycles, sewing machines, watches, paper, cigarettes, beer, white spirit, pottery and porcelain, thermos bottles, machinery for light industry, washing powder, plastic sandals and slippers, imitation leather, furniture, garments, leather shoes, carpets, electric fans, refined salt, and so on. The helping and learning activities are to be organized according to the conditions of different trades and products. The helping and learning relations already established between different areas, and Shanghai and coastal areas, must be strengthened. Authorities of different provinces and cities, and all light industry departments, must work out their plans according to their own conditions, strengthen leadership and conscientiously further promote the activities of "three learning" under the unified leadership of local party organizations and governments.

The activities of learning from the advanced experience of Shanghai, coastal areas and advanced units are aimed at promoting light industrial production. These activities must be closely integrated with, and carried out in, production. The situation of light industrial production is good this year. The leading cadres of the State Council have personally taken care of the production of consumer goods; this has greatly encouraged the vast masses of staff and workers on the light industry front. The party committees and governments at different levels have instrengthened the leadership over light industry, and continued to carry out the principle of "six priorities," while different departments concerned have also supported light industrial production in various ways. Conscientiously carrying out the guideline of readjustment of the national economy and vigorously increasing the production of consumer goods which are marketable and in short supply, light industry departments and enterprises in different areas have achieved fair success. In the activities of "three learning," we must work ceaselessly and unremittingly to further enhance production under the inspiration of the spirit of the sixth plenary session. We must adjust the product structure all the time according to the changing market, and try our best to increase the production of commodities which are in short supply. Some enterprises which originally served large-scale industry and now have inadequate production tasks must be given a new service direction, and turn as soon as possible to production of consumer goods demanded by the market. Some enterprises which originally produced products for export and now have inadequate production tasks must turn to production of commodities demanded by the domestic market. We must also pay special attention to the production of small commodities, help the enterprises which produce these commodities in terms of taxation, loans, raw materials supply, selling price, and so on. We must face up to the rural market, and be aware of its changes so as to do a good job in arranging the production of consumer goods demanded by 800 million peasants and distributing light industrial products to the rural areas. We must conscientiously carry out the principle of "quality first," strengthen quality control, unremittingly improve the quality of products, integrate quality assessment with practices of rward: all those who fail to meet the quality norm will not receive rewards. We must also strengthen the technical training of staff and workers. Moreover, some enterprises should enforce enterprise rectification which takes the improvement of management and administration as its key task. All leading teams which are disconcerted and lax in morale must be conscientiously amplified and readjusted. While strengthening democratic management through rectification, we must establish and amplify the system of staff and workers' congresses and give full play to the initiative of workers inspired by the sense of being masters of their own house. We must set up and amplify the economic responsibility system through rectification, systems such as piece rate rewards for production in excess of the quota, piece rate wages, the job contract system with floating wages, the system of taking full responsibility for profits and losses, and so on. These measures can be implemented on a trial basis according to the conditions. We must strengthen the economic accounting system, rectify financial management, enforce financial and economic discipline, do our best to increase revenue and reduce expenditure, lower consumption and raise the profit rate, and strive to fulfill or even overfulfill this year's plan to increase production and income.

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'JINGJI GUANLI' ON ENTERPRISE REORGANIZATION

HK101424 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 81 pp 33-35

[Article by JINGJI GUANLI reporter: "The Urgent Task on Hand Is to do Well in Enterprise Reorganization"]

[Text] Recently the State Economic Commission convened, in Beijing, a group discussion meeting on enterprise reorganization. The meeting conveyed the directives of the leading cadres of the State Council on the topic. It exchanged the advanced experiences of the various localities on enterprise reorganization and improvement of enterprise management and control, suggested the standard or criterion for reorganization and discussed what principal work has to be grasped in the current reorganization of the enterprises.

Since the 3d plenary session of the 11th CCP Central Committee, the implementation of the eight-character policy of readjustment restructuring, reorganization and upgrading, the expansion of the decision-making power of the enterprises and putting into full play the function of regulation by market mechanism under guidance of the state plan have given the enterprises new vitality and improved their awareness of doing a good job of reorganizing. The enterprises have generally achieved good results in such aspects of work as improving the economic results, continuing to grasp reorganization and construction work, and promoting all-round quality control, business accounting and training of personnel. Unfortunately, the development of the reorganization work is still very much unbalanced. Taking into account the present basic condition of the enterprises, we still cannot give too high a rating to the results of our work done in enterprise reorganization. According to an analysis made by Beijing Municipality covering 893 enterprises under its 12 bureaus of industry, the distribution in the rating of the enterprises was as follows: 1st rate, 27 percent; 2d rate, 65 percent; and 3d rate, 7 percent [total of 99 percent as published]. A similar analysis made in Tianjin Municipality on 634 enterprises under its five industrial bureaus produced the following results: 1st rate, 16.3 percent; 2d rate, 70.5 percent; and 3d rate, 13.2 percent. In Sichuan Province, the results found from an analysis of 1,293 enterprises were as follows: 1st rate, 26.8 percent; 2d rate, 58.7 percent; and 3d rate, 14.5 percent. Although the criteria used in rating were not exactly the same among the localities, we still can conclude from the number of 2d and 3d ratings the following observations: the leadership groups of a considerable number of enterprises still cannot meet the demands of the current new situation; many of the enterprises still neglect ideological and political work and fail to grasp firmly the training of their work teams; many enterprises do not perform their basic work in a down-to-earth manner, the standard of their management is low, consumption of materials high and there is much waste and extravagance and poor economic results; some of the enterprises have such symptoms as confusion in management work, lax labor discipline, substandard products but high production costs, increased deficits and even the making of false reports and violation of the general economic code. It is clear that failure to solve these problems will be extremely disadvantageous to putting the enterprises in good order, to maintaining a steady growth of our national economy, and stepping up our economic readjustment.

Enterprise reorganization is the most practical way to tap the hdden potential of the enterprises, to improve the economic effects, to increase receipts and to reduce financial difficulties. On a long-term basis, we must take a new road in economic construction. Hereafter, in developing the national economy, we cannot rely mainly on building new plants or expanding the scale of capital construction, but must rely on putting into full play the capabilities of our existing enterprises. If we do not do well in reorganizing work, relying on the existing structure would just be empty talk. Hence, doing a good job of enterprise reorganization is at present an important and urgent task in our industrial and communications set-up.

Enterprise reorganization must aim at certain objectives. It must be directed at the existing problems of the enterprises. The work must be done in a down-to-earth manner. Formalism must be absolutely avoided. At the group discussion meeting, the reorganization targets were set down as follows:

1. An enterprise must have a leadership group which has the following four basic qualities: correct party demeanour, able to unite together in tackling problems, resourceful and capable, young in age and energetic. Both the factory director and vice director must be well versed in production technique and be knowledgeable in business management.

2. A healthy factory director responsibility system and a system of workers' and employees' representative assemblies, both to be under the guidance of the party committee, must be set up. Guidance from the party committee must be forceful, the employees' democratic management work must be of high calibre, and there must be high efficiency in directing production and administration.

3. There must be a working team which is high in consciousness, good in technique, well-disciplined and well-behaved.

4. A responsibility system at various levels must be instituted. Basic management work must be comparatively speaking, perfect. There must be good results in such work as quality control, business accounting and training of personnel.

5. There must be fulfillment of the state plan's principal technical and economic targets of quantity, quality, production cost of products and profits. They must approach or equal the advanced level of contemporaries in the province, municipality or autonomous region.

6. Improvement must be made in group welfare work and in the material and cultural life for the workers and employees.

The group discussion meeting suggested the following main points in enterprise reorganization work:

First, thoroughly reorganize and build up good leadership groups for the enterprises.

The above are the key to enterprise reorganization work. Leadership organs of the enterprises and the enterprises themselves must proceed in a planned and methodical manner in organizing and readjusting the leadership groups of the enterprises. This year, work must first start on the leadership groups of the large and medium-size enterprises. The target set is that among the leadership groups of these enterprises, at least over 50 percent of the cadres must be well versed in production technique, must be good in business management and must be young and energetic. In the course of the readjustment, the capability of the leadership cadres must be earnestly examined, the policy of weeding out and retiring aged cadres must be further implemented and we must eliminate all those elements who were former followers of Lin Biao and "the gang of four" and are still retained in the leadership groups, or who are seriously inclined to ideologies of factionalism and are smash-and-grab elements.

In the course of reorganizing and building up the leadership groups, there must be a clear-cut demarcation of work between the party and the government. The plant directors must be fit and capable. They must be allowed to effectively exercise their power of directing production and administration, and must be given full authority in production administration and in management of the enterprises.

The work of readjusting and rebuilding the ideologies of the leadership groups must be well grasped. We must pay attention to cases of certain cadres being spiritually depressed or whose ideologies are ossified. Good party demeanor must be emphasized. The guiding thought in enterprise management should stress the importance of correctly handling the interest relationships between the state, the enterprise, and the staff. We must firmly resist the tendency of selfish departmentalism, which disregards the interests of the state and converts public interests into private interests.

Second, set up a healthy economic responsibility system and carry out well the principle of distribution according to work.

We should start with the setting up of an economic responsibility system in enterprise reorganization work and in this way improve enterprise management and control and overcome egalitarianism in the relationships between the state and the enterprises and in the internal distribution within the enterprises. Industry will have no future if egalitarianism is not severely dealt with. On the contrary, making an enterprise implement a system of economic responsibility toward the state and also implementing an internal economic responsibility system can better combine the interests of the state, of the enterprise and of the individual worker or employee. It will bring into full play the socailist activism of the enterprises and their workers and employees. This is indeed a powerful economic motive force for enterprise reorganization. As for the form of the internal economic responsibility system of the enterprises, it should be determined in accordance with the concrete conditions of the enterprise and the actual effects. We should probe the matter thoroughly and should not rush into a decision. At the same time, we should not follow a set pattern, as it is entirely possible that more than one form may be adaptable within one single enterprise.

Third, thoroughly reorganize the basic lines of work and actively promote all-round business accounting and quality control.

A problem which stands out in enterprise management at present is the weakness in the basic aspects of work. For certain of the enterprises, such symptoms as the unstable quality of the products, high consumption rate, enormous waste, and poor economic results may all be attributed to this factor. Failure to solve this problem will make the institution of an economic responsibility system or the implementation of business accounting just empty talk. The discussion meeting suggested that within this year and next we should take grasping of the basic work in enterprise management as a vital task. First of all, we should review and put in order one by one such aspects of work as those concerning records, statistics, measurement, inspection, labor quotas, quantity of materials used, in particular, energy consumption, and so on.

We must combine all-round business accounting with the institution of an economic responsibility system. By means of all-round business accounting, an enterprise should be able to bring about the correct combination of the economic capacity, economic responsibility, economic effects and economic interests of each and every one of its economic units and staff members.

We must continue to promote all-round quality control and strive to improve the quality of the products. Those enterprises finding deterioration in the quality of their products must correct this as soon as possible. All enterprises must be governed by the thought of quality first and responsibility to the users and gradually set up a system of "quality guarantee."

Fourth, strengthen ideological political work and do a good job of training and improving the ranks of the workers and employees.

In training the workers' ranks, we must start with strengthening the four basic principles of observing discipline, being law-abiding, fostering a spiritual and civilized education, and a high ideological consciousness. These must be combined and must progress in a planned manner with two other phases of work, namely, training and cultivating the workers and improving the quality of technology and business. At present, we must study and firmly implement the spirit of the 6th plenary session of the 11th CCP Central Committee, improve our understanding, augment our unity and make the cadres and the populace take the interests of the whole into account, enhance their enthusiasm, obey labor discipline and perform their job well.

Fifth, strengthen democratic control.

All enterprises should earnestly carry out the directions of relevant directives from the central government, fuoly arouse the enthusiasm of the extensive masses of workers and employees as masters of their own house, and firmly protect their democratic rights.

Sixth, firmly enforce financial and economic discipline.

The enterprises must work hard toward the goal of improving management and control and improving the economic effects. They must use upright methods and upright tactics to pursue upright interests. At present, certain enterprises are still inclined to such practices as concocting various pretexts with dubious motives, wantonly granting awards, converting public interests into private interests and damaging public interests to fatten private interests. Some violate financial and economic discipline, retain remittances to the state or reciprocally detain or delay payments to each other. Some even evade taxes. Such improper practices and tendencies to departmentalism must be firmly rectified. Leadership organs at various levels should firmly protect the legitimate interests of the enterprises. The enterprises themselves are entitled to resist any kind of unreasonable extortion or demand.

At present, many advantageous conditions exist for doing a good job of enterprise reorganization. The "Resolution on Certain Historical Problems Since the Founding of the PRC" adopted at the 6th plenary session of the 11th CCP Central Committee provides powerful political power for carrying out the various kinds of work in connection with enterprise reorganization, while implementing the economic responsibility system provides an economic motive force for enterprise reorganization. In the various areas, districts and departments there are many advanced enterprises whose successful experiences are well worth copying. Therefore, if only the party committees and people's governments at various levels and the various levels of leadership organs can earnestly strengthen their concrete guidance over this work and if the extensive masses of workers and employees of the enterprises can exert their efforts, it is certain that we can achieve even bigger and better results.

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PLANNED PRODUCTION, UNPLANNED PRODUCTION

HK021502 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 81 p 3-9

[Article by You Lin [2589 2651] of the Research Office under the Secretariat of the CCP Central Committee: "Planned Production Is Primary, Free Production Is Supplementary"]

[Text] In 1956, a year when China' socialist transformation of private ownership of the means of production was basically completed, comrade Chen Yun made the following suggestions on improving China's production plans: "The major part of industrial and agricultural products throughout the country are produced in a planned way but at the same time, some of the products are produced freely according to market conditions and within the limits permitted by state planning. Planned production is the major part of industrial and agricultural production while free production according to market conditions and within the limits permitted by state planning is a supplement to planned production." Earnestly studying comrade Chen Yun's suggestions is of great significance in exploring how to reform China's planning management system and how to treat the regulation by market mechanism in a planned economy. In my opinion, the above-mentioned suggestions are applicable today and will be so for a considerably long period of time in future.

I. Planned Development Is The Basic Characteristic Of The Socialist Economy

Any society must regulate production through the distribution of working time. But it is only when the society has entered the state of socialist society that it can regulate production conscientiously and the social economy can develop a planned way as a result.

In the course of commodity production based on private ownership of the means of production, the necessary relations between different commodity producers are indispensible conditions for the normal progress of social production. However, private ownership separates the relations and only through the exchange of labor products on the market can these kind of relations be established. The producers lose their power of control over social relations in this respect. The distribution of social labor in various departments is entirely at the mercy of the regulation by market mechanism. Specifically speaking, when much labor is poured into the departments, their products will go down in price or even not sell well and then social labor will move on to opposite departments. After a certain period of time, the social labor, in the departments it flowed into, will become excessive and it will again flow into other departments. Thus people turn around blindly in the wake of the market. In the course of suffering continuous damage, the minimum proportional relations of the social economy are maintained.

After the capitalist mode of production came into being, on the one hand, socialized production replaced individual production, and on the other hand, the ownership of the means of production by the workers was changed into ownership of the means of production by the capitalists. In the capitalist enterprises a planned division of work with strict organization is practiced. But social production is still subject to the spontaneous division of work, thus an anarchical state of affairs becomes more aggravated. In these circumstances, the market has simply become omnipotent God, and its role has been brought into the fullest play. Independent and scattered producers fight at close quarters here and are lashed by the market, running around here and there. True, this brings external pressure to bear on the producers and promotes the development of capitalist production, and provides the various producers with the only form in which they can interrelate so that the various departments of social production can continuously grow from imbalance to balance. But it also causes enormous waste of social wealth and causes continuous and grave damage to productive forces. If it is tenable to say that the spontaneous regulation by market mechanism has played a great role in the progress of society, then it is justified to say that this progress was won at great cost.

The traditional and philistine economists have all along persisted in advocating that the capitalist economy is a machine that regulates itself, and maintained taking a laissez-faire attitude towards it and opposing state intervention in economic matters. However, with the development of productive forces and the increasingly acute contradiction between socialized production and the ownership by the capitalists, the bourgeoisie was forced the change the concrete forms of relations of production, from private capital to stock capital and from private monopoly to state monopoly within the limits of the fundamental capitalist system. In this course, the economic role of the state is becoming increasingly strengthened. At present companies or monopolistic groups not only have considerably strict current plans but also are pursuing long-term plans, endeavoring to push the production and circulation of the whole society to a certain planned stage. The planned intervention by the bourgeois states has played a certain role in restraining this anarchical state of affairs but conscious social regulation over production is out of the question. In these states most of the means of production are privately owned by the capitalists. The planning of the bourgeois states has no binding force over private enterprises. Rather, it is only in a position to encourage and restrict them by using the means of taxation, credit and subsidy. Therefore it has only a certain impact on the development of the economy but cannot determine the course of social production and reproduction.

It is only under socialism that social conscious regulation of production can be accomplished. Under mature socialism, in which all means of production are owned by the whole society, labor becomes united labor on a society-wide scale. At this stage, the social eocnomy has become a big machine and an economic body in which all workers work in accordance with common planning. Instead of being blindly subject to the market, production is carried out in conformity with scheduled planning. This enables people to establish direct relationship between the amounts of social labor which are needed in production certain productions and the scope of social needs which should be satisfied by the products and carry out social production in close conformity with the needs of the whole body of workers; to frequently and consciously maintain the balance between the various branches of the national economy and various links of reporduction and develop the social economy in a coordinated way; to rationally use manpower and resources truly in accordance with the law of time-saving. All these indicate that carrying out planned production and planned distribution is several times superior to carry out production blindly at the mercy of the market. Of course, under socialism, owing to the faults in planning work, there will possibly emerge disproportions in the economy. But the society can conscientiously regulate the disproportions in the economy and not allow them to develop to an extremely serious extent. This is also the superiority of planned production.

True, as the main regulator of production, the market at one stage played a great role. But if society has developed to a stage in which production is carried out according to scheduled planning and in reality, production has been carried out in such a way, then we must have a different evaluation of the role of regulation by market mechanism. In the past, there was over-rigid and excessive control by state planning and no attention was paid to giving full scope to the role of regulation by market mechanism and, furthermore, planning itself was not so scientific and did not accord too closely with the demands of the objective laws, and for this purpose both in the entire economic system and in the planning management system, large-scale reforms should be carried out. But we must not negate the planned economy for this reason. There is an argument that the disproportions in China's national economy and its irrational structure are the result of a centralized system. It is argued there will inevitably be such phenomena as issuing arbitrary orders and if we abandon the regulation by planning mechanism of a directive nature and establish the management system which fully makes use of the market, thus we can assuredly develop the national economy in a proportionate and coordinated way. According to this argument, the capitalist economy should have already have been guaranteed to develop the national economy in a proportionate and coordinated way, because there is no regulation by planning mechanism of a directive nature there and the role of the market has been brought into the fullest play. But it is precisely the proportional relations which are needed in the normal development of the capitalist economy which are needed in the normal development of the capitalist economy which often suffered damages, and it is only through accute turbulence and even crisis that the lost balance can be restored. What is the reason? It is because people were subject to the spontaneous force of the market and all social production was in a state of anarchy. In fact, the bourgeois economists have long disbelieved that the coordinated development of the capitalist economy could be ensured by relying mainly on regulation by market mechanism. Keynes, who was once looked upon as sage, by the monopolistic bourgeoisie and its political representatives in various countries, advocated discarding the policy of laissez-faire and practicing regulation by the state several decades ago. This does not mean that Keynes and his successors were wiser that their predecessors were. It was because the productive forces had developed to such a degree that private capitalism could no longer control them. Thus, if they did not treat productive forces, as far as was permitted by the capitalist relations of production, as social productive forces, it would be difficult for the capitalist system to survive. It can be seen that carry out planned regulation by society is, in the final analysis, the objective demand of the development of the socialized productive forces. If we say that under capitalism, in which there were no social conditions for so doing, the bourgeoisie had to conform to the requirements of productive forces to a certain extent in order to practice regulation by the state, then why should we discard planned management and put the economy at the mercy of the market in a time when we do have had the social conditions for so doing?

It must be pointed out that I think that there is an intrinsic difference between the regulated economy of the bourgeois states and our planned management. The bourgeois economists call the capitalist economy a "market economy," while we call the socialist economy a "planned economy." What is a planned economy? It is nothing but the national economy operated consciously by the society in accordance with the scheduled planning. It is precisely the planned economy which clearly indicates that socialism is "the conscious socialist organization with planned production and distribution," ("collected works of Marx and Engels," Vol 20, p 375) and the "large-scale socialized and planned production (or economic system)," ("collected works of Lenin," Vol 10, p 407) that is to say, these are two different social production organizations and two different economic systems.

Some bourgeois economists tried to pass off fish eyes as pearls, arguing that there was no difference between the regulated economy of the bourgeois states and the socialist planned economy. For instance, some people say that "just like technology, planning is politically neutral," "it can be realized in any social form." Some people say that the essence of planning is to create "favorable conditions for enabling commerce to organize its own activities," and so on and so forth. There were already some people who lump together these two things of different nature within the workers' movement, arguing that the regulation of the economy by the bourgeois states means replacing, the capitalist principle of free competition with the socialist principle of planned production. This reminded people of the criticisms conducted by Engels of the viewpoints similar to this argument. At that time, some people of the bourgeoisie called every move taken by the state to intervene in free competition "socialism." In criticizing it, Engels said: "If one believes this bourgeois fallacy, which even they themselves only pretend to believe, one will come to the conclusion that the state means socialism." ("Collected Works of Marx and Engels," Vol 35, p 164) A state has a class nature. This is the crux of the matter. The more a bourgeoisie state strengthens its intervention in the economy, the more capital it amasses in its hands, thus becoming a more ideal general capitalist. The supreme and ultimate aim of its activities is the safeguarding of the capitalist system and the service of monopolistic capital. This has been not only testified to by a large number of facts but also acknowledged by many bourgeois economists. (Hansen) [3352 2773], man of the hour in American economic circles said that during the two decades of the 1940's and the 1950's, "We have expanded the role of the government to an extent never dreamt of before. Instead of weakening the capitalist system, this expansion has brought a new motive force to the capitalist system, this expansion has brought a new motive force to the capitalist system." [Hansen] "Economic problems in the 1960's of the 20th century"] The bourgeois economists who maintained the stand of nonmonopolistic capital such as Adams and Gray (Ge Lei) [2706 7191] fairly pointed out that "regulation by the state has become a tool for establishing, safeguarding and subsidizing private monopolistic organizations," the regulatory organs have become safeguarding and subsidizing private monopolistic organizations," the regulatory organs have become the "houseboys of the owners of enterprises they should regulate." (Bu Liu Ming) [4580 3866 2494]: "The crisis of modern bourgeois political economy") A planned economy was born out of public ownership of the mean of production. It indicates in one important aspect the essence of the socialist economy. We must not confuse the intervention of the bourgeois states in an economy and a planned economy.

II. The Scope And Degree Of Planning Depend On The Degree Of Socialization

A socialist economy must develop along a scheduled plan, but the scope and degree of planning in a certain period in a country depends on the degree of socialization and in addition to this. The degree of socialization depends on that of the socialization of production. Therefore in the final analysis, the degree of socialization is determined by the level of development of productive forces. After the October revolution and during the civil war, a war time communist policy was practiced in Russia. Excluding economic measures, this policy mainly took certain military measures and put the product supply and distribution under direct state administration bypassing the market. After the civil war came to an end, Lenin wisely discovered that in an economically backward country like Russia where small farmers held a dominant position, overall planning should not be practiced. Along with the transition to a new economic policy, the method of "replacing trade entirely with planned and organized product distribution" was ended. On the one hand, the scope of direct planning by the state was reduced. Lenin pointed out: "A complete, integrated, real plan for us at present equals a bureaucratic utopia." He said in a warning tone: "Don't chase it." ("Collected Works of Lenin," Vol 35, p 473) As a result, during the years from the adoption of the new economic policy to the passing away of Lenin, apart from the "All-Russia Plan for Electrification" (Lenin called it "The Second Party Program"), which was a long-range plan for transforming Russia, only some departments formulated plans of development instead of a comprehensive plan for the whole national economy being worked out. On the other hand, [illegible] methods of planning management were changed. The decision of the 12th national congress of the Russian communist party held in April 1923 clearly pointed out that it was necessary "to frequently and watchfully adapt oneself to the market conditions and market relations." The "decision" read: "Now that we have adopted the form of a market economy, the state must give the various enterprises the necessary freedom to engage in economic acitvities instead of replacing this freedom by administrative means;" "most of the state-run industries should be organized into trusts, that is, into integrated enterprises which have extensive economic autonomy so that they can act freely in the market as exchanging units."

After Lenin passed away, Stalin led the people of the Soviet Union in carrying out socialist construction. In 1928, a year when the foundation of heavy industry was laid through the struggle for the industrialization of the socialist country and great achievements were made in the socialist transformation of agriculture and the mass collective farm movement was in the upsurge, the Soviet Union already had the conditions for carrying out the first five-year plan for developing the national economy. It is undoubtedly correct to bring the national economy into the orbit of planned development once the conditions are ripe. The problem lies in the total negation of the regulatory role of the market over production and in ever-increasingly excessive and over-rigid planning. Not only was it not suitable at that time, but even in a considerably long historical period, even though productive forces have developed remarkably but have still not developed to the full, it is not suitable. Its drawbacks are being increasingly so exposed that almost all countries that indiscriminately copied the method are having to confront the task of reforming the planning management system.

China's planning management system was mainly copied from the Soviet Union in the early stage of the founding of the PRC. In 1953, a year when the recovery period was just ended, we began our first five-year plan. At that time, owing to the coexistence of five economic sectors, the plan was not all-inclusive. For instance, indirect planning was carried out in the nonsocialist sectors of the economy. Quite a few construction projects and the production of less important products were put under regulation by market mechanism. Along with the basic completion of the socialist transformation of agriculture, handicrafts and capitalist industry and commerce, the scope and degree of planning had to be expanded and improved, but in looking back at the course we have taken, we found that the excessively and over-rigidly controlled planning did not tally with China's actual conditions.

At the present level of productive forces in our country, there is still a long way to go to fulfill the goal where the means of production as a whole is owned by the whole society and united labor is organized on a society-wide scale. Thus it is impossible to include all social production in an all-inclusive and unified plan and to directly carry out social planned regulation over all production.

For a considerably long period of time to come, we must reserve, and appropriately develop, the individual economy in which there is no exploitation, and reserve and vigorously develop the collective economy of the working people in cities and the countryside. The former is a necessary supplement to the socialist economy and the latter is the major part of the socialist economy. It is needless to say that the state cannot exercise direct planned management over the individual economy. This is also so of the collective economy. This is because, if we exercise direct planned management over the collective economy, it will mean the negation of the collectives decision-making power and the negation of the fact that they are the owners of the means of production under collective ownership. What is more, since the collective production units are so numerous and scattered, the state is unable to exercise planned management over them. The state can only pass down targets as reference for the collective production units and guide them in pricing, taxes and credit, thus enabling their production to suit the requirements of state planning. For instance, the peasants who constitute 80 percent of the national population are still leading a semiself-sufficient life. The natural conditions of various localities for the state to put the production and livelihood of the various production teams under unified planning. Apart from fulfilling the state purchase and assigned quotas, what to grow and how much to grow should be regulated by the market to a great extent. The state can influence them through various ways but must not direct them on how to make arrangements for planting. In working out their production plans, the production teams must give consideration to the fulfillment of the state purchase and assigned quotas. The reference to the state planned targets and the guidance offered by the state through various economic methods will enable their production to have the aspect of production of the whole society and enable their economic activities to be commensurate with state planning. Therefore the fact that the state does not exercise direct planned management over the collective economy does not affect the fact that our economy is, generally speaking, a planned economy.

Public ownership occupies a dominant position in the entire national economy while the state-owned economy must hold a leading position in public ownership. China's economy is thus at present and it will be so for a long time to come. Over the past two years, in the discussions on the reforms of the economic system, some comrades advocate abolishing or basically abolishing the state-operated enterprises. We must analyze this argument. It seems today that it is not necessary to run too many state-operated enterprises. It is not necessary for some enterprises in commerce and service trades such as small-sized public bathhouses, barbershops, restaurants, tailors (clothes shops) and retail stores to be run by the state. In quite a number of places these kind of enterprises have been changed into cooperatives or cooperative groups or have been assigned to be operated by a collective of workers and individual workers under a contract, thus resulting in quick and reasonable returns.

In addition, small-scale enterprises and most medium-scale enterprises can be changed into enterprises which assume full responsibility for their won profits and losses. Beginning from last year, some enterprises have practiced the system of "practicing independent business accounting, taking responsibility for thier own profits and losses and paying taxes rather than handing over profits to the state" on a trial basis and this experiment should be gradually popularized in future among the majority of the small and medium-sized. After assuming full responsibility for their own profits and losses, apart from handing over various taxes, payments for purchases and the capital and interest payable on state loans to the state, the enterprises will no longer hand profits to the state, and the surplus income can be used for expanded reproduction, the income of the staff members and workers and collective welfare at the discretion of the enterprises in accordance with the state unified decrees and policies. Will the state financial revenue be reduced in this way? The key of the matter lies in the tax rate. If the tax rate is rationally fixed, it will ensure the state earns more revenue than before on the basis of increased income of enterprises. The state must not pass down any more planned targets of a directive nature to the enterprises which are carrying out the two above-mentioned systems. The production orientation and output of enterprises should be fixed and arranged by the enterprises themselves according to market conditions.

State-operated enterprises cannot be abolished or basically abolished. The important economic branches such as banks, posts and telecommunications, railways, aviation, the major inland and oceangoing shipping, large-scale and some medium-scale factories (farms), mines, wholesale centers and large-scale stores must be operated by the state. First of all, this is the objective demand of the development of productive forces. In the past, in commenting on the bourgeois nationalization, we paid attention to exposing the essence of its remedying and subsidizing the capitalists. That was correct. But we ignored the fact that some economic branches and enterprises could only be run by the state. In talking about the bourgeois nationalization, Engels said that when construction commenced some means of production or communication means such as a railway, its scope was so big that it excluded any other form of capitalist management and in a certain stage of development, a stock company would not be big enouch to undertake it. Thus, the capitalist countries had to bear leadership over production, and he pointed out, that if the means of production or communication means had truly developed to such an extent that stock companies could not manage them and their nationalization had become economically inevitable, then bourgeois nationalization would mean economic progress. This was because this marked a new preparatory stage in the society itself owning all productive forces. ("Collected Works of Marx and Engels," Vol 20, p 302) At present, the state-owned enterprises of developed countries constitute a relativel big proportion of the economy. For instance, West Germany's post, telecommunications, railways and aviation are operated by the state. The proportion of generated electricity owned by the state constitutes three fourths; of gas and coal, one half; of petroleum products, automobile manufacturing and ship building, one fourth. If we say that, pressed by the demands of socialized production, the capitalist countries have to run the enterprises which have become unsuitable for management by stock capital, then being a socialist country, how can we abandon the management of the major economic branches and large-scale enterprises? Second, without a grasp on the major economic branches and enterprises, it is hard for the state to exercise planned leadership over the whole national economy. In developed capitalist countries, the government as the owner of large numbers of state-owned enterprises, must work out development plans for the state-owned enterprises and try to integrate state planning with the planning of various monopolistic groups, with the result that the economies of these countries have a certain amount of planning. One of the important reasons why the bourgeois states can undertake the task of regulating the economy is that they have obtained such enormous financial strength to be masters of economic development. The American governments at various levels have obtained almost one third of the total national output value through taxes and other channels. In order to bring the state's coordinating and regulating role into play, as the bourgeois states must obtain such enormous financial strength, then since we are resolved to carry out a planned economy, how can we hold nothing in our hands? Although the enterprises under the system of collective ownership and enterprises assuming full responsibility for their own profits and losses simply should proceed in carrying out their business activities from the interests of the whole society, they usually proceed from the interests of their own units to a greater extent. Without the state-owned economy holding a leading position in the national economy, it is hard to ensure that social production as a whole will be in the interests of and fulfill the needs of the whole body of workers.

State-owned enterprises should carry out production according to state planning. In other words, the state should exercise direct planned management over its enterprises. But it is generally acknowledged that the key point of the reforms of the economic system must be the extension of the decision-making power of enterprises.

This is undoubtedly correct. However, the power of the enterprises of different types must not necessarily be the same. For instance, the enterprises assuming full responsibility for their profits and losses must have fuller decision-making power and the state-owned enterprises must have fewer and less powers. Of course, this does not mean that we must not solve the problem of "eating from the same big pot" existing in these enterprises and not carry out reforms of the economic system. In order to establish some relationship between the operational results of the state-owned enterprises and the benefits they receive, it is necessary to practice a profit-sharing system, and the enterprises are authorized to determine how to use the retained profits. The state management over enterprises should be appropriately relaxed and the shortcomings of passing down too many targets to the units below, not allowing the enterprises room to give scope to their initiative and not allowing them to independently arrange production and marketing of their products through their own channels on the basis of the fulfillment of their targets must be ended. But generally speaking, state-owned enterprises must carry out production in accordance with state planning. This kind of enterprise constitute a minority of the total number of enterprises, but being large in scale (some are also medium-scale), the output value of these enterprises constitutes the greater part of total output value. If the production by the rural production teams used for fulfilling the state purchase and assigned quotas is included, the proportion of production according to state planning will be still greater.

If the above-mentioned production (and the part produced by the production teams for the fulfillment of the state purchase and assigned quotas) is carried out by the state-run departments and enterprises in accordance with state planning, then the major part of industrial and agricultural production is already carried out according to planning. The other enterprises, including the small enterprises which produce the means of production, can carry out free production in the light of market conditions and within the limits of that allowed by state planning. Comrade Chen Yun specially pointed out that the enterprises should be allowed to work out their quotas and carry out the production of articles for daily use, handicrafts and small native products in accordance with market conditions. Only certain varieties should be subject to regulation by market mechanism. It seems today that those who should produce products subject to market mechanism must be the enterprises under the system of collective ownership and enterprises assuming full responsibility for their own profits and losses.

So much for production; what is about circulation? According to the opinions of comrade Chen Yun, the circulation of the means of subsistence must be as follows: the products essential for the livelihood of the people such as grain and cloth must be purchased and marketed by the state at planned prices. These commodities are relatively few in variety and they can also be put under state unified purchase and marketing. Unplanned purchase and sale of other small native products, articles of daily use and handicrafts is allowed. In concrete terms, the commercial departments must purchase these products according to the principle of priority and according to market demands and product quality and no longer monopolize everything in this respect as they did in the past. After the commercial departments have purchased products in accordance with the principle of priority, the production units can consign their surplus commodities to the commercial departments for sale or market them through their own channels. The implementation of these methods is conducive to helping the production units pay close attention to product quality and concern themselves with the needs of consumers. The prices for these commodities must not be rigidly fixed and price fluctuations on a certain scale must be allowed. Being numerous in variety but small in value, these commodities, by and large, account for about one fourth of the total volume of commodity retail sales according to past experience. This indicates that the means of subsistence must have planned purchase and planned sale as its main part and free purchase and free sale as a supplement. In regard to the means of production, we should not act upon the proposition advocated by some comrades that the state should not control any of the means of production but should delegate them all to the enterprises and allow the enterprises to balance supply and marketing themselves and that the state should concern itself only with balancing allocation. Rather, the state must uphold the planned distribution supply of major goods (including fuels, major raw materials and equipment). The goods subject to planned pruchase and sale by the material and commercial departments, including most motorized and electrical machines in the second category, some metal materials, chemical materials and building materials should be subjected to planned management as should the goods mentioned above, but the supply methods should be improved. For instance, as regards quantity, unified distribution should be practiced, but as regards quality, apart from a small number of goods which are in seriously short supply, the users must be allowed to purchase according to the principles of priority and of having high price for top quality. In addition, apart from bulk goods that should be put under direct supply for a fixed number of units, the rest should be as far as possible be put in retail departments for sale on the spot and in the neighborhood under the unified projects of ordering goods. In other words, we must put as many of these goods onto the market as possible.

Putting goods onto the market does not mean being regulated by the market. The works of some comrades, they lump these two things together. We can illustrate that this argument is wrong by some lucid examples. Our grain and cloth are put onto the market but are generally not regulated by the market. Of course, the enterprises are allowed to market their products outside the plan through their own channels, by relying on regulation by market mechanism and to generally fix the price. Free sale of goods which are not subject to unified purchase and marketing by the state was allowed in the past and this should be allowed all the more in future.

III. Discussions and Queries

All of us have been unanimous in the proposition that we must have regulation by market mechanism. But there are still wide differences in views on the scale of regulation by market mechanism and the amount of regulation by market mechanism necessary as compared with the amount regulation by planning mechanism needed.

Some comrades have doubts that production and supply can be divided into two parts with the major part being subject to planning (that is, the so-called "regulation by planning mechanism) nad at the same time, the other part being subject to market conditions (that is, the so-called "regulation by market mechanism"). First, they hold that regulation by planning mechanism cannot be separated from the role of the market and regulation by market mechanism cannot be separated from the guidance of planning. True, in commodity production, not only planned regulation but virtually all economic activities are subject to the role of the market. However, the problem here is not whether or not we should put goods onto the market and use the role of the market but is whether the production orientation and quantity are subjected to market conditions or to planning. What is meant by the so-called "role of the market?" Even if it means the regulatory role, that is to say, the production carried out according to planning is also regulated by the market, there should be the question of what is the main factor regulating production. How that there is the production subject mainly to regulation by planning mechanism and that mainly subject to regulation by market mechanism, it is still the question of division into two parts. Thus production and supply being divided into two parts is objective reality and not artificial.

Second, some people worry that the method of taking planned production and circulation as the main part will stifle the economy. In fact, this worry is on unnecessary. The reason why our economy became inflexible in the past is that we put everything under state unified planning, but the method of taking planned production and circulation as the main part enables the greater part of production and marketing (referring to product variety not output value) to be carried out freely within the limits of that permitted by state planning. Furthermore, the methods of planning should be improved. In these circumstances how can the economy be inflexable? At present, the reforms we are carrying out, of the economic system, have not reached the extent we expected but have already made the economy more active. If we further give scope to the supplementary role of regulation by market mechanism in the coming reforms of the planned management system, it is certain that the economy will become more active rather than becoming more rigid.

Some comrades advocate that regulation by planning mechanism should be realized through regulation by market mechanism or through the market mechanism itself. No further explanation of how to specifically realize it was made. If we act upon what they have proposed, our economy will probably become a "market economy," somewhat affected by state intervention leaving only regulation by market mechanism with little sense of planning.

Although some comrades agree with the proposition that production and supply should be divided into two parts, they want to use another method of division, that is, they advocate that the so-called macroeconomy (defined as; the proportion between accumulation and consumption in the national economy, the distribution of investment in state capital construction, the balance between social purchasing power and the supply volume of commodities, the control of the total sum of wages and so on) should be subjected to regulation by planning mechanism, while the economic activities of enterprises (the so-called microeconomy) including what to produce and how much to produce should be subjected to regulation by market mechanism. It is undoubtedly very necessary to subject the major matters concerning the whole national economy to planning. But if the "macro" is wholly different from the "micro," the "macro" will probably be made a mere figurehead, becoming just a "gentleman on the rampart." Just think, if all enterprises go their own way, how can a so-called "macro policy decision" in state planning play its role? If all enterprises carry out their activities at the mercy of the market, how can state planning be realized? So its practical results will probably be regulation by market mechanism without regulation by planning mechanism or the latter will, at most, play a coordinating role as in the planning of the bourgeois states.

It seems that the above-mentioned methods are not feasible, and the only feasible one is to uphold carrying out a planned economy and at the same time give scope to the supplementary role of regulation by market mechanism.

The major branches of production and circulation should be subject to planning and the rest should be subject to regulation by market mechanism. Those which are subject to planning should make use of the market as far as possible and thos subject to regulation by market mechanism should subject themselves to the guidance of planning. The problems now are that planning still remains excessive and over-rigid and the role of regulation by market mechanism has not been brought into play. Therefore, it is necessary to gradually reform the existing planning management system. The aim of reform is to improve and strengthen the planned economy, provided we do away with the excessive and over-rigid defects of planning, improve the planning methods, and raise planning to the stage of being scientific, it is certain that our socialist planned economy will be far more superior to the so-called market economy. It not only has no integral relationship with the disproportions in the economy, but it alone can avoid the drawbacks of the market economy. China's historical facts over the past 30 years have fully proved this point.

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'JINGJI YANJIU'ON PLANNED ECONOMICS

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[Article by Li Zhenzhong [2621 7201 0022]: "On the Subject of Planned Economics"--footnote describes this article as the author's speech written in July 1981 and given at a forum convened in the same month]

[Text] Planned Economics Is A New And Young Branch Of Learning

Scientific theories in all branches of learning stem from practice. Planned economics is no exception.

Planned economics is a new branch of economics which came into existence at a time when human society entered the stage of socialism. With the achievement of victory in the proletarian revolution, changes have occurred in the economic realm: The expropriators have been expropriated, the small producers have been subjected to socialist transformation, and a system of socialist public ownership of the means of production has been established. Thus, the system of exploitation of man by man has been completely abolished. This is the basic superiority of the socialist system over the capitalist system. However, with the establishment of the socialist economic system. A new and unprecedented task has arisen: How should society organize and manage the national economy and how can we get the huge machine of the national economy to operate smoothly, so that the continuous expansion of social production and the continuous improvement of the people's livelihood can be ensured?

On the basis of analyzing the contradictions of the capitalist economy, Marx and Engels put forth the principle that in the socialist society, social production must certainly develop in a planned way. Engels said: "When society gets to own the means of production, ...the anarchic state of social production will give way to planned and conscious organization." (Engels: "Anti-Duhring," in "Selected Works of Marx and Engels," Vol 3, p 323) "Then, society should consider what it can produce with the resources in its possession. In the light of the relationship between these productive forces and the vast numbers of consumers, it should also determine the appropriate extent of any desired increase or decrease in production." (Engels; "Outline of a Critique of Political Economics," in "Collected Works of Marx and Engels," Vol 1, p 615) Marx also clearly said that under the socialist system, "The social and planned distribution of labor time regulates the appropriate proportions between various labor functions and various needs." (Marx: "Das Kapital," People's Publishing House, 1975 edition, Vol 1,141 96) Lenin and Stalin enriched and developed Marx's and Engel's ideas in the light of the practice of socialist economic construction. Lenin held that, after the seizure of political power, the proletariat's main task "is to establish an extremely complicated and meticulous new organizational system and to produce and distribute in a planned way, those products which are essential to the survival of millions of people." (Lenin: "The Current Tasks of the Soviet Government," in "Selected Works of Lenin," Vol 3, p 495) Stalin even more systematically discussed the planned development of the socialist economy. Undoubtedly, the principle of the planned development of the socialist economy, expounded by our teachers of revolution, is absolutely correct. Since its birth, the socialist society has been undertaking the great practice of developing the economy in a planned way in the entire society. In the course of this great practice, not only had the socialist economy attained unprecedented rates of development and achieved enormous successes in construction, but relatively plentiful experiences in managing the national economy in a planned way have also been accumulated. Planned economics has been founded under the guidance of Marxist-Leninist theory and on the basis of practical experiences.

The socialist society has opened up broad prospects for the planned development of the national economy, but this does not mean that all problems concerning planned development have been easily solved. Actually, many problems still remain to be understood and solved. However, solving them needs time and a considerably long process of practice and understanding. Desirable results cannot be achieved in a short time. As a socioeconomic form, socialism only has a history of the 60 years or so since 1917, when the October Socialist Revolution took place in the Soviet Union. This socioeconomic form has existed for only a short time. In our country, only 32 years have elapsed since the founding of the PRC in 1949, and thus, the history of our socialism is even shorter. Because of this historical reason, it is not surprising that the system of a socialist planned economy still has various imperfections.

The socialist planned economy embodies the essence and superiority of the socialist system. Undoubtedly, it has vitality. However, its history is, after all, not very long and it is still developing. People's knowledge of it is still continually deepening. Therefore, it is still impossible today for planned economics to attain maturity, whether on the plan of theory or methodology. In this sense, planned economics is still a young discipline. It will become increasingly more mature and perfect with the development of the practice of the socialist planned economy.

The Object Of Planned Economic

The question of the object of various sciences is related to the orientation of development of the various disciplines and their basic contents. Therefore, the question of the object is of primary importance to every discipline.

In the past, there have been many views on the object of planned economics. At present, people still lack a unified understanding. This surely affects the building and development of this branch of learning. Therefore, the question of the object is of primary importance to every discipline.

In the past, there have been many views on the object of planned economics. At present, people still lack a unified understanding. This surely affects the building and development of this branch of learning. Therefore, studying and resolving the question of its object is of primary importance to the building of this branch of learning.

What kind of science is planned economics? Judging from its nature, as a branch of learning it is an economic science. However, this point does not clearly state the characteristics of its object and does not help us distinguish it from other economic sciences. I think that a precise statement of its object is that planned economics is a science concerning the planned development of the socialist national economy. Planned economics is not something illusory or incomprehensible. It is merely a theoretical summary of the practical experience acquired in the socialist planned economy. Therefore, the most crucial question it should answer is how to achieve the planned and proportionate development of the socialist national economy. This question is also tantamount to the basic task of planned economics.

Comrade Mao Zedong said: "The sciences are differentiated precisely on the basis of the particular contradictions inherent in their respective objects. Thus the contradiction peculiar to a certain field of phenomena constitutes the object of a specific branch of science." (Mao Zedong: "On Contradiction," in "Selected Works of Mao Zedong," People's Publishing House 1966 horizontal typesetting edition, Vol 1, p 284) The subject under study in planned economics also contains some specific contradictions. The object that we have mentioned above clearly indicates the specific contradictions under study in planned economics, and hence points out its relationship with, and its differences from, other economic sciences. To more satisfactorily understand the object of planned economics, we need to discuss and explain it further. The above-mentioned object includes two contradictions which must be studied, namely that between equilibrium and disequilibrium, and that between having recourse to planning and having recourse to blindness.

Let us discuss the contradiction between equilibrium and disequilibrium.

What we mean by equalibrium and disequilibrium here refers to a comparison of social production and social needs in terms of space and time. Equilibrium is indispensable to the development of the socialist national economy. Without it, the national economy cannot develop soundly and rapidly. In the course of national economic development, any state of equilibrium will inevitably be disrupted, resulting in a new disequilibrium. In this sense, disequilibrium is also indispensable to the development of the socialist national equilibrium. An absence of disequilibrium implies that the national economy is stagnant. Thus, the socialist national economy develops amid the movement of the contradiction between equilibrium and disequilibrium. Equilibrium is relative and conditional, whereas disequilibrium is absolute. Planned economics is aimed at studying, understanding and mastering the laws concerning the movement of this contradiction, so that equilibrium can always be consciously maintained. In this sense, planned economics is aimed at dealing with the constant and conscious maintenance of equilibrium on the scale of the entire society. In a word, it is "the study of the comprehensive equilibrium of the national economy."

Let us discuss the contradiction of having recourse to planning and having recourse to blindness.

What we call the constant and conscious maintenance of equilibrium actually means having recourse to planning, which is nonexistent in a society based on private ownership, and which is possible only when human society has developed into the socialist society, which is based on public ownership. However, in the economic life of the socialist society, blindness has not disappeared, but always exists on an extensive scale. Of course, this kind of blindness is essentially different from the kind of blindness in capitalist production. Under the condition of socialism, there are two categories of blindness, namely subjective blindness and objective blindness. Subjective blindness refers to subjective mistakes in planning and guidance. It is manifested as the divorce of planning from objective realities. Therefore, plans that are divorced from realities represent blindness that contradicts the resort to planning. Objective blindness means that various economic units carry out economic activities in their own different ways, departing from the track of unified national economic plans because each only cares about its own economic interests. Therefore, those economic activities marked by each going its own way and by departure from the track of unified planning also represent a kind of blindness that contradicts the resort to planning. The existence of blindness is due to various reasons. There is a reason involving knowledge or the theory of knowledge. There is an economic reason involving the differences in interests between two different forms of public ownership and between the economic units under these two forms of ownership. There is also an ideological reason, namely the serious influence of old ideologies such as decentralism, departmental selfishness, local selfishness and so on. Therefore, during the historical period of socialism, blindness will permanently exist, so that the contradiction between having recourse to plans and having recourse to blindness will also permanently exist. Planned economics must study and correctly resolve this contradiction so as to reduce blindness and strengthen the reliance on planning.

These two contradictions are the specific contradictions under study in planned economics, and also constitute the nature of its object.

The Content Of Planned Economics

The content of planned economics is determined by its object. In the light of the object stipulated by us, the content can be summed up in three sections.

First, the study of the theory, system and method of national economic planning and management.

The study of the theory, system and emthod of national economic planning and management has not been given its due position in textbooks published in the past. However, it has become an important task which is studied by, and to which great attention is paid by, people at home and abroad. Over the past 20 years and more, many socialist countries have been studying and practicing reforms of economic management systems. Such study and practice, without exception, are related to such major matters as the theory, system and method of planning and management. In particular, they are concerned with such questions as what the socialist planned economy should be understood to be, how to undertake planning and management given the existence of commodity and money relationship, how to build a planning system, how to achieve unified planning for the national economy, and so on. Planned economics should answer these questions.

Second, exposition of the specific laws governing socialist economic processes. These laws mainly refer to those governing specific changes in the structure, rate of development, proportional relations and economic results of the socialist national economy; those governing the interrelationships between, and changes in, the rate of development and the proportions; and those governing the interrelationships between, and changes in, economic results on one hand and the rate of development and proportions on the other. This content can be summed up as the exposition of the laws governing the specific relations between, and the changes in, various processes in socialist reproduction or various sectors of the national economy. In this context, not only is qualitative analysis necessary, but quantitative analysis must be well performed, because quantitative problems are inherent in rates of development, proportions and results. It is unimaginable that planned economics, as a science of economic management, can do without quantitative analysis.

Third, exposition of the principles and methods of the formulation of national economic plans.

How to formulate national economic plans is an important part of the content of the economics of planning. The process of formulating plans must generally include three stages: First, ascertaining the quantities needes; second, ascertaining the quantities of available resources; and third, achieving equilibrium between the available resources and the needs. To accomplish the first-state tasks, we must have correct principles and scientific methods. Although three are a large number of principles governing planning, they can be summed up in two categories, namely general principles and specific principles. General principles are applicable, in the long term, to the entire economy. Specific principles are temporarily applicable, or applicable on a partial basis. All principles, whether general or specific, serve as the basis for tackling complicated contradictions and relationships in the formulation of plans. The principles of planning do not arise out of nothing and they are not arbitrarily formulated. They arise from objective processes. They are conclusions which people draw on the nature of policies, in the light of actual circumstances and on the basis of knowledge of objective laws. Therefore, the correct principles of planning are scientific. Of course, we must not consider the principles of planning as osified, eternal and unchangeable. When circumstances change, old principles will be replaced by new ones. Planned economics must study and expound on these principles of planning, and they can then be correctly mastered and applied in formulating plans. There are also a large number of planning methods. These can be classified into basic methods and subsidiary methods. The method of comprehensive equilibrium is a basic method, whereas the methods of factor analysis, calculating proportions, drawing comparisons, fixing quotas and so on are subsidiary ones. Nowadays, we should lay special emphasis on the use of modern mathematical methods to serve the formulation of plans. As Marx said, a science can really attain perfection only when it can successfully make use of mathematics. ("Reminiscences of Marx and Engels," People's Publishing House 1957 edition, p 78) The problems of quantitative analysis in planned economics have certain characteristics: They involve a large number of calculations; they are related to many areas; and they are extremely complicated. To have timely and accurate quantitative analysis, we must use modern mathematical methods.

The Question Of The Name Of The Branch Of Learning

We have provisionally called this branch of learning "planned economics" in the foregoing analysis. Whether this is appropriate is open to discussion.

The name of a branch of learning is determined by its object and content. Its name should relatively accurately reflect its content. Many names have been assigned to this branch of learning. We have chosen "planned economics" from various names used in the past because it is relatively compatible with the object and content of this branch of learning. It possesses two advantages compared with other names.

First, it is distinct. The name of "planned economics" suggests that it is a branch of learning which studies the planned development of the socialist economy. The planned economy is the essential characteristic of the socialist economy. It is only in the socialist society that reproduction is subject to planning. Therefore, the name, "planned economics," helps draw a line of distinction between ourselves and those absurd arguments and theories which advocate subjecting the capitalist economy to planning. Moreover, this name is of great practical significance in adhering to the socialist planned economy and resisting the trend of thought which advocates displacing the planned economy with the market economy.

We should boldly and assuredly adhere to the viewpoint of the socialist planned economy.

Second, the name is concise. Some names used in the past are wordy and cannot be read easily, for example, "principles of national economic planning," "outline of national economic planning," "moving toward planning for the national economy," "study of national economic planning," and so on. Some comrades say that because one characteristic of this branch of learning is that it deals with planning for the national economy rather than for enterprises or sectors of the economy, the name must include the words "national economic planning." I think that, although this branch of learning deals with national economic planning, this does not imply that we must include the words "national economic planning" in its name. The name, "planned economics," can more satisfactorily give expression to this characteristic. The planned economy never refers to planning for individual enterprises or sectors. It actually refers to planning for social reproduction. Moreover, it should be pointed out that the basic principles explained in "planned economics" not only apply to national economic planning, but also apply to planning for an enterprise, a sector or a region. Plans for enterprises, sectors and regions are a constituent part of the living structure of national economic plans and must be subordinated to unified planning for the entire society.

In conclusion, we think that "planned economics" is a relatively appropriate name for this branch of learning.

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NATIONAL POLICY AND ISSUES

SUPERIORITY OF SOCIALIST PLANNED ECONOMY

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[Article by Zhang Zhuoyuan [1728 0587 0337] and Xing Junfang [6717 0193 5364] of Economic Research Institute of the Chinese Academy of Social Sciences: "Develop the Superiority of Socialist Planned Economy"]

[Text] I. Socialist Economy Is Planned Economy Based On The Public Ownership System

The socialist economy is a planned economy. This is determined by its innate nature. It is built on the basis of the system of public ownership of the means of production. "Public ownership" here refers first and foremost to ownership by the entire society. Engels wrote: "Once society takes over the means of production, the state of anarchy in social production will be replaced by a planned and conscientious organization" (Engels: "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 323). When the entire body of laborers control the means of production and become the masters or owners of the means of production, naturally the control and use of the labor power of society will be in accordance with the interests and needs of the society and social production will be arranged conscientiously and in a planned manner. Hence, once the socialist public ownership system is established, objectively the planned development of the national economy will be inevitable and the social economy will fall under the category of a planned economy.

A socialist planned economy is far superior to a capitalist market economy based on the private ownership system. It can eliminate the state of anarchy and the periodic economic crises of capitalism and conscientiously nad rationally utilize the manpower, material resources, financial power, and natural resources of the entire society. It can promptly select the best production and consumption patterns and continually improve the people's standard of living. This is illustrated by the actual practice in economic development of the socialist countries.

The development of a socialist planned economy breaks the fable of the supremacy of the market mechanism. It proves that in the sphere of macroeconomics, the planning mechanism is much more capable and effective than the market mechanism. Under socialist conditions the social center or the state can fully utilize more direct and more accurate data than data supplied by the market, namely, comprehensive materials from the statistical department and financial and currency departments, to formulate policies, and can achieve quick results in arranging and readjusting in a planned manner the production mechanism, in determining the direction of development of the national economy, in changing the ration between accumulation and consumption, and so on. At the same time, by means of the planning mechanism, we can avoid the disruption of the productive forces and other social confrontations frequently occasioned when sole reliance is placed on the market mechanism (as in the case of a capitalist society) in readjusting the economic structure and restoring the proportionate relations in the development of production of a society. The planning mechanism fully demonstrated its important role in the enormous accomplishments of the Soviet Union during the several 5-year plan periods before World War II and in China's speedy economic development during the first 5-year plan period. The planned nature of socioeconomic development is a manifestation of the natural features and superiority of the socialist system.

In capitalist production, planning is also seen within the enterprises. This has already been pointed out by Marx and Engels. After World War II, many capitalist countries have set themselves up as proponents of a planned national economy. Countries like West Germany, France, Japan and others, formulated development plans and forecasts, promoted planned guidance and adopted various administrative and economic measures to help the development of certain key departments and the realization of economic plans. Commencing 1947 Japan formulated one after another nine formal plans of medium or long-term duration and achieved certain results. Some economists have pointed out that since the 1950's the rapid development of Japan's machine-building, chemical and steel industries would not have been possible if a centralized and sustained policy of protective concern had been lacking or if reliance had been placed solely on the working of the market mechanism. Undoubtedly, the emergence of planning of this kind resulted from the objective demand of large-scale socialized production itself. Nevertheless capitalist countries are based on the system of private ownership of the means of production and products. Under the conditions of the private ownership system, economic planning and planned guidance can only be partial, restricted to a certain degree, and subservient to the private interests of the capitalist class. Unlike in socialist countries, they do not proceed from the interests of society as a whole when formulating or carrying out the development plan of the national economy. Nor can they realize regulation by planning mechanism in every aspect of the social economy, or, through propagating the use of the planning mechanism, achieve the harmonious development and overall balance of production of the whole society. As anybody can see, over the past 20 to 30 years, the "regulation by planning mechanism" done by the capitalist countries has not only not succeeded in enabling them to achieve a planned, proportionate and harmonious development in production or to eradicate the periodic economic crisis of capitalism, but has also made the stagflation of their economy become increasingly obvious and serious since the entry into the 1970's. Even economists of the capitalist class cannot but admit that in the 1980's the national economy of the principal developed capitalist countries will have to go through a strategic readjustment. This proves that capitalist countries are in no position really to carry out a planned economic system. One line of thought suggests that due to the backwardness of China's productive forces and the low degree of socialization of its production, it does not possess, at the present stage, the requisite conditions for implementing a planned economy, and that it is possible only after there has been a full development of the commodity economy. In discussing the problem of reforming the economic structure, some comrades have suggested carrying out overall regulation by market mechanism and abolishing the system of fixing targets by mandates from above. They have urged that the enterprises become fully independent, not relatively independent, commodity producers and that they should have a free hand in competition in the market. In our opinion, these opinions are not sufficiently comprehensive.

In our country, since liberation we have established a socialist public ownership system to conform with the socialization of production. With the economy of the socialist system of ownership by the whole people occupying the leading position in the entire national economy, the law governing the planned development of the national economy began to assert its role and the necessary conditions were found for implementing a planned economy. In reality, beginning from 1953, planned socialist construction has all along been in progress in the country.

Naturally, on account of the varying degrees in the level of development of the productive forces and in the system of ownership of the means of production, there arose divergencies in the sphere and extent of regulation by planning mechanism in various stages of socialist development. But one point is definite and for sure, and that is: Under the conditions of the system of public ownership of the means of production, a centralized and unified plan is indispensable. This is because the socialist economy can achieve development only on the basis of society or the state being able to regulate the entire economic activities of the society in a planned manner. If there is no unified planning for the major economic processes (particularly within the sphere of macroeconomics, then it means that the state or society has lost control of the entire economic activities. In this case the socialist economy will become a spontaneous and blindly-guided economy and the entire social economy will be in utter confusion. For this reason, refuting the necessity of implementing a planned economy and refuting regulation by planning mechanism are opposed to the very nature of socialist economy.

Viewed from the angle of microeconomics, reliance on market mechanism can bring about the liaison of production and demand and rectify the phenomenon of the stockpiling of certain products and the shortage of certain other products. Yet, from the macroeconomic standpoint, the market mechanism cannot ensure the regular and proportionate development of social production. The capitalist market economy depends on continually disrupting the proportions to realize a roughly proportionate development. It restores the balance of social production by means of periodic economic crisis. History has already condemned this road as inaccessible. We certainly cannot follow it. It is true that there are various kinds of maladies in our economic structure and that reform is needed. But this does not call for the banishing of the planned economy and planned guidance. On the contrary, it means that the system of the planned economy and planned guidance must be improved. The most obvious special characteristic of regulation by planning mechanism is that it can mobilize the entire strength and resources of society to solve the most urgent tasks of the moment and achieve quick results. The present is precisely the time for us to make skillful use of regulation by planning mechanism in order to overcome the imbalance in the national economy, to set up a rational economic structure, to build a new road of economic development which conforms with objective law and the national condition of our country, and to improve the effect of economic activities and bring about economic cycles of an efficacious character.

The implementation of a socialist planned economy requires adherence to objective laws. That there are laws on the planned development of the national economy within the socialist economic structure does not necessarily signify that the plans formulated by us for the development of the national economy are all in conformity with the demands of the laws governing planned development or of other laws. It only shows the way for the planning department to correctly plan the production of society. To convert this possibility into reality and to formulate plans that can correctly reflect the economic conditions, it is necessary to place planning on a strictly scientific basis. In actual economic life, a plan cannot be absolutely faultless. At the same time, changes in the objective conditions or errors in subjective policy-making can also upset the proportionate relations of the national economy or even cause serious disporportion. However, whenever such a thing happens, it can be spontaneously readjusted by means of the strength of the socialist system itslef and the departments concerned can achieve a balanced development. This demonstrates the enormous vitality of the socialist system.

Over the past 30 years since the founding of the republic, our planned socialist construction has achieved great success, with almost nothing to start with, we have built up an independent and comparatively integrated industrial system and national economy. In 1980, compared with 1949, grain output increased by 181 percent; cotton by 508 percent, and the three kinds of edible oils (peanut, rapeseed, and sesame) by 168 percent. All of these increases were higher than the population growth rate of 81 percent. This has changed the poverty-stricken state of the broad masses of people in old China. We have set up several hundred thousand enterprises. In 1980, compared with 1952, the year when economic recovery was completed, the gross value of the fixed assets of industry in the country, calculated on the basis of original prices, increased by more than 2,600 percent, amounting to 410 billion yuan. In 1979, compared with 1949, the net value of industrial output increased by 4,200 percent, the net value of agricultural output by 190 percent, and the national income by 730 percent. Simultaneously, posts and telecommunications, trade, science and technology, education, culture, public hygiene, and physical culture have all made great advances. In 1980, in the cities and the countryside, the average per capita consumption level, after deducting price movements, rose by nearly 100 percent compared with 1952. New China has already rid itself of the nickname of the "sick man of East Asia." The average life expectancy has increased form around 35 years in old China to nearly 70 years now. The death rate of the population has dropped from some 30 per thousand in old China to 6-7 per thousand at present. The general level of the poeple's health has markedly improved.

Meantime it should be noted that taking into consideration the large amount of labor power and natural resources expended, we could hardly be satisfied with the above-mentioned achievements. This is because over a rather prolonged period, mainly toward the end of the 1950's and the beginning of the 1960's and during the period of the "great cultural revolution," economic construction in our country was directly affected by leftist errors. Objective laws were violated, the national condition of the country was disregarded and there was too great an anxiety to achieve quick results. Moreover, there were serious errors in macroscopic policy, such as unilaterally stressing the development of heavy industry and neglecting agriculture, light industry, communications and transportation, commerce and the service trades, resulting in the one-sided development of the economic structure and disproportion in the national economy. A highly centralized economic control system also has various defects such as: A unitary type of regulation by planning mechanism (targets fixed by mandates from above) restricts the display of the enthusiasm of the enterprises' staff and workers. This, however, is not the natural result of the implementation of a planned economy. Rather, it comes about on account of the violation of the principle that a planned economy must abide by objective laws. What we are doing now in readjusting the economic structure and reforming the system of economic management is precisely for the purpose of rectifying the above-mentioned errors, ensuring that the socialist planned economy follows a path of healthy development and enabling a better display of the inherent superiority of the planned economy itself.

II. The Socialist Planned Economy And The Market Mechanism

Acknowledging that the present stage of the socialist economy in our country is a planned economy, we must still note that it is not the same kind of planned economy envisaged by Marx and Engels but that, instead, it is a planned economy utilizing the market mechanism. This is because commodity and monetary relations still exist in the socialist stage and the socialist economy, besides possessing primarily a planned character, also has a commodity or market character.

Marx and Engels envisaged that in a socialist economy, commodity and monetary relations were nonexistent. However, in our country and in other socialist countries actual practice has shown that the existence of commodity and monetary relations in the socialist stage is unavoidable.

This objective certainty arises from the following: A socialist society still acknowledges that the disparity in capability between individuals is a "phenomenon of natural endowment." It acknowledges that enterprises or groups of laborers possess relatively independent economic interests, and that between individuals and between groups of laborers, under the prerequisite condition of the uniformity of the basic interests, there still exist relations of economic interests, or rather conflicts of economic interests. This requires regulation governed by the principle of exchange at equal value and in turn determines that the socialist stage must still retain commodity-monetary relations embodying the basic characteristic of exchange at equal value.

It is very important to accept the concept of a socialist economy retaining the commodity feature. One of the reasons why in the past our planned economy did not fare well and could not convincingly display its superiority was the refutation of the commodity character of a socialist economy and the disregard of the role of the law of value. Our past economic management system was in effect edging out the market mechanism. As a result, control of the economy was too tight. It was literally strangled and the entire national economy could not operate freely. Touching on the need for seriously reforming our country's economic management system, the communique of the 3d plenary session of the 11th CCP Central Committee specially pointed out the importance of giving important attention to the law of value. We take this to be a pointed reference to the defects in the past planned management system of our country.

This being the case, how should the socialist planned economy utilize market mechanism? Or rather: How should we handle the relations between the plan and the market, that is to say, the relationship between regulation by planning mechanism and regulation by market mechanism?

First, since a socialist economy is a planned economy, regulation by planning mechanism must be implemented in the macroeconomic sector. In other words, regulation by planning mechanism or planned management must be enforced and incorporated in the medium and long-term plans of the state, concerning such aspects as the direction, target and speed of development of the national economy, growth of the national income and its apportionment between accumulation and consumption, the proportionate relations between agriculture, light industry and heavy industry, the distribution of the productive forces, the gross amount of capital construction investments, the direction of such investments and the major construction items embodied, the technology policy, the energy policy, the elevation of the people's income and level of consumption, the gross volume of funds for wages, the balance of finance, credit and loans, material resources and foreign exchange, and the overall balance between them, the general price level and the price level of the major products, and so forth. Only when the policies on the above-mentioned aspects have due regard for China's national condition and are in agreement with the objective economic laws can there be assurance for the planned development of the entire national economy and can the national economy avoid big mishaps. Moreover, good conditions can thus be generated for a benign cycle in the social economy as well as for the normal production and operation of the basic-level enterprises.

At present, in further readjusting the national economy and in the aspect of regulation by planning mechanism of macroeconomics, it is most important to determine the ratio between accumulation and consumption in the sector of the national construction and the people's life. Concretely speaking, the following points should be noted:

First, do not allow the sum total of planned accumulation and consumption to exceed that of the national income, otherwise this will result in fiscal deficit. In such an eventuality, more banknotes will have to be issued. There will be currency inflation and a rise in commodity prices. Economic stability will be adversely affected.

Second, do not make the accumulation rate too high. For the present, it should be around 25 percent. China has a population of 1 billion people of whom 800 million are peasants and the level of production and income is very low. In 1979, the average per capita national income was only $253, equivalent to only one-tenth or so of that in the developed capitalist countries. When formulating our plans, we should pay attention to the people's life, so that the people will actually be benefited in the course of production development and their income and consumption level will be elevated. According to actual practice over the past 30 years of socialist construction, the accumulation rate in the first 5-year plan period was 24.2 percent and that in the 3-year readjustment period in the 1960's was 22.7 percent. During both periods, production developed speedily, the country grew steadily in strength, and the people's life was improved. On the other hand, during the periods of the second and fourth 5-year plans, the accumulation rate was in excess of 30 percent, and the growth rates in industrial and agricultural production were only 0.6 percent and 7.8 percent respectively. There was practically no improvement in the people's standard of living. It can thus be seen that fixing the accumulation rate at around 25 percent is appropriate.

Third, there should be strict contol of the accumulation funds. Emphasis should also be laid on the control of capital consturction investment. Experience has shown that frequently the purpose of raising the accumulation rate was to increase capital construction investment. In order to further readjust the national economy, the party and the government have decided to reduce the 1981 capital construction investments to 30 billion yuan, a reduction of over 40 percent compared with the 53.9 billion yuan in 1980. This represents a measure to lower the accumulation rate and thus to balance revenue and expenditure in the budget and in credit and loans. The experience of many socialist countries has shown that it is frequently difficult to keep capital construction investment under control. In addition to resorting to administrative intervention measures, we must build several lines of defense based on economic interests to prevent the plan being disrupted. For example, the method of handling capital construction investment may be changed from direct financial appropriations from the state to bank loans. The bank should strictly control the gross amount of loans for investments and impose stringent terms for the loans. In addition, a construction tax may be imposed. At the same time, capital construction investment should be rationally distributed among the various departments of the national economy. The orientation of investment should be so selected as to be beneficial to the rational readjustment of the production structure.

Fourth, the consumption funds must also be arranged well and in a planned manner. Emphasis should be laid on controlling the rise in social purchasing power. The reason for the large fiscal deficits in 1979 and 1980 was due, in addition principally to the failure to adequately cut back capital construction investment, according to plan, to the rise in social purchasing power far exceeding the original plan. Between 1970 and 1978, the social purchasing power averaged a yearly increase of 9.1 billion yuan. In 1979, the increase was 24.1 billion yuan while in 1980, it was 34 billion yuan. (After deducting the portion attributable to the rise in commodity prices, over these 2 years the increase was over 20 billion each year.) In both cases, the increase surpassed the increase in the volume of supply of commodities to the society. At present, in order to curb the rise in social purchasing power, we must resort to such measures as stopping the indiscriminate granting of awards and subsidies, strictly controlling the extent and volume of negotiated purchases of products, surpressing the purchasing power of the collectives, and so on.

Simultaneously, we should continue to fix targets by means of directives in regard to the important microeconomic activities such as the production and purchasing of products with a bearing on the national economy and the people's livelihood and of those products which are important but are in short supply and the principal production and marketing activities of the large backbone enterprises. In the course of readjusting the national economy, no matter whether we are promoting the production of consumer goods or reorganizing the industrial or commercial enterprises, we should strengthen regulation by planning mechanism. However, following the gradual harmonization of the proportions of the national economy and the gradual implementation of reform of the economic management system, planned guidance should replace directive planning for the economic activities of enterprises as much as possible.

Following the enforcement of the necessary regulation by planning mechanism in the sector of macroeconomics (in the current readjustment period direct regulation by planning mechanism is still necessary in regard to certain important macroeconomic activities) and subject to the prerequisite of economic stability having been reasonably ensured, we shall be relatively free to promote regulation by market mechanism under planned guidance and make use of the market mechanism to enliven the entire socialist economy.

The principal contents of regulation by market mechanism should comprise at least the following:

Changing the system of state monopoly for purchase and marketing of a large number of products. Except for a small number of important commodities the supply of which lags behind demand such as grain and cotton cloth, for commodities in general the commercial departments should formulate purchase plans on the basis of market needs. In the capacity of relatively independent producers of commodities, production units should be empowered to produce and market products on the basis of social demand (orders placed by commercial departments or market needs). The fruits of the production and operation of enterprises should be closely related to the material interests of the staff and workers of the enterprises. As for the kinds of sundry goods which can be marketed locally, the enterprises can directly handle their trading without going through wholesale organs or retail stores. Certain products can also be marketed by the enterprises themselves by means of their own retail sales departments. Commercial departments should carry out the system of selective buying. They should be empowered to refuse to purchase products that are unmarketable. Those products which the commercial departments do not purchase can be marketed by the enterprises that produce them. Thus will help in solving the longstanding problem of certain products being out of stock and of certain other products being stockpiled for a prolonged period.

Gradually allowing a large proportion of production materials onto the market. Since 1979, certain cities and towns ahve set up markets for tarding in production materials. This has enabled many plants to sell in the markets products which had been kept in warehouses for many years. This not only reduced the quantity of goods stored in the warehouses but also satisfied the needs of a certain portion of the enterpirses in need of these products. The entry of mechanical and electrical goods onto the market has induced the manufacturing units initially to turn out products suitable for the market. As a result, many enterprises have evolved from not having enough business to having more business than they can handle, and the economy has been enlivened. As yet, not many production materials have entered the market. Only a little over 10 percent have done so, but notable results have already been achieved.

Increasing the channels of circulation, reducing the intermediate links in circulation and avoiding monopolizing by a single enterprise constitute the main jobs in implementing regulation by market mechanism. In the past, the supply and marketing cooperatives were not allowed to enter the cities while the commercial departments could not go to the countryside. At present, not only can the supply and marketing cooperatives extend their operations into the urban areas but also the communes and the production teams can go to the cities and sell their products in the markets for agricultural and sideline products. Likewise, commercial departments and certain plants can go to the countryside to market their consumer durables. Moreover, outside of state-operated commerce, a batch of collectively-owned commercial units and a small number of individually-owned commercial units have been steadily developed and allowed to compete with each other while state-operated commerce no longer monopolizes the market.

Implementation of regulation by market mechanism requires that the unitary planned pricing system be changed. In the past, the prices of several thousand types of products could not change to conform with changes in the situation of market supply and demand and so it was impossible to talk about regulation by market mechanism. In order to put regulation by market mechanism into actual practice, the power of the central departments to control prices, with the exception of few products, should be gradually handed down. The central government and the localities should still have certain power to fix prices, but wherever possible the power of price adjustment should be gradually delegated to the enterprises. At the same time, the unitary planned pricing system should be changed to a system of multiple prices. Planned pricing should still be retained by the state concerning the purchase and sale of major agricultural products, the ex-factory prices and sales prices of fuel, energy and the principal raw materials, and the charges or rates of railroad, civil aviation, posts and telecommunications and major water transport. Also simultaneously, people's governments at various levels, such as the state, provinces, municipalities and autonomous regions should sanction theoperation of certain floating prices, the extent of which should be gradually widened in accompaniment with the development of the national economy. Within the scope limiting the kinds of product and the extent of the price fluctuation sanctioned by the state, the enterprises exercise the full right of price fixing should be generally adopted.

Naturally, regulation by market mechanism must proceed under planned guidance. Since markets are widely dispersed and do not follow any definite plan, in regulation by market mechanism, we not only must study the possible effects and study how to make the dispersal more rational, which dispersal form is better, and so on, but also must estimate the possibility that following the implementation of regulation by market mechanism, production and marketing might develop blindly to the detriment of the state plan. This requires that planned guidance and market management be strengthened and that the extent of regulation by market mechanism be stipulated.

Historical experience has told us that socialist planned economy must make use of the market mechanism. Especially in our country, in the past the commodity was very much undeveloped while at present the level of the productive forces of society and the degree of socialization of production are both still relatively low. Planning cannot attend to each and every aspect. Hence, it is necessary to earnestly develop a socialist commodity production and commodity exchange, and there is a need to utilize the market mechanism to enable production and demand of the enterprises to be linked together of their own accord. Even though the level of the productive forces and the degree of socialization of production have been raised considerably. It could hardly be imagined that the central planning organs could, by reliance on such instruments as electronic computers, attain on time sufficient and adequate reference data to make detailed arrangements which conform with reality for the production, supply and marketing activities of the hundreds of thousands of enterprises and covering their several million kinds of products. The advantages of regulation by market mechanism are its nimble features and its competitive character. It can quickly and spontaneously respond suitably to changes in demand on the part of the consumers and thus by means of quick, adjustment can make the socialist planned economy more nimble and effective. Hence, in a socialist economy, the use of the market mechanism is a necessity to make the operation of the economic organism more lively. Over the past 2 years, we have practiced regulation by market mechanism to a certain extent and within a limited scope (according to incomplete statistics, in 1980 the proportion occupied by regulation by market mechanism was roughly as follows: in the production sector, the proportion occupied by products marketed by the industrial enterprises themselves was 19.5 percent of the gross value of sales of goods for civil use of the whole country; in the circulation sector, the portion covered by regulation by market mechanism occupied 25.3 percent of the gross volume of retail sales of commodities of the whole country; of the gross volume of agricultural and sideline products purchased by the commercial departments, purchases made outside the plan on negotiated prices or on increased prices for purchases in excess of the quota occupied 34 percent). This has greatly enlivened the socialist economy and the national economy has been able to continue a relatively speedy development in the course of readjustment, while the standard of living of the people has been improved considerably. This illustrates that the utilization of regulation by market mechanism in a socialist planned economy can, on the one hand, ensure the proportionate development of social production and prevent the enormous waste in social labor power seen in the anarchistic state of capitalism. On the other hand, the socioeconomic activities are not strangled to death by rigid control. Instead, they become lively and vigorous and are imbued with vitality. In this way, the superiority of the socialist economic system can be better displayed.

III. Several Important Conditions Ensuring The Development Of Socialist Planned Economy

The conditions are indeed many, but only three of them will be discussed here:

First, policy making in macroeconomics must conform with objective laws and the national condition.

Under a socialist planned economy, the direction of development of the national economy is generally determined by the social center or the state. This being the case, whether or not a macroscopic policy is correct exercises important influence on the development of the social economy. Only when the macroscopic policy conforms with the objective laws and with the national condition can the smooth development of the socialist planned economy be assured.

Since the 30 plenary session of the 11th CCP Central Committee, the extensive masses of economic workers and economic theorists in our country have seriously studied and summed up the experiences and lessons learned from the socialist construction since the founding of the republic in conjunction with the work done in readjusting the national economy and reforming the economic management system. They have earnestly striven to find a new road which conforms with objective laws and the national condition of our country, in order to put the macroscopic policy in a correct posutre. Following the elimination of the effects of leftist errors in economic construction and the formulation and thorough implementation of a series of guidelines and policies, the socialist planned economy in our country has really been taking new strides forward under the guidance of a correct macroscopic policy. The following points are worth noting:

Concerning the targets and speed of development, we are no longer following the past practice of striving for high speed or high targets in our gross output value and in regard to certain products. On the contrary, the objective set was to improve the material and cultural living of the broad masses of people. The economic and social development plans were formulated according to the principles of acting according to our capability and working strenuously. In so doing, from a long-term view, the speed of economic development will not be slow but relatively rapid while the actual benefits to the people will not be reduced but rather increased.

In selecting the composition of the economic structure, we have gradually changed the situation characterized by an over-emphasis on heavy industry, the frailness of agriculture, light industry and the energy sector of heavy industry, and the insufficient capacity of communications and transportation. We have also speeded up the development of the commercial service trades and the cultural, scientific, educational and public health enterprises. In readjusting the economic structure, we have placed importance on developing the production of consumer goods. Conforming with the state of development of the productive forces and our national condition, we have changed the construction guideline from giving priority to development of heavy industry with steel as the leading factor to stressing the development of production of consumer goods and giving priority to developing light industry within a fixed period. This is aimed at rectifying the irrational production structure of over stressing heavy industry and not stressing light industry enough which had been the case in the past under the influence of leftist ideology.

In regard to the form of production development, we have changed the former practice of unifiedly striving for quantitative target, simply relying on building new projects, putting up new structures, and increasing the consumption of energy and raw materials. Instead, we have reverted to such forms as stressing quality and results, relying on the existing enterprises to tap potential, renovate, restructure, improve labor productivity and economize in the consumption of energy and raw materials. In addition, we have constantly demanded improvement in the quality of products and making them marketable, in order to effect savings in capital funds, reduction in production cost, and increase in profits. In other words, we have shifted expanded reproduction by extension to expanded reproduction by intension and from extensive operation to intensive operation.

Second, we must be good at using various kinds of economic mechanisms so as to enable the socialist planned economy to operate smoothly and dexterously.

To ensure the smooth development of the socialist planned economy, it is not sufficient to have only a macroscopic policy. We must still be adept in the use of various kinds of economic mechanism so that the correct macroscopic policy may be firmly implanted in the various economic activities and achieve the desired results.

In the last few years, in the course of readjusting the national economy and reforming the economic management system, we have readily seen that because of certain mechanisms being out of order, the correct macroscopic policy of the state could not be well implemented. For example, in 1979 and 1980, for the sake of improving the people's standard of living, the fiscal expenditures for the purchase of agricultural products and for wages and salaries were increased. In the hope that replenishments could be made from reducing the investment in capital construction. Unfortunately, for various reasons, the plan to reduce capital construction investment outlay could not be realized. As a result, large budget deficits were incurred. Furthermore, because of the inability to bring into full play the functions of market under planned guidance, there appeared such abnormal phenomena as the small squeezing out the big, the backward squeezing out the advanced and the new squeezing out the old.

It appears that in the readjustment period, in order to strengthen the centralized and united leadership over the national economy, it is necessary to adequately stress the role of the planning mechanism so that the economic structure can be speedily and rationally readjusted. But in the long term, it is necessary to create the requisite conditions for the market mechanism to fully display its role. Nonetheless, be it now or in the future, the planning mechanism and the market mechanism must be in unified operation. The problem is under given conditions how to find the best form of unifying them so that the superiority of the socialist planned economy can be better displayed.

Third, that the socialist state-run eocnomy occupies the leading place in the national economy is a material prerequisite to ensure the development of the socialist planned economy.

Marx said: "The concentration of the production materials of the whole country will form the national foundation for society comprising a united body of producers of a free and equal status; in accordance with a commonon and rational plan, these producers will consciously pursue their work in the society" (Marx: "On Land Nationalization," Collected Works of Marx and Engels, Vol 18, 67). If society does not own the means of production and if the economy under the socialist-public ownership system (the economy under the system of ownership by the whole people or its concrete form in a socialist state-run economy) does not occupy a superior or leading position in the national economy, the social center or the state will lack the necessary material support and power to carry out regulation by planning mechanism. In the initial period after liberation, if we did not have in our hands large quantities of grain, cotton and other products to dominate the market we could hardly have emerged victorious in the struggle with the capitalists for the control of the market. We could not have stabilized the incessantly rising commodity prices or created the conditions for planned construction.

In order to ensure the proportionate planned development of the socialist economy and to enable the social center and the state to have in hand the necessary material resources and support for implementing regulation by planning mechanism, an important condition is to concentrate in the hands of the social center or state the major portion of the surplus products (M) created collectively by laborers of production enterprises under the system of ownership by the whole people. Concerning this problem we are basically in agreement with the viewpoints of comrade Sun Yefang (Sun Yefang: "On Several Prerequisite Conditions For Doing A Good Job Of Overall Balance," Jingji Yanjiu No 2, 1981).

Concentrating in the hands of the social center or the state the major portion of the surplus products collectively created by laborers of enterprises under the system of ownership by the whole people has the following advantages:

1. The state can control the major portion of new investment for use in solving the strategic problems of development. This helps in the realization of regulation by planning mechanism in Marco economics, in dominating the orientation of development of the national economy, and in providing assurance for the planned proportionate development of the national economy. Some people have suggested that for the state to control the major portion of new investments tends to encourage blind guidance and blind investments and that this may unbalance the national economy. In reality, what is of key concern here is whether the guiding indeology is in the right direction or not. If it is, then the proportionate planned development of the national economy can be realized in an even better manner. If not, such as shown in blindly striving for high speed, then even though the surplus products are not under the control of the state but are in the hands of the localities or enterprises, blind investments can be engendered just the same. This will inevitably lead to a certain state of anarchism and disproportion.

2. The state is enabled by means of the control over the capital construction investments to control the accumulation funds and the accumulation rate. Having the new investment funds concentrated in, and used by, the state as opposed to having them dispersed among, and used by, the localities and the hundreds and thousands of enterprises, facilitates control and regulation. In certain socialist states, due to their enterprises having control, and exercising the power, to dispose of the major portion of their net income, the problem of having an overextended capital construction front has confronted them for a prolonged period, thus seriously

affecting the harmonious development of the national economy. Over the last 2 years, the trial points for reform of the economic management structure in our country have likewise shown a strong tendency on the part of the localities and enterprises to blindly use their funds on capital construction investments, a situation which is hard to control.

3. We must prevent the laborers of enterprises from collectively converting in large quantities the surplus products derived from the means of production owned by the whole people into new funds for developing production, thus aggravating the state of disparity in income and earnings. This is all the more necessary when the price and taxation systems have not yet been rationally reformed. At present, due to the differences in prices and tax rates, among enterprises producing and handling different varieties of commodities there is a great disparity in the amount and level of profits. This literally results in misery and joy being unevenly apportioned. Those earning high profits may not necessarily have expanded intensive labor or possessed an exceptionally high standard of management. If it happens that a large quantity of the surplus products of the enterprises (their profits) are retained by the enterprises, then they may be converted into new production development funds for use on such things as technological restructuring. This will further aggravate the disparity between misery and joy. Even if systems of pricing and taxation have become more rational (including the levy of a resource-disparity tax and readjusting the disparity in income among the grades), and even if the profits and their level do adequately reflect the standard of management. The greater proportion of the surplus products of the enterprises should still be given to the state. If this is not done, then following the steady increase in the production development funds which in effect represent the independent interests of the enterprises, the factor of collective ownership by the enterprises will steadily grow in importance. This is disadvantageous to the gradual realization of the socialist principle of everybody being equal with regard to the means of production. It may now be asked if what we suggest above might affect the development of production on the part of the enterprises. The answer is no. Within the extent of the original capital funds (plus a small amount of production development funds derived from the profits of the enterprises) the enterprises can still engage in technological renovation and restructuring, tap production potential and increase the variety and output of products. If an enterprise has big prospects for development, the state can well arrange the granting of new investment funds for the purpose of expanding the scale of production and undertaking technological restructuring.

4. We should implement better the principle of distribution according to work and prevent a portion of the laborers from not depending on work but rather on capital to earn a larger income. Marx and Engels conceived that the first stage of communism should call for implementing throughout society the principles of distribution according to work and an equal quantity of labor for an equal quantity of products. Naturally, we are incapable at the moment of doing this. But we must earnestly implement the principle of distribution according to work, or at least endeavor to gradually approach that goal, and should not go in the opposite direction. If the surplus products produced by the enterprises do not primarily belong to the social center or the state but are placed at the disposal of the enterprises themselves, it will in reality be tantamount to converting this portion of funds into a source of increased income for the staff of the enterprises. In turn, it would artificially, and rather inappropriately, widen the disparity in the earnings of the laborers. This would violate the principle of distribution according to work, or rather increasingly go against the socialist principle of distribution.

In our opinion, the leadership position of the economy under the system of ownership by the whole people can hardly be shaken if a large part of the surplus products of the enterprises owned by the whole people are given to the social center or to the state. This will be true even if a portion of the handicraft enterprises and small enterprises of commercial or service trades owned by the whole people are contracted out or rented to groups of employees and workers or to individuals for their operation and even if the collective economy and a small quantity of individual economy flourish in the cities and towns. Nor in such a case will planned management or regulation by planning mechanism be shaken. On the contrary, it will only further enliven the socialist economy and bring into fuller play the superiority of the socialist economic system.

CSO: 4006/97

ECONOMIC MANAGEMENT

CHEMICAL PLANT RAISES PROFITS THROUGH IMPROVED MANAGEMENT

Beijing RENMIN RIBAO in Chinese 5 Nov 81 p 1

[Article by Gao Baosheng [7559 0202 3932], Yang Zhenwu [2799 2182 2976]]

[Text] Abstract: The Zunyi Chemical Plant No 2 has rapidly increased profits since 1978 by cutting the consumption of raw materials and production costs.

While the total value of output over the past few years at the No 2 Chemical Plant in Zunyi, Guizhou Province, has not risen, profits have risen greatly, from 121,000 yuan in 1978 to 429,000 yuan in 1979 and 600,000 yuan in 1980. A 422,000 yuan profit has already been achieved for the first 8 months of 1981, 14 percent higher than for the same period of last year.

The Zunyi Chemical Plant No 2 is a small plant with only 300 employees. Its main products are gallic acid, pyrogallic acid, tannin extract, and other organic chemical products. Since the flow of raw materials has not been smooth in recent years, plant production has often been below capacity, the total value of production fluctuating around 3 million yuan. To make a greater contribution to the state, they focused emphasis on reducing the consumption of raw materials and on production costs. They apportioned cost targets to each shop, and from the shops to teams, groups, and individuals; formulated team estimates and station estimates; and, on the basis of these data, set up the overall method of quota checks. In this way, the managerial result and income of staff and workers were directly integrated and management of the enterprise became better and better. The gallic acid shop formerly was able to produce only 15-16 tons of gallic acid from every 50 tons of nutgall, an almost profitless operation. A thorough check was made, and responsibility for costs were assigned. After economizing, they reformed the technological process and increased the sense of responsibility during operation, as well as collecting products washed away as the "three wastes" [waste gas, waste water and industrial residue]. Now 19 tons of product can be produced from the same 50 tons of raw material. In this way alone each month's income has increased by more than 30,000 yuan.

CSO: 4006/102

SUBSTANTIAL INCREASE IN SHANGHAI SAVINGS DEPOSITS REPORTED

Shanghai JIEFANG RIBAO in Chinese 30 Sep 81 p 1

[Article: "240 Million Yuan in Funds Taken In in 9 Months"]

[Text] This city's 274 People's Bank savings offices are doing everything possible to bring about an increase in saving, and in the first 9 months of this year they have already taken in 240 million yuan in savings deposits, while new accounts have increased by 1,050,000, of which more than 80 percent are time accounts. As of 25 September, total savings on deposit citywide amounted to 2.89 billion yuan, an increase of 1.45 billion yuan from the end of 1976, which is equivalent to 3 times the total increase during the 10 years of the Cultural Revolution.

The People's Bank has made available various forms of deposit in order to make society's dispersed and tied-up funds flow more freely into the banks. As a result of the consumers' need for a specific total in order to acquire costly commodities, the banks have instituted a small deposit, lump-sum withdrawal method in which "with monthly deposits of 15 yuan, after 5 years the principal and interest total 1,000 yuan, or with monthly deposits of 26 yuan, after 3 years the principal and interest total 1,000 yuan," which has been welcomed by the masses. Because some employees are too busy at their jobs to go to the banks and deposit their money, small deposit, lump-sum withdrawal savings has been instituted in various organizations, with the funds being held by the finance office until maturity and then paid out by the finance office, with the result that employees can save every month without leaving the factory to go to the bank. By the end of September, nearly 10,000 organizations citywide had instituted collective savings. In order to increase the ability of savings activity to guide consumption, the People's Bank has also instituted "tourism savings." This year it has also added 50 new offices and converted 17 offices to the two-shift system, thereby increasing the amount of time during which it provides its services. The Jing'anshi savings office, which is the country's largest and which is open day and night, has adopted the "large office, small operations" form in which the main office is divided into five small offices, with the result that the time required for deposits and withdrawals has been nearly halved.

8480
CSO: 4006/46

SAVINGS DEPOSITS, LOAN REPAYMENTS INCREASE IN RURAL AREAS

Kunming YUNNAN RIBAO in Chinese 27 Aug 81 p 1

[Article by Wang Zuzhe [3769 4371 0772]: "Another Proof That the Situation in the Farm Villages Is Getting Better: Repayments on Loans and Savings Deposits in Farm Villages Throughout the Province Increase on a Large Scale"]

[Text] Up to the end of July, the province's agricultural banks and credit cooperatives received total payments of 201.63 million yuan due on agricultural loans, 46.16 million yuan more than in the same period last year, an increase of 30 percent. Savings deposits of commune members in farm villages reached 170.03 million yuan, an increase of 48.65 million yuan over the same period last year, an increase of 40 percent.

During the first 7 months of this year, the increase in the repayment on loans and savings deposits and the repayment of credit was great; the amount was the largest in history, reflecting the good situation that has emerged in the farm village economy. Since last winter, Tengchong County's Jietou Commune Credit Cooperative has actively encouraged the production teams and commune members to plant more rape. This year, the whole commune produced a total of 3.8 million jin of winter rape, an increase of one-fold over the previous year, and it realized an income of 2.20 million yuan. The per capita income of the whole commune from rape alone was 47 yuan. Up to the end of June, the credit cooperative of the Jietou Commune received over 770,000 yuan in repayment of loans, 440,000 yuan more than that retrieved during the same period of the previous year. The commune members repaid 200,000 yuan on loans, an increase of 150,000 yuan over the same period last year. At the same time, commune members saved over 770,000 yuan, an increase of 490,000 yuan over the same period last year. The agricultural bank and the credit cooperative of Xuanwei County suited measures to local circumstances and provided loans to support the production teams and commune members in developing hog raising and providing raw material for "Xuanwei ham." From January to May of this year, the whole county purchased 67,134 fattened hogs, an increase of 18.4 percent over the same period last year. After the commune members sold the fattened hogs, they repaid 1.30 million yuan of the loans, an increase of 454,000 yuan over the loan money retrieved during the same period last year, an increase of 53.6 percent.

As the economic situation in the farm villages developed, the agricultural banks and credit cooperatives at each locality changed their style of work, improved their working method, and further established the positional responsibility system and the management responsibility system. They went deeply into the teams and the families to strengthen propaganda, provided improved service, provided convenience to the masses and exerted efforts and to do the work of collecting loan repayments and collecting savings deposits well.

9296
CSO: 4006/510

ENERGY

BRIEFS

COAL EXCEEDS PLAN QUOTAS--NCNA, 1 Nov 81--Following the surpassing of the State Plan for September [1981], the nation's coal industry continued to increase its output in October. This month's overall production of 51,430,000 tons of raw coal and 4,310,000 tons of washed coal exceeded the State Plan by 7.9 percent and 4.3 percent respectively. The opening up of tunnel footage also exceeded the Plan by 11,400 meters. While the coal output increased in October, the mining sector also completed the overhaul of some 862 projects which had been out of production. This was the biggest month for overhauling work since the beginning of the year. These projects provide the foundation for production not only for the fourth quarter, but for next year as well. [Text] [Beijing GUANGMING RIBAO in Chinese 2 Nov 81 p 1]

CSO: 4006/81

BRIEFS

BEIJING TV PRODUCTION--Beijing, 16 Oct (XINHUA)--Beijing's two television factories produced nearly 750,000 color and black-and-white TV sets from January 1978 through the end of September this year. In the 8 years from 1970 through 1977, total output was only 36,000 sets, according to the local radio and television industry department. Output between January and September this year was 310,000 sets. Quality of TV sets has improved markedly. Beijing-made TV sets can now operate from 1,500 to 2,000 hours without needing repairs, as against 600 to 700 hours before 1978. One "Kunlun" model black-and-white TV set has a 5,000 hour repair-free life span. There are now seven TV production lines in the capital with an annual capacity of 500,000, compared with only two lines with an output of 30,000 before 1978. [OW231105 Beijing XINHUA in English 0701 GMT 16 Oct 81 OW]

CSO: 4006/95

'JINGJI GUANLI' DISCUSSES PRINCIPLE FOR CONSTRUCTION

HK161413 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 81 p 10

[Short commentary by Liu Wei [0491 0251]: "A Major Question in the Guideline for Construction"]

[Text] It is a major question in the guideline for construction whether to rely on "extension" or "intension" in developing the economy. The so-called "extension" means to expand productive force through building new enterprises while the so-called "intension" means to rely on technological restructuring by the existing enterprises. In fact over the past many years we mainly relied on "extension" by using our limited financial power in building new enterprises. Under the "10-year set system" and even "decades set system," no measures were taken to renew and restructure old enterprises and we relied on old equipment in producing old products. It has been proven in history that such an unconscious wrong guideline has seriously hampered the development of the economy of our country.

At present, the principle for further readjusting the economy is being implemented and such a measure is imperative. But readjustment is an active and progressive principle and it does not mean mere "retreat." Retreat must be coupled with advance and downs must be coupled with ups. Basically, advance and ups are the dominant aspects. If we only pay attention to retreat and neglect advance and only pay attention to reducing expenditures and neglect to broaden the sources of income, we will eventually push the economy into a blind alley and even cause vicious cycles.

It is natural that with readjustment, the development of the economy will slow down a little, but that does not mean the slower the better. We must maintain a certain pace of development so that we will be able to develop the economy stably. What is the way out? An important way is to change the guideline centered around new construction and extension to the guideline with technological restructing and intension as the main. That is to say, we must carry out an overall technological restructuring of our national economy in a planned way and step by step. Some leading comrades from the Party Central Committee and the State Council recently reiterated this strategic change in the guideline for construction. Practice has proved that such change will have a far-reaching impact on the development of our economic construction.

Is not the technological restructuring of the existing enterprises contradictory to the implementation of the principle of readjustment? Yes, it is. We have to spend some money in carrying out technological restructuring but the economic effect of such technological restructuring is much bigger than building new enterprises. In addition, technological restructuring will make heavy industrial departments such as the machine building industry and metallurgical industry more active. Such a situation exactly represents the active readjustment which is both retreat and advance.

Reducing expenditures is important in improving the current financial situation but what is more important is to broaden the sources of income. It is very difficult to solve financial difficulties by solely relying on reducing expenditures. Comrade Mao Zedong pointed out long ago that it is necessary to oppose a purely financial view. Even today it is still imperative for us to avoid the tendency of such view.

This issue of this magazine also carried an article by Comrade Chen Yi and an article by the Fusun Municipal Financial Bureau in introducing their experiences. We hope that readers will read these articles which are in the interest of further understanding the principle of "readjusting, restructuring, reorganizing and upgrading."

CSO: 4006/106

'JINGJI YANJIU' DISCUSSES RURAL FAIR TRADE

HK070320 Beijing JINGJI YANJIU in Chinese No 9, 20 Sep 81, pp 38-41

[Article by Yang Yingyuan (2799 2819 3104): "The Effects of Rural Fair Trade on the Amount of Currency in Circulation"--a survey report of Huang Yan County, Zhejiang Province]

[Text] In Shejiang Province, Huang Yan County ranks as a county with a comparatively well developed rural fair trade. In 1979, while the rural fair trade of Zhijiang Province accounted for 16 percent of the total provincial social commodity retail trade, the percentage in Huang Yan County was 23 percent in this respect, exceeding the provincial average level. In order to understand the influences of rural fair trade on the volume of money in circulation, we visited Huang Yan County in October 1980 to conduct this survey.

Features Of Economic Geography And The General Situation Of Money Circulation In Huang Yan County

Huang Yan County is a region marked by its integrated economy which has grain as its chief product. Its total area is 1,459 square kilometers, with 70 percent of total area mountainous areas, 10 percent lakes and rivers, and only 20 percent arable land. Total acreage under cultivation at present is 607,000 mu. Mountainous areas in use total 1,114,000 mu. Of the cultivated land, 63,000 mu are planted with tangerines, 3,300 mu are planted with cotton, and 492,000 are planted with rice. This county ranks high among the 7 counties of the Taizhou prefecture in economic and cultural development. It has a population of 1,080,800, 90.2 percent of whom are engaged in agriculture. The per capita collective income of the commune members is 107.32 yuan and the income from sideline occupations averages 44.14 yuan per person. Making a total of 151.4 yuan, slightly above the average provincial level.

Huang Yan County has good transport facilities. It offers better prices in its rural fair trading than its neighboring regions and is known for its tangerines and straw mats, which are in great demand. The three most well known marketing towns of this county, Chongguan Township, Luqiao Township and Haimen Township are all historical trading centers of Taizhou prefecture.

Since the founding of our People's Republic, will 1979 extra money had been put into circulation every year with the exception of 1963, during which 294,000 yuan were with drawn from circulation instead. The total money put into circulation during the 30 years amounted to 263.67 million yuan. The amount added during the years from

1954 to 1957 totalled 6,841 million yuan, and average of 1.71 million yuan per year. During 1958 to 1962 20,362 million yuan were added, an average of 4.073 million yuan annually. From 1964 to 1966 15,497 million yuan were added, an annual average of 5.166 million yuan. From 1967 to 1976 152,507 million yuan were added. The average annual input was 21.76 million yuan during the second 5 years of this period exceeding the average annual figure of 8,742,000 yuan during the first 5 years by nearly 150 percent. In 1979 31,357 million yuan were added, topping the historical record of cash injection. The yearly increase of cash in circulation is the inevitable result of economic development and the increase in people's income both in the urban and rural areas. In terms of the money circulating in the markets, the volume also has been increasing. The ration between volume of money in circulation and volume of the social commodity retail sales as well as that between the volume of money in circulation and the volume of commodity inventories have been declining:

Year	Volume of Money in Circulation at Year End	Total Volume of Social Commodity Retail Sales	Commodity Retail Sales Per Yuan in Circulation
	Figures in Million Yuan	Figures in Million Yuan	Figures in Yuan
1954	4,236	34.11	8.05
1965	10,260	74.46	7.26
1975	23,528	90.85	3.86
1978	27,507	147.09	5.35
1979	36,563	182.75	5.00

Year	Commodity Inventories of the Commerce Section at Year End	Commodity Inventory per Yuan In Circulation
	Figures in Million Yuan	Figures in Yuan
1954	10.81	2.55
1965	27.68	2.70
1975	45.195	1.92
1978	65.11	2.37
1979	68.649	1.88

The law of value plays an important role in the development of the rural fair trade. The flow of goods is towards high prices, while the flow of money is towards low prices. This is the law of the movement of goods as well as that of the flow of money. As the state-operated commercial operations and the supply and marketing cooperatives in Huang Yan County have insufficient stock, the market supply of commodities cannot meet the needs of the social purchasing power. As a result, part of the purchasing power flows to Shanghai, Hangzhou, Ningbo and other large and medium-sized cities. In addition to this, large amount of cash flows out of the county through the channel of rural fair trade. Over 31 years, a total of 227.11 million yuan of cash have flowed to other counties. In 1979 alone, the outflow amounted to 22.3 million yuan, about 40 percent of which flowed out through the channel of rural fair trade.

The Characteristics Of Rural Fair Trade In Lu Qiao Township

Since the 3d plenary session of the 11th CCP Central Committee, the implementation in the countryside of the two documents of the Central Committee has greatly aroused the initiative of the masses of the commune members. Consequently, the development of agricultural and side-line production has been greatly increased, and the rural fair trade has been quickly restored. In order to promote the development of the socialist commodity economy, our party and government have formulated more lenient policies, and banks have reformed the regulations of cash management to suit the changes. In consequence, the development of the country market trade has been expedited. Under the jurisdiction of the Lu Qiao District are eight communes and Lu Qiao township. There are eight rural fair in the district. Each one takes it in turn to run a 2 day fair at intervals of 10 days. The market of Lu Qiao Township ranks first in the briskness and size of its trading. The price quotations in this market have an important influence on the neighboring markets. Over the last year, both the volume of goods on sale and the volume of actual transactions has greatly increased.

Having analyzed the development of the rural fair trade in the Lu Qiao District and having conducted an on-the-spot observation of the trade in Lu Qiao Township on 11 October, we found the following characteristics:

1. The rate of growth of the volume of actual transactions of the rural fair was much greater than that of retail sales of social commodities.

In 1979, retail sales of social commodities totalled 16.80 million yuan, and the volume of the actual transactions of rural fair trade totalled 4.67 million yuan. It is estimated that in 1980 retail sales of social commodities would have been 20.20 million yuan an increase of 20.24 percent as compared with 1979, and the volume of the actual transactions of rural fair trade would have been 9.20 million yuan an increase of 97 percent as compared with 1979. The increase of the latter is 380 percent greater than that of the former. In 1979, the volume of actual transactions in rural fairs was 27.8 percent of total retial sales of social commodities. In 1980, the percentage rose to 45.54 percent.

2. Goods in the market were on sale on vendor's stands scattered at random. Gradually, goods of the same kind were grouped together at one place and thus there was competition in pricing.

Before 1978, only a few commodities such as grain and piglets had comparatively concentrated markets in Lu Quia Township. The other goods were sold on vendor's stands scattered at random. Since 1979, peasants visiting the markets have been on the increase and goods on sale in the markets have been more and more abundant. Under these circumstances, the industrial and commercial administration office of the district had to open, in an orderly way, 10 different markets around Lu Qiao Township for grain, piglets, straw mats, flax, firewood and charcoal, poultry, bombooes and lumber, new wood products, aquatic products, vegetables, and waste pro-

The Volume of Goods on Sale and the Volume of Actual Transactions, Lu Qiao District Unit: 10,000 Yuan

Name of Commodity	For the Year 1979, Whole District (1)	(2)	Jan-Sept 1980, Whole District (1)	(2)	For the Day 11 Oct 1980 Lu Qiao Township (1)	(2)
Total	670.69	467.45	1012.43	679.66	34.00	18.95
1. Grains	76.31	61.00	66.90	51.44	1.25	0.93
2. Fats and Oil	0.68	0.68	1.40	1.05	0.08	0.07
3. Cotton, Tobacco and Flax	22.80	15.80	32.71	24.45	1.62	1.24
4. Meat, Poultry and Eggs	35.76	26.04	46.35	36.62	0.92	0.73
5. Aquatic Products	64.58	47.33	113.13	76.30	5.76	2.16
6. Fresh and Dried Vegetables	50.43	40.53	57.00	42.24	0.41	0.27
7. Fresh and Dried Fruits	53.02	42.49	82.85	68.77	0.52	0.34
8. Miscellaneous Daily Necessities	12.54	7.54	69.80	45.39	2.03	1.84
9. Firewood and Other Combustibles	4.84	EMYR	9.45	6.79	0.04	0.04
10. Means of Production for Farming	42.72	36.27	53.39	35.89	1.76	1.41
11. Farm Animals	—	—	—	—	—	—
12. Domestic Animals and Poultry	80.64	64.06	67.90	55.73	1.34	1.19
13. Industrial Products	44.48	31.14	72.56	34.64	3.50	1.75
14. Waste and Second-hand Products	37.32	18.66	35.12	19.50	1.50	0.90
15. Others of these:	144.57	72.29	303.97	180.86	13.01	6.08
Lumber	101.20	50.60	235.82	125.25	9.75	3.90
Bamboo	28.91	14.46	19.19	13.16	0.56	0.45

(1) Volume of goods on sale.

(2) Volume of actual transactions.

ducts. Very naturally, people have taken these markets as centers for conducting free trade. Both buyers and sellers are benefited by such a convenience. At present, even the miscellaneous daily necessities, handicraft articles, small metal fittings [nails, wires, hinges, bolts, and locks] and certain other products are grouped together for sale on the sidewalks, section by section, in Lu Qiao Township. In this way the buyers can compare the quality, the beauty, and the prices, while the sellers can also promote their sales by offering good quality, fine products, and cheap prices.

3. The development from supplying each other's needs to wholesale trade.

In the past, the rural fair trade was of the nature of supplying each other's needs. Now, a considerable portion of the rural fair trade is in the form of wholesale trade. Of the transactions on 11 October in Lu Qiao Township, about 40 percent involved wholesale trade for one party (either the buyer or the seller). For example, approximately 80 to 95 percent of the lumber, bamboostems, bamboo and wood products, aquatic products, seeds, waste products, cigarettes and certain other products peddled are from outside the township, while more than half of the miscellaneous daily necessities. Industrial products, small metal fittings and so on are sold in wholesale to places outside of the township.

For this reason, the goods for sale are not fragmentary and in small quantities, but are in large batches and quantities. The prices are also of two kinds, the wholesale price and the retail price. Some of the sellers even forge dealings in retail prices altogether, and deal in wholesale prices only. Production on a large scale and sales on a wholesale basis are changing the characteristics of the rural fair trade here.

4. Development from spot dealing to forward trade.

Some of the traders from other counties and places outside of the district make good profits by peddling pillows, bamboo strip mats, shoes of synthetic leather, scrubbing brushes, wire hair pins for women, aluminum finger rings and certain other products made by some commune-member households in places outside the township. These peddlers usually look for sellers in these markets, place large orders, and require a definite delivery date and place for a specified amount of goods, and transactions are to be concluded as specified. For example, one trader from outside of the township asked for 100,000 aluminum finger rings (the wholesale price ranged from 0.8 to 1.6 fen), but the seller had only 20,000 in stock. An agreement was made to deliver the order in 3 days. Some of the peddlers also visited the homes of the commune members to negotiate their contracts.

5. Outsiders have notably increased in the prospective buyers and sellers.

According to the estimates of the industrial and commercial administrative office of the district, on 11 October more than 70,000 people visited the markets in Lu Qiao Township, of whom about 30,000 came from the township itself, another 30,000 from within the county, and 10,000 from other counties. The local people go to the fair to supply each other's needs. Their transactions are numerous in number, but small in value. Some of the outsiders also go to the fair to supply each other's needs, but they go there mainly to peddle goods for resale and their transactions are large in terms of value.

With the expansion of the volume of transactions, the amount of cash involved in the rural fair trade becomes larger and larger. This is reflected in the notable increases of cash deposits and payments recorded by the banks. In 1979, the total amount of cash deposits in the Lu Qiao office of the People's Bank was 23.37 million yuan, and cash payments were 25.31 million yuan. In comparison with 1978, this represents increases of 33 percent and 37 percent, respectively. From January to September 1980, cash deposits amounted to 24.22 million yuan and cash payments were 24.57 million yuan, registering increases of 46 percent and 37 percent respectively in comparison with the same period in 1979, and both show a tendency to increase further.

Calculation Of The Volume Of Money In Circulation Needed By The Rural Fair Trade

The main indicator usually used to test the normalcy of the volume of money circulation is the ratio of the volume of money in circulation in the market to the total volume of social commodities retail sales. However, under the guidance of state planning, with the increasing importance of the market adjustments, the volume of trade transactions of the rural fair trade is constantly increasing. This being so, the further use of the simple ratio of the volume of money in circulation in the market to the total volume of retail sales of social commodities to test the normalcy of the value of money circulation obviously lacks accuracy. Although the rural fair trade is just exchanges transacted among the masses, they are an indispensable supplement to the planned economy. Since the rural fair trade involves cash transactions, goods are necessarily transferred from one party to another, and money in the reverse direction. As long as there is such trade, there will be certain amount of cash involved in it. While this amount of cash is closely related to the normal volume of money in circulation, it is at the same time a separate entity existing outside of the volume of normal money circulation. It is of practical significance to calculate them separately in order to test the normalcy of money in circulation in the market.

To calculate the volume of money circulating in the rural fair trade, Marx's equation of money circulation should be used:

The volume of money (cash) circulation in the rural fair trade equals: the total volume of transactions in rural fair trade divided by the number of times money (cash) turns over in the rural fair.

In this equation, the total volume of transactions in the peasant market trade is a known quantity, while the volume of money (cash) circulation in the market trade is the unknown quantity which is sought. In this case, finding the number of times money (cash) turns over in such a trade is crucial to the seeking of this unknown quantity. Taking into consideration the fact that the inventories of the state-run commercial operations and the supply and marketing cooperatives are insufficient and hence the shortage of commodity supply in meeting the needs of purchasing power, we can come to the conclusion that the annual turnover of money in circulation in these operations is comparatively slow. In the case of the rural fair trade, things are quite different. The total volume of goods on sale is larger than the total amount of actual transactions. Generally speaking, it is not a case of insufficiency of supplies, but a case of supply exceeding demand. On the other hand, there are a total of 66 large and small rural fairs in the county, operating 381 market-days in a month which average 6 market days for each market in a month, or 72 market days in the year. The greater the number of market days, the quicker the goods are turned over. (There is trading done on the closed-market days, but according to the data of the industrial and commercial administrative office of the Lu Qiao District, the total volume of transactions in 4 closed-market days is less than 10 percent of the volume of transactions of a single market day. This amount is included in the total volume of transactions of the rural fair trade.

It can be concluded that the turnover of money in circulation in the rural fair trade is comparatively fast. Consequently, it is inappropriate to take the simple sum of the total of social commodity retail sales and that of the transactions in the rural fair trade as a percentage of the total volume of money in circulation. Such a calculation is not precise either.

Then, how should the number of times money turns over in circulation in the rural trade be calculated?

1. Find out the number of times a man of financial means visits the fair in a year. As indicated by the data of the industrial and commercial administrative office in the Lu Qiao District, of the 100,000 inhabitants of the whole district, 60,000 have the financial means to visit the fairs. On the market day on 11 October, there were about 30,000 visitors to the fair, of whom 20,000 were people of financial means. This is to say that those who have financial means constituted one out of every three visitors to the fairs (the fairs of the district as well as the neighboring fairs). Since the rural fairs of Lu Qiao Township are extraordinarily brisk and extract great numbers of people the proportion of people in the county who visit the fairs is comparatively high. In terms of the data shown by a survey of selected sample households and that of the industrial and commercial administrative bureau of the county, it can be seen that it is closer to reality to put the figure of fair visitors at one out of every four of those with financial means in the county (the fairs of the district as well as the neighboring fairs). Since there are 72 market days per year for every market town, we divide this figure by four, for the average number who visit the fairs. This means that, on average, every person with financial means would visit a fair 18 times in a year. If we multiple the goods on sale by 18 times, we can determine the annual total value of the goods of sale for Huang Yan County.

2. Find out the ratio of actual transactions in the rural fair to the volume of goods on sale. According to data on the rural fair trade dealings of Lu Qiao District and, considering the data supplied by the industrial and commercial administrative bureau, we came to the conclusion that the actual transactions in the rural fairs are 65 percent by value of the total goods on sale.

3. Calculate the number of times money turns over in circulation in the rural fair trade dealings. Thus, 65 percent of 18 visits to the fair per person of financial means in a year would yield the figure of 11.7 visits. This figure represents the number of transactions of goods carried out annually in the rural fairs as well as the number times money is turned over in circulation.

With the data of the number of times money is turned over in circulation in the rural fairs, calculations can be made in accordance with Marx's equation of money in circulation. Accordingly, in 1979 the total transactions executed in the rural fairs trade amounted to 42 million yuan. Divided by 11.7, the number of times money is turned over in circulation in the rural fairs, this figure yields a quotient of 3.59 million yuan in cash involved in such trade at the end of 1979, representing 9.82 percent of the total volume of money in circulation in the whole county in the same period.

In order to verify the accuracy of the volume of money in circulation needed by the rural fair trade, the following is an analysis of the data of the family budget survey conducted by the People's Bank office in Huang Yan County. In 1979, in the ownship the 9 households with 39 members under survey dispursed a total of 9,262 yuan in cash, of which 3,118 yuan were spent in the rural fairs, representing 33.67 percent of the total. Of the 19 households with 91 members in the villages under survey, a total of 11,823 yuan in cash were expended, of which 3,066 yuan were spent in the rural fairs, 25.93 percent of the total. In the cash disbursements of collective entities, about 5 percent was involved in rural fair dealings. As for the mobile population, 30 percent of their expenditure was made in the rural fairs. At the end of 1979, the allocation of money (cash) in market circulation was as follows: 27.35 million yuan were held by commune members, 3.43 million yuan were held by township inhabitants, 5.66 million yuan were cash held in security belonging to collective entities, and 120,000 yuan were held by the mobile population, making a total of 36.56 million yuan. According to the different proportions of cash spent in the rural fairs through the various channels, the following calculations can be made:

Multiplying 27.35 million yuan by 25.93 percent gives 7,091,800 yuan.

Multiplying 3.43 million yuan by 33.67 percent gives 1,154,800 yuan.

Multiplying 5.66 million yuan by 5 percent gives 283,000 yuan.

Multiplying 120,000 yuan by 30 percent gives 42,000 yuan.

Total equals 8,571,600 yuan.

The total volume of money in circulation of the whole county diverted to the rural fairs, thus amounted to 8,571,600 yuan. Since money turns over 11.7 times annually in the rural fairs only five times in the county as a whole, this cash volume entering the rural fair dealings should be multiplied by 5/11.7. To put the figures into a mathematical calculation, 8.5716 multiplied by 5/11.7 equals 3.663 million yuan. This means that about 3.66 million yyan of the money in circulation of the whole county were involved in the rural fair dealings. This figure is basically in line with the figure of 3.59 million yuan yielded by the equation mentioned previously.

An Analysis Of The Development Trend Of The Rural Fair Trade

As mentioned previously in this article, for the last year or so, the rate of growth of the actual transactions executed in the rural fairs greatly exceeded the growth rate of the volume of retail sales of social commodities. In 1979, the proportion of the rural fair trade as opposed to the total retail sales of social commodities in Huang Yan County was 22.98 percent. The estimated figure for 1980 was a higher figure of 30.14 percent. Will the proportion continue to climb without limit? This is a debatable point. In a short-term analysis, considering the fact that the more lenient economic policies were adopted not long ago, a more significant development of the rural fair trade is expected . This is particularly true in the case of wholesale peddling, the proportion of which will increase. The situation of "going for commerce and discarding farming" does exist in a few localities. The development of sideline businesses in the villages as well as other diversifications will also stimulate the growth of the rural fair trade. As the enterprises run by the communes and production brigades as well as the collective neighborhood enterprises in the urban areas develop, a considerable part of their raw materials will come from the rural fair. Their products will also be sold there. As the individual economy of the townships is developing, it is also connected with the rural fairs in multifarious ways. Of course, the development varies in different places. In some places, the momentum of the rural fair trade is still in full swing. In other places, the development has been more moderate. In terms of a long-term analysis, the growth rate of the actual transactions executed in the rural fair cannot and will not constantly exceed that of the total retail sales of social commodities. There are various reasons for this. First, the major products are handled by the state. What are bought and sold in the country markets are products in excess of fulfillment of the state plans, and they are products in small quantities. Moreover, the country market trade is limited to certain specific areas, conducted only 2 out of every 10 days. It is limited in terms of products, locality and time. Second, with the gradual completion of warehouses in the system of supply and marketing cooperatives, part of the long-distance peddling trade may be displaced. Third, some of the commune and production brigades, as well as the agro-industrial-commercial enterprises are developing contracted purchases and sales through negotiation, and thus certain products on sale will decrease in volume (that part of contracted purchases and sales through negotiations taken by the communes and production brigades and those taken by the agro-industrial-commercial enterprises outside of the rural fairs is not included in the figures of actual transactions of the rural fair trade as quoted in this article). For example, in August the straw mats on sale in Lu Qiao township numbered about 2,500 pieces. With the execution of contracted purchases and sales in negotiation with the peasants conducted by the agro-industrial-commercial enterprises of the Lu Qiao District, straw mats on sale have been reduced to about 600 pieces. Fourth, with the adoption of more lenient economic policies, in some localities the peasant market trade gathers momentum suddenly and expectedly, and the administration authorities cannot distinguish between what are profiteering and speculation and what is normal peddling trade. Furthermore, at present they do not have the correct measures to enliven the market or to strengthen the necessary management. Such a situation will continue for a time, but, in time, adjustments will be made under the guidance of the national plan through the application of the law of value and through the lever of credit, taxation, prices and so on. In consequence, the growth rate of transactions executed in the rural fairs will tend to come into a more moderate development stage after a period of comparatively rapid development. With the implementation of the guideline of readjustment of the national economy and with the growth of production of the light and textile industries, it is even possible that the growth of the transactions executed in the rural fair trade may be slower than that of the retail sales of social products. Basically speaking, the proportion of the rural fair trade to the total retail sales of social products will tend to be stable, while the absolute volume in terms of money will keep on growing.

CSO: 4006/97

IMPORTED MATERIALS USED TO EXPAND FOREIGN EXCHANGE REVENUE

Guangzhou GUANGZHOU RIBAO in Chinese 15 Aug 81 p 2

[Article by Lao Xu [0525 6079]: "Using Imports To Support Exports, Make Trade Active, the City's Foreign Trade System Develops Importing Raw Materials for Processing and Realizes Results"]

[Text] The various companies of the city's foreign trade bureau received raw materials from foreign firms for processing and at the same time launched operations to "process imported materials" to create more foreign exchange for the state.

"Processing imported materials" is a versatile method of trade using imports to support exports. Foreign trade companies import raw materials or spare parts from foreign nations, process them and then export them or help to produce other products for export. This method creates more foreign exchange than simply charging for processing fees for "processing incoming materials."

This bureau and its subsidiary companies have for over a year launched "importation of raw materials for processing." They have already imported over 100 tons of steel materials, over 100 tons of nonferrous metals, over 600 tons of plastics, scrap paper, wood, chemical raw materials and such materials, and forcefully eased the difficulty of a shortage of incoming raw materials. The "triangle" brand kerosene stove has been poolar in the international market during recent years. The industrial departments also have productive ability but there is a shortage of raw materials. The city's light industrial exports company imported raw materials to support the development of this commercial product. Last year, 1.5 million stoves were processed and produced. During the first half of this year, the exports of kerosene stoves increased over onefold over the same period last year. Guangzhou's flash lights are a popular item in the international market, but there is a relative shortage of raw materials needed for their production. This company also imported raw materials to support production and tried to satisfy the production needs as much as possible. Last year, over 2.7 million dozen flash lights were exported. During the first half of this year, exports of flash lights increased again. In addition, this bureau's related departments also imported a group of electroplating materials, plastics dyes, fragrant oils and essence of fragrances and such auxiliary materials according to the needs in production to improve the quality of hardware products, plastics products and foodstuffs and to improve the competitive ability of these commercial products in the international market.

In launching "importing raw materials for processing," this bureau and its subsidiary companies paid attention to helping the development of advanced domestic technology. The bureau used over $300,000 to import a batch of advanced foreign electronic and electrical parts to assemble 15,000 television sets, 15,000 tape recorders, 10,000 electronic calculators, 35,000 watches, 600,000 casette tapes for tape recorders, and some household electrical applainces and other commercial products and they were sold in markets and shops to earn foreign exchange. They created for the state a total of over $2.5 million. Since the beginning of this year, they also imported parts to assemble a batch of television sets, tape recorders and watches. In the first quarter, they expanded the revenue from foreign exchange by 1.27 million yuan, an increase of 2.3 times over the same period last year.

9296
CSO: 4006/483

LABOR AND WAGES

LIVING STANDARD IN JAINGSU RURAL AREAS RISING

Nanjing XINHUA RIBAO in Chinese 28 Sep 81 p 1

[Article: "Commune Members' Sideline Income Increases, Market for High and Medium Quality Commodities Expands"]

[Text] The provincial statistical office has announced the results of an economic survey of 1,000 rural commune member households in the province's 22 counties: in the first half of this year, commune member household sideline industries continued to develop, cash income increased, the standard of living improved steadily, and the market for high ahd medium quality commodities in the countryside expanded.

These 1,000 households had an average per capita foodstuff output from self-managed plots (private plots and feed plots) of 36,6 jin, equivalent to 1 month's food supply; the increase in output of oil-bearing crops was even more marked, reaching a per capita figure of 6.3 jin, which exceeds last year's provincewide figure of 4.4 jin. In the first half of the year the households sold an average of 46.5 jin of foodstuffs from self-managed land, sold or slaughtered an average of one fattened pig, and sold an average of 12.6 jin of eggs, resulting in an increase of 90 percent over last year's figure for products marketed. On average the per capita income was 79.2 yuan, of which 51.3 percent was from sale of agricultural sideline products.

In the first half of this year, these 1,000 households had an average per capita cash expenditure of 90.4 yuan; the proportion spent for the purpose of foodstuffs and daily-use articles (including the "four major items" and major household furniture) was equivalent to more than 60 percent of last year's total cash expenditures.

On the average, there were 2.8 bicycle purchases, 2.5 sewing machine purchases, 6 radio purchases, and 8.4 clock and watch purchases (including 7.4 wristwatches) per hundred households in this thousand-household sample.

The statistics given above indicate that the standard of living of the broad mass of agricultural commune members in our province is steadily rising and that demand for high and medium quality products is steadily increasing. The relevant departments must make a major effort to increase their production of consumer products in order to satisfy the growing needs of the countryside.

8480
CSO: 4006/45

GENERAL

HOW TO IMPLEMENT MANAGEMENT RESPONSIBILITY SYSTEM DISCUSSED

Nanjing XINHUA RIBAO in Chinese 28 Aug 81 p 2

[Article by Cui Peidu [1508 0160 4048] and Hong Tao [3161 3325]: "Internal and External Responsibility of Enterprises Practicing the Economic Responsibility System Must Be Matched"]

[Text] During the course of implementing the economic responsibility system, the two links of the external economic relationship of the enterprise and the internal relationship of distribution within the enterprise must be handled well. One of the prerequisites to implement the economic responsibility system is that the state gives contracts for work to the enterprise, the profession and even to the locality in order to solve the problems of overly tight control and "eating from the big pot" and to handle the external economic relationships of the enterprise well. Combining the responsibility systems at each level and the principle of distribution according to work to overcome equalitarianism and to handle well the internal relationship of distribution of the enterprise are important foundations for implementing the economic responsibility system. The two links are mutually supplementary and act upon each other. Only by matching these two links and simultaneously grasping them well can the economic responsibility system be implemented on an overall basis so that the duties and responsibilities of each sector are clear and the correct combination of the economic benefits of the state, the enterprise and the individual worker can be realized.

How can these two links be matched well? The key is to emphasize the word "responsibility." Each level must be responsible to the end. The good or poor performance in production by the industry and the enterprise and the business profit or loss must depend upon the efforts of the enterprise itself, on the one hand--this is of course the main aspect--but on the other hand, they are limited and affected by many factors outside the enterprise; for example, the planned index (including yield, quality, profit, cost and such major indexes), whether they suit the actual situation, whether raw materials, fuel and power are supplied in time according to plan, whether the marketing channels for the products are open, whether the price and the tax rate are reasonable, whether the necessary capital and labor can be obtained, whether there are definite autonomy and limitations in business management, etc. These must all be determined with the active support and the rational solution of some economic management departments outside the enterprise, and overly tight control and "eating from the big pot" will surely affect and confine the enthusiasm of the enterprise. Therefore, to carry out the economic responsibility system in industrial production well, the word "responsibility" must be emphasized both within and outside the enterprise. If responsibility is assured within but not outside the enterprise, if the lower echelons are responsible but the higher authorities are irresponsible, thus carrying out a "half-responsibility system," then it is certain that responsibility will not be carried out well and assurances (assurances of income) will not be solid. The situation will still be one of "providing the big meal" by the higher authorities and "eating from the big pot" by the lower echelons. Comrades of Suzhou city directed their attention to this situation and asked that these two links be unified under the word "responsibility;" it implemented the level-by-level responsibility system of "the three outer levels" and the "three lower levels." The "three outer levels" refers primarily to profits and means that the state (province) contracts to the city, the city contracts to the bureau (company), and the bureau (company) contracts to the enterprise; the "three inner levels" refers primarily to quotas and means the enterprise contracts to the workshop, the workshop contracts to the shift, and the shift contracts to the individual. We believe that this level-by-level responsibility system is indeed a good method. Only in this way can the economic responsibility system be truly implemented.

Then how is level-by-level responsibility carried out? The forms of being responsible for work are not fixed or uniform because they must be suited to the circumstances of the place, the time, the profession, the enterprise and the type of job. External responsibility of the enterprise: this can be carried out by regional responsibility--the city and the locality can be responsible to the province. A county can be selected as the region to implement on a trial basis the method practiced by Qingyuan County in Guangdong. This can also be professional responsibility (bureau, company), such as keeping a percentage of the profits and proportionally dividing the profits of the profession and the profits of the enterprise (company) with enlarged authority. This can be responsibility for the loss of a losing enterprise (profession): losses beyond set allowances are not subsidized, the amount of loss not realized is left for use by the responsible unit. It can be responsibility for profits of an enterprise making slight profits, keeping a proportion of the surplus harvest and keeping more of the amount deducted from withdrawals. It can be a conversion of the profits of a small state-operated enterprise into taxes according to the method of the collective enterprise. It can also be "double reduction by half" and yearend bonuses from surplus profits of a collective enterprise, etc. Distribution within the enterprise: this can be wages for piecework or wages for piecework over the quota. It can be floating wages with rewards for piecework. It can be rewards for surplus yields (including rewards for piecework beyond the fixed quota). It can be rewards of work points. It can also imitate the linking of planned output with remuneration practiced in the farm village to contract production to the shop, shift and the individual.

At present, in the course of implementing the economic responsibility system in industrial production, regardless of which form of responsibility is used and regardless of whether it concerns the external economic relationships of the enterprise or the internal relationship of distribution of the enterprise, consideration must be given to the complexity of this work, the broad scope and the strong policy nature. We must investigate profoundly to understand the root cause and analyze the situation on an overall basis and seek truth from facts. We must pay attention to one tendency covering another tendency, and we must prevent this or that kind of onesidedness. For example, the responsibility indexes for a profession and an enterprise must be set so that they can be achieved by insisting on the exercising of effort, and we must also make sure that the profession and the enterprise will be able to surpass in yield and realize benefits. Similarly, the quotas set internally by the enterprise must be maintained at an advanced level: they must not be too low, thus providing wages for labor not performed as surplus labor, and we must also emphasize that they should be reasonable, they cannot be too high, thus making it impossible for most of the workers to achieve the goals and discouraging their enthusiasm. The method of responsibility for work must fully manifest the combination of authority, responsibility and profits so that the enterprise exercises the authority and reaps the benefits. At the same time, we must concretely strengthen national supervision, prevent and oppose the tendency of departmental selfishness and illegal behavior of some enterprises that make false reports, converting large public benefits to small public benefits, "bilking the nation to fatten oneself" so that we can assure that the nation will have increased income. While handling the relationship of internal distribution of the enterprise, we must pay attention to unified planning with due concern for all aspects, solve the "five relationships" between new and old workers, operators and assistants, workers and scientific personnel, workers and leading cadres, shops and shops. We must mobilize the enthusiasm of each sector, we must insist on distribution of work according to the quantity and quality of labor, and we must not distribute work grossly unevenly because we are afraid. We must not limit "leaders" that have emerged. We must reward surplus labor. It would be best if we could give rewards like they are given in farm villages, "without upper or lower limits;" more surplus work should be given more reward and less surplus work should be given less reward, and no reward should be given when there is no surplus labor. Those units that cannot complete the quotas should be punished, and reward and punishment should be clearly separated. Otherwise, if we use a "cover" to cover everything, if we do not give more reward to more surplus labor or yield, and if we do not give rewards for small surpluses, then, even if there are differences, even if the differences are small, we can only "use small equalitarianism to oppose large equalitarianism," and in the end we will still be unable to overturn equalitarianism. In the entire work of implementing the economic responsibility system, we must pay attention to using economic methods to implement the responsibility system and mobilize enthusiasm. We must also rely on strong and forceful ideological and political work, actively carry out well the ideological building of the group of leaders of the enterprise and the worker team, and guide the work of popularizing the economic responsibility system to develop in a healthy direction. We must enliven microeconomics through the responsibility system, and we must not neglect strengthening the guiding and planning of macroeconomics and strengthening the supervision of enterprises by the state. Generally speaking, when we do anything, we cannot take care of one thing and neglect the other, grasping this side but losing the other side. And to make the responsibility system effective, we should increasingly operate in this way.

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IMPROVEMENT OF COMMODITY CIRCULATION PRACTICES URGED

Kunming YUNNAN RIBAO in Chinese 20 Sep 81 p 1

[Article: "Resolutely Correct Unhealthy Tendencies in Commodity Circulation"]

[Text] Recently, in keeping with the spirit of relevant directives by the State Council, this province's People's Government issued a document entitled "Several Regulations on Resolutely Checking Unhealthy Tendencies in Commodity Circulation" and requested that the various localities and departments implement it conscientiously.

This document cited certain problems in commodity circulation in this province and then pointed out that unhealthy tendencies in commodity circulation seriously corrupt social values, interfere with the normal progress of regulation and reform of the national economy, disrupt smooth implementation of the state plan, and hinder normal functioning of the markets. Accordingly, the document stipulates the following:

1. Materials and commodities under state control (including production materials and means of livelihood) shall all be managed by the cognizant departments, and no other department or unit may manage or engage in commodities activity without permission. It is forbidden to use goods for which there is intense demand to establish relationships, expedite transactions "by the back door" or engage in illegal collaboration. It is forbidden to raise prices, negotiate prices or institute "middleman's prices" between two organizations.

2. The "Notice on Saving Nonproduction Expenditures and Opposing Waste" issued by the Central Committee and the State Council is reaffirmed. All departments and units are forbidden to use public funds to entertain or give gifts; enterprises and institutions and economic organizations are forbidden to adopt pretexts for issuing money to buying and selling personnel to establish relationships. It is forbidden to entertain under the guise of inspecting work, inspecting production, or holding on-the-spot meetings, cooperative meetings or exchange meetings. It is forbidden to demand property from another unit under the guise of "cooperation." It is forbidden to demand or accept such improper additional payments as "sales commissions," "service charges," or gratuities. Those who entertain or give gifts with public funds shall not be reimbursed for their expenses; the costs shall be borne by the instigator of the action. Those who

violate state policy provisions by demanding or receiving various types of payments shall be treated as having engaged in bribery or corruption.

3. Finance bodies, banks and financial departments at all levels must remain on guard and strengthen their economic oversight in transfer of accounts, closing of accounts, collection and reimbursement. Those who act in an unprincipled manner, give out false information, act by tacit agreement with ringleaders, use official position to initiate unauthorized relationships, or act contrary to the financial and economic system, shall be dismissed.

4. No commodity management department or unit may divert commodities to itself at low prices or at artificially cut prices; products whose prices really need to be lowered and for which permission to lower prices has been secured must in all cases be put on the open market for sale. Those who disobey this provision shall be required to make up the difference in accordance with the retail price and shall, depending on the gravity of the offense, be dealt with as accomplices or ringleaders.

5. It is strictly forbidden for any department, unit or individual to engage in speculation or profiteering with state materials and commodities which are in short supply, including illegal buying or selling of supply quotas, certificates, receipts, or contracts or renting or lending of bank accounts, checks. cash and the like. All violators shall be treated as speculators and profiteers.

6. Leadership cadres at all levels must set a personal example and are strictly forbidden to provide or receive entertainment or to take bribes, to give improper instructions or to harbor or tolerate breaches of discipline; they must actively support the masses and the auditing personnel in exposing and resisting all unhealthy practices, and must deal strictly with cases of infringement; they are forbidden to use any pretext to hinder investigations or to attempt retaliation. Those who are guilty of such offenses shall be subject to the strictures of the law and shall be dealt with harshly.

The document also requests that all localities and departments conduct a conscientious inspection of how well policy and the system are being implemented and take effective and resolute measures to put a stop to this unhealthy tendency. In addition, all relevant departments must join together to do this work effectively.

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ALL-OUT EFFORT IN FOURTH QUARTER CALLED FOR

Jinan DAZHONG RIBAO in Chinese 30 Sep 81 p 1

[Article: "Prepare for an All-Out Effort in the Fourth Quarter; Promote the Economic Responsibility System"]

[Text] A provincewide industry and communications work conference was recently held in the capital of [Shandong] province. It was attended by persons responsible for industry and communications work in all the prefectures and cities, and by economic committee chairman, heads of finance offices, and responsible persons from industry and communications offices and bureaus directly subordinate to the province and in the cognizant departments. At the conference, the relevant directives of the Central Committee leadership and the spirit of the national industry and communications work conference were communicated to the participants and studied; particular discussion and study were devoted to good industrial production work in the fourth quarter of this year and good preparations for next year's production, continued promotion and improvement of the economic responsibility system, further effective enterprise reorganization, and effective technical transformation of existing enterprises. Deputy province chief Comrade Liu Peng [0491 7720] gave the report, and province party committee secretary Comrade Qiang Xiaochu [1730 2556 0443] made the closing speech.

At the meeting, the status of industrial and communications production work in the first 8 months of the year was analyzed, and industrial production during the fourth quarter of this year and industrial production tasks for next year were studied. All prefectures, cities, departments and enterprises were requested to mobilize vigorously for a major effort in the fourth quarter, to do everything possible to guarantee fulfillment of this year's state plan and to strive to increase output and profits. In addition they were requested to make active preparations for next year's production. The following measures for effective performance of this year's and next year's industrial production were studied: First, continued energetic development of daily-use consumer items, with a focus on products of the textile and foodstuffs industries and on ten types of household machines, and with emphasis on production in collectively-owned enterprises and commune and brigade enterprises. Second, ways must be found to stabilize heavy industry and make it gain ground; the key is good work in coal production and machinery production. Third, all industries and sectors must give top priority to increasing the number of varieties and improving quality, and must improve the competitiveness of their products. Fourth, an earnest effort must be made in the conservation of raw and other materials and fuels, and particularly in the conservation of energy, and conservation must be used to achieve increased output. Fifth, management and administration must be strengthened, economic accounting must be made stricter, and economic results must be improved.

Special study was made of the continued implementation and improvement economic responsibility system. It was pointed out that within the economic responsibility system the interests of state, enterprise and employees alike must be handled correctly, and with the precondition of large revenues for the state, the enterprises should get to retain more money and the employees to earn more money. Increased employee earnings should be accompanied by increased profits and higher labor productivity. In developing the economic responsibility system attention must also be given to the following points: first, situations in which high-profit enterprises make a major effort and low-profit enterprises do not and in which production is divorced from social needs must be prevented; second, we must assure product quality, oppose crude, slipshod manufacture, and intensity oversight; third, in the matter of increasing employee earnings, account must be taken of the surrounding circumstances; the enterprises' cost per unit output and contribution of wages to unit cost should be declining, not increasing; fourth, the internal impetus created in an enterprise by the economic responsibility system should be directed toward enterprise reorganization and improvement of the quality of administration and management. Next year's performance contract objectives for the province's industrial and communications system were studied at the meeting. In principle this year's performance contract base figures should be used for next year, adopting them to increased output. In the case of enterprises with increasing profits, this year's performance contract base figures may be progressively increased by a certain percentage, and the percentage of profit retained may also be suitably adjusted; in the case of enterprises whose output will change considerably next year, adjustments can be made in accordance with individual circumstances. Next year's performance contract system should, as far as possible, involve performance contracts for each level in each of the industries in question so that the enterprises' cognizant departments will also have a certain degree of economic responsibility.

Technical renovation of existing enterprises was also studied at the conference. The focus in technical renovation should be placed on modernizing equipment, modernizing processes, product replacement, improvement of quality, more varieties, energy conservation and comprehensive utilization of resources in order to achieve better economic results.

Conference participants requested that leadership cadres at all levels on the industry and communications front conscientiously study and implement the spirit of the conference on problems of the ideological front held by the Central Committee and stir up enthusiasm, improve work style, overcome slackness and lack of focus, and intensify ideological and political work. Leadership cadres of the industrial and communications departments must visit the lower levels, conduct their business on-site, and go to the basic levels to solve problems. Various industrial and communications offices and bureaus must follow the lead of the main leadership cadres and organize cadres in these bodies to get down into the plants, take part in the productive labor, put the situation in order in a group of key enterprises and get industrial and communications production moving forward.

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EXPANDED HOUSEHOLD SIDELINE PRODUCTION ADVOCATED

Nanjing XINHUA RIBAO in Chinese 30 Sep 81 p 1

[Editorial: "Develop Household Sideline Production, Made the Rural Economy Prosper"]

[Text] While we make a major effort in grain production, the energetic development of economic diversification is of great importance for rational utilization and development of various resources, vigorous development of commodity production and maintaining smooth forward progress in our country's modernized agricultural construction. Currently, while vigorously developing a diversified collective economy, we must devote attention to actively promoting and supporting such household sideline enterprises, carried on by individual commune members or as joint operations, as breeding [of aquatic products], cultivation, handicrafts, transport and services.

Commune members' household sideline industries are a necessary complement to the socialist economy. Supporting these sideline industries is an important part of promoting economic prosperity in the countryside. The development of commune members' household sideline industries does not require large investments by the state or the collective, results are achieved quickly, and they are capable of promoting rapid development of the commodity economy. We should not underestimate these activities: if each household raises a few pigs or goats or a flock of chickens, ducks or geese, keeps a few rabbits or a few beehives, plants some melons, fruit or vegetables, plants a few trees or a few dozen trees near the house, or does some weaving, fishing and the like, the cumulative results for 1,000 or 10,000 households will be considerable. Last year, of the 400,000 fattened pigs that were sold in Nanjing city and suburbs, 351,000 or 88 percent had been raised by commune households. Poultry and eggs are supplied almost entirely by household sideline activity. Developing such sidelines is also an important way to bringing quick prosperity to the peasants. The per capita income of commune members in Suzhou prefecture last year was 133 yuan, of which 68.2 yuan or 29 percent was from sideline activities. Some communes, brigades and individual commune members relied primarily on sideline activities for their cash income. In particular, the best way for some impoverished households with limited manpower and heavy burdens to alleviate their difficulties and move toward prosperity is development of sideline activities. Developing sideline activities can bring unused manpower thoroughly into play and assure full, rational utilization of dispersed resources. Some workers with limited strength find it difficult to participate in collective labor but can make a considerable success of a household sideline. Moreover it should be noted that after the responsibility system is instituted throughout agricultural production and labor productivity is increased, surplus manpower and available spare time increase, and accordingly we may foresee that as modernized methods of production are adopted and labor productivity is further increased, there will be more surplus labor available. Active encouragement and support of commune members' household sideline activities will provide a means of utilizing large amounts of surplus manpower over and above that which the collective places in its own industrial and sideline activities, so that the collective and the individual will complement each other and work for the development and prosperity of the socialist agricultural economy and the development of modernized agriculture. The economic results of commune members' household sideline activities are generally rather good because the sideline activities are capable of leading to thorough, rational utilization of dispersed resources, thus promoting and supporting the collective economy. If thousands and thousands of households are mobilized, all manner of special personal skills are brought into play and all varieties of resources are rationally employed in developing household sideline activities, this will actually constitute a complete liberation of the rural labor force, of natural resources and of productive forces, and will play an important complementary role in making the socialist economy prosper.

This province is densely populated with medium and small size towns and cities, communications is rather well developed, agricultural labor is plentiful, there is an abundance of mechanical skills and extensive usable natural resources, and not only do there exist many traditional household sidelines, but many new activities have been developed, with the result that the province has many favorable conditions and much potential for developing sideline activities. In recent years, relaxation of rural economic policy has resulted in a considerable increase in commune members' household sideline activities in this province. The percentage of commune members' net annual incomes produced by these activities has been steadily increasing, reaching 26.7 percent in 1980; but the 1963 level is still far from being equalled. The provincial party committee and government request that all localities conduct overall planning for diversified collective economies and commune members' household sideline activities so as to bring about division of labor and cooperation, and that they strive to make commune members' net income from household sidelines increase considerably in the next 2 years. This is also a pressing requirement for the broad mass of cadres who are commune members, and we must strive to achieve it as quickly as possible.

The key to developing commune members' household sidelines is implementation of the party's relevant policies and the use of policy to enlist commune members' enthusiasm. After commune members complete their collective production tasks, provided that they do not rent their land, hire and exploit labor, practice speculation and profiteering, or do harm to natural resources, they may engage in any form of sideline activity, and all projects which the collective cannot run but can suitably be assigned to individuals to run should be turned over to individual operation as soon as possible. Not only should the enterprises refrain from arbitrary imposition of limitations and interference, but they must provide financial, seed supply, technical and marketing support, and in particular must redouble their concern for and active assistance of commune members in difficulties. In developing their household sidelines, because technical levels and labor inputs differ, the commune members will inevitably and naturally obtain different levels of profit. The fact that some commune members' profits stand out a bit above the rest should not immediately lead to the conclusion that there is a capitalist polarization, and to restrictions or attacks on commune members' household sidelines. Production teams with excess manpower can offer some commune members with skills the option of taking part in communal productive labor or specializing in [aquatic products] breeding, handicrafts or other family sidelines, while retaining their support from the collective. But some key households or specialized-trade households must have certain obligations to the collective to provide accumulation or fertilizer or to complete a state sales assignment or the collective's capital construction assignment.

As commune members' household sidelines develop and the number of agricultural sideline products increases, it will be insufficient to rely only on the state-run commercial channels for circulation, and accordingly effective work must be done to promote the country fair trade and to restore and develop the positive effect of rural market towns and distribution centers for agricultural sideline products. Agricultural sideline products from the commune members' sideline activities, other than those which cannot be marketed according to state standards, may be sold at will once state sales assignments are completed. Industrial and commercial administrative departments must protect the commune members' legal activities, including facilitating commodity circulation, and must promote the development of the commune members' sideline activities. Commercial and supply and marketing departments must strictly observe state procurement policy and price policy, and may not arbitrarily lower the grades or prices of products and thus cause loss to the peasants. They must also strive to improve their operating methods, increase their service orientation and do everything possible to make things easy for the peasants. Comrades in the various industries and in particular cadres at all levels must bear firmly in mind the Central Committee's and State Council's statement in their circular on the problems of expanding the rural economic diversity: "If we do not first address and effectively solve the problem of providing basic necessities for the 800 million peasants and of bringing them prosperity, but instead think only of buying more of the various agricultural sideline products needed by the cities while forgetting to make an all-out effort to help the peasants produce more of these products, so that we are buying up the eggs, killing off the chickens and fishing out the ponds, then progress in the overall cause of modernization will be out of the question."

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GENERAL

CRITICISM OF LIBERALIZATION SEEN AS NECESSARY TO ECONOMIC CONSTRUCTION

Nanjing XINHUA RIBAO in Chinese 30 Sep 81 p 3

[Article by Lu Yiming [4151 5030 2494]: "Will Criticism of Liberalization Tendencies Hinder Economic Construction?"]

[Text] For some time there has been a trend toward bourgeois liberalization on the ideological front. We naturally must use rigorous criticism and the necessary amount of struggle to overcome this erroneous tendency. But some comrades believe that we should currently be concentrating our efforts on improving the economy and that opposing bourgeois liberalization may dissipate the leadership's and the masses' strength and hinder economic construction, so that it amounts to "dropping a watermelon while grasping for a sesame seed." This question needs to be clarified.

It is true that we should concentrate our efforts on improving the national economy. This is the party's firm and unalterable policy. Back at the Third Plenary Session, the Central Committee unequivocally made the great strategic policy decision to shift the work of the entire party to the development of socialist modernization. The "Resolution on Certain Historical Questions Since the Foundation of the State" which was passed by the Sixth Plenary Session also drew the historical conclusion that with the socialist transformation essentially complete, the main contradictions which we must resolve are contradictions between the people's growing material and cultural needs and backward social production. Historical experience teaches us that the essence of our past errors was that under the guidance of "left" ideology we failed to carry out unswervingly the party's strategic shift in the focus of its work, and instead, during the Cultural Revolution, we actually came forward with the erroneous "theory of productive forces only," which was fundamentally at variance with historical materialism, with the result that the national economy was gravely harmed. This was a bitter lesson. In the future, we must adhere firmly to the central concern of economic construction, and unless there is a large-scale invasion by an external enemy, we must not again depart from this central concern. This in incontrovertible.

But this does not mean that we can be indifferent to problems in the ideological sphere and trends toward bourgeois liberalization. According to the Marxist viewpoint, the economic base and the superstructure, material production and spiritual construction are interconnected and interrelated and cannot be separated from each other. On the one hand, we should admit the decisive effect of matter on spirit and of the economic base on the superstructure. But on the other hand, we must also perceive the reaction of spirit upon matter and of the superstructure on the economic base. To proceed with our socialist economic construction, it is of course important that we act on the basis of objective economic laws, but likewise we must not neglect to do effective work regarding the state of consciousness or to strengthen spiritual and cultural construction. Advanced theories and healthy culture and art, in keeping with the socialist economic base, which lead the people in their vigorous upsurge, serve as a great impetus toward economic construction. Conversely, erroneous ideas and theories and unhealthy art and culture hinder economic development. The reason that we engage in criticism of bourgeois liberalization on the ideological front is to make our superstructure, and especially the state of consciousness, accord better with the economic base, so as to assure that socialist economic construction can proceed smoothly.

We must clearly recognize the harm which bourgeois liberalization brings to the development of the four modernizations. In order to carry out economic construction we must have a firm and correct political orientation, and all of the people must concentrate their minds on it, devote their whole strength to it, and bring boundless confidence to it. But the erroneous tendency toward bourgeois liberalization, embodied in certain people's articles, speeches and literary productions, denigrates our socialist fatherland, depicts the socialist system as devoid of any merit, disseminates doubt and negative attitudes, disperses the people's spirit of struggle and shakes people's confidence, in the hope of enticing people away from the socialist path. But if we leave the socialist orientation, our economic work will undoubtedly take an incorrect path, and there will be no question of socialist modernization. Implementation of the four modernizations requires that the entire party and the entire people unit solidly around the party Central Committee and unanimously engage in arduous struggle. But bourgeois liberalization would lead people away from party leadership and would have the party "rule without intervention"; it even slanders and ridicules the image of the party. If we were to depart from party leadership and separate ourselves from the party, the nucleus which leads our cause, our country would inevitably disintegrate; without a unified ideology and without a unified purpose, how could there be any question of normal economic construction?

Accordingly, criticizing bourgeois liberalization is not a small matter, some "sesame seed" that one can reach for or not reach for, but rather is a major matter which has an effect on whether we can adhere to the four basic principles and to our socialist prospects. While strengthening leadership over economic work, our leaders at all levels must also strengthen their leadership on the ideological front, overcome the current state of weakness and lack of focus, bestir themselves and boldly seize the weapon of criticism in order to struggle against erroneous tendencies such as bourgeois liberalization. Although this requires that we expend a certain amount of effort and do some thorough and painstaking work, it is worthwhile and must not be underestimated; for it can only benefit the cause of economic construction, it cannot hinder it.

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GENERAL

ELIMINATION OF 'WELFARE PRODUCTS' PRACTICE ORDERED

Shanghai WENHUI BAO in Chinese 3 Oct 81 p 1

[Article: "Stop the Unhealthy Tendency of 'Welfare Products'"]

[Text] The "Circular on Some Units' Indulgence in 'Welfare Products,' Which Harms the National Interest," recently published by the municipal party committee and People's Government, requested that all systems and units make a factual, conscientious inspection and resolutely correct the unhealthy tendency of "welfare products," assimilate the lessons of this experience and prevent recurrence of the practice.

For some time, responsible persons of some enterprises and service units have used "concern for employee welfare" as an excuse for producing "welfare products," involving a shocking number of varieties and range and number of products and creating a serious situation. This is a phenomenon which is detrimental to state and collective interests, substitutes private interests for public ones, and is an unhealthy tendency in the economic sphere. The Central Commitee, the State Council, the municipal party committee and the municipal People's Government have repeatedly warned that the "Guiding Principles" must be implemented, that strict financial and economic discipline must be instituted, but responsible party and government cadres in some of our departments and units act as though they had heard nothing and were unaware of this harmful and noxious tendency; some of them even connive at and protect such practices and profit by them. Party organizations and administrative leadership departments at all levels must deal severaly with this problem and must conscientiously implement the spirit of the Sixth Plenary Session and of the conference on problems on the ideological front, must conscientiously improve the leadership's lax and unfocused attitude, must stimulate new vigor, join with the employees to wage an arduous struggle, and make a contribution to the development of the four modernizations.

The circular requests that all systems and units designate discipline committees, trade unions and finance organizations to examine into and deal with instances of "welfare products" occurring since 1980. Organization leaders who knowingly did wrong, did not heed warnings to cease, pretended to comply while engaging in wrongdoing, and engaged in deception, must be dealt with by party and government disciplinary proceedings, and those who have committed criminal offenses must be turned over to the courts for legal action. If cadres in leadership organizations or principal party or government leadership cadres in enterprises or services are found to be involved, they must all be required to make restitution in accordance with the principle of "no gaining of unfair profit in economic matters"; and investigations must be made among the masses and responsibility taken. Any future occurrence of "welfare products" activities will result in ascertainment of the responsibility of the relevant leadership personnel.

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GUIDING PRINCIPLES OF SIGNING A FOREIGN CONTRACT REVIEWED

Guangzhou YANGCHENG WANBAO in Chinese 19 Aug 81 p 2

[Article by Zhang Jielin [1728 2638 2651]: "Several Principles Must Be Grasped Well in Signing Foreign Economic Contracts"]

[Text] As our province gradually implements "special policies and versatile measures," signing economic contracts with foreign businesses will necessarily increase day by day. In external economic activity, whether it is joint ventures and management, cooperative production or importation of raw materials for processing, or compensatory trade, the first problem encountered is to negotiate and to sign economic contracts with foreign firms.

At present some problems worth noting, exist in the signing of foreign economic contracts, because we do not have a foreign economic contract law. For example, some contracts are not signed by the responsible persons of the enterprises themselves (legal person) but by responsible persons of the higher level administrative agencies and handed down to the enterprises within their jurisdiction for execution. This has caused economic loss, but afterwards, the higher level administrative agencies who participated in the signing have refused to shoulder any responsibility. Whether the foreign firm has a legal status was not investigated and the legal representative who came to sign the contract was accepted without having him show papers of power of attorney; contracts were signed and a situation where the contracts could not be executed was created. Some contracts had a simple content, the articles were general. For example, some contracts for processing raw materials contained only 200 to 300 words, and the contracts did not specify or did not clearly state the time, place, quantity, varieties, specifications, quality, inspection and acceptance, packaging, transportation, insurance, foreign exchange of incoming raw materials and the delivery of merchandise. Some contracts were even contradictory and written expressions were not accurate. Some contracts did not stipulate economic responsibility, and economic loss caused by violation of the contract could not be pursued. Some contracts that stipulated compensation for loss did not provide property assurances, and compensation could not be sought for loss. For example, delay in the supply of raw materials causing factories to shut down operations, delay in the payment of work or delay in work schedule for several months have caused a loss on our side but we were unable to seek compensation. Some contracts contained unfair and improper stipulations regarding rights and duties. For example, some contracts require party A to provide letters of credit to party B but they do not require party B to provide letters of credit to party A. Some contracts require party A to pay for the floating interest payments on loans taken out by party B, while party B is not required to be responsible for loan interest of party A, etc. The main reason for the emergence of such problems is that the fundamental principles in signing economic contracts that must be grasped were not understood clearly.

What are the fundamental principles that must be grasped in signing foreign economic contracts?

First, both parties involved in the signing of the contracts must possess legal status, they must have the authority and the capability to sign and to execute the economic contracts. Our representative must be a legal person. A so-called legal person is necessarily a legal organization recognized by the state and must be an organization which possesses the ability independently to manage property, independently to shoulder the duties related to civilian property and to participate in civil disputes. A foreign firm, besides being a legal entity, can be an individual. If he is an individual, we must understand whether he has any powers of execution. If the foreign firm is a legal corporation, we should understand whether it possesses the ability independently to shoulder all economic responsibilities and the ability of compensation. The contracts signed by an interested party who does not possess legal status and who cannot shoulder economic responsibility will not be assured of execution and the responsibility cannot be fulfilled to the other party, and thus the contracts themselves lose meaning. Such parties cannot participate in the signing of contracts.

Second, the signed contract must coincide with related legal requirements of our nation. If a contract contains stipulations contrary to our nation's laws, violates related regulations of our nation's laws and policies, it is not allowable, and the signed contract is void under the law.

Third, signing contracts must follow the principle of fairness, voluntariness and negotiation. This is because a contract is an instrument stipulating the "union" and the "agreement" of both parties. Therefore, the parties of the contract are equal under the law. The content of the contract must be discussed in detail, and an agreement is finally reached after full negotiation. Only such a contract can reflect the common benefits of the parties involved. A contract is legal only when it is signed on the basis of equality and voluntary negotiation. All forms of contracts which are monopolistic or fraudulent are not allowed.

Fourth, signing contracts must follow the principle of price equality and compensation. Legally speaking, this means the rights obtained and the duties borne by the parties to the contract must be reciprocal. No party should enjoy rights but have no duties and no party should have duties but not enjoy rights. For example, contracts for processing imported raw materials should not simply state the time of delivery, the place, quality and the economic compensation in case of contract violations and not state the time of delivery of the raw materials, the location, the specifications and quality of the raw materials and the economic compensation in case of contract violations. At the same time, conditions for seeking compensation of loss due to the failure of executing the contract by the other party should also be reciprocal.

Fifth, the fundamental content and the legal procedures for signing a contract must be complete. The content of the contract must be of a common nature, and specific content according to the different forms of the contract must also be clearly stipulated. For example, a compensatory trade agreement should clearly state the name, quantity, quality, specifications and model numbers, quality and performance, degree of newness, how advanced the equipment is, accessories of the equipment, price conditions, delivery dates, location and means of transport, packaging requirements, documentation, inspection, method of repayment, payment conditions, and transfer of property rights of introduced equipment. Reporting procedures must be carried out according to regulations, such as requirements for reporting to higher agencies for inspection and approval or for notarization, for reporting to industrial and commercial agencies, customs and closing account banks. Contracts will be honored by law and be legally binding only when all necessary procedures have been completed.

Sixth, the principle of economic responsibility must be implemented. The contract must stipulate clearly the responsibilities of both parties and the method of compensation for loss and for the seeking of compensation. It must also have specific stipulations of assurance. Fines or compensation for failure by either party to completely carry out the contract must be handled according to contract stipulations. Revision and nullification of contracts must be done according to procedures stipulated by law. Neither party has the right unilaterally to cancel or change contracts. If one party needs to revise or terminate the execution of a contract, such action must be negotiated and agreed upon by both parties, and it must be reported to concerned authorities and approved. If one party fails to execute the contract and causes the other party to suffer a loss, that party must bear the economic responsibility for the loss of the other party.

Foreign economic contracts are written agreements between our nation's companies, enterprises or other economic organs and foreign or Hong Kong and Macao companies, enterprises and other economic organs to develop economic exchange and strengthen technological exchange as signed according to law to establish civilian rights and duties. They are legal actions that express the uniform intention of both parties. Legally drawn contracts are protected by law, they are binding on both parties of the contract. Contracts cannot be altered without following the law or without the agreement between the two parties to the contracts. Therefore, when we sign contracts, we must first do well the preliminary investigation work and also the study and preparatory work. When signing contracts, we must be serious and conscientious, the content must be specific overall, the stipulations must be clear and detailed. The words of the contract must be clear and exact. Contracts must not be concluded carelessly. Only in this way can the active function of contracts be developed in serving the development of foreign economic activity.

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'JINGJI GUANLI' ON TECHNICAL TRANSFORMATION

HK190357 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 81 p 3-6

[Article by Chen Yi [7115 2496]: "Overall Technical Transformation of the National Economy Must Be Carried Out."]

[Text] 1. The Readjustment of the National Economy Should Be Combined With Technical Transformation

During a period of economic readjustment, how to combine this readjustment with technical transformation is a question that should be seriously studied. At present our country's industrial situation is that while light industrial products and textiles are unable to meet demand, heavy industry, particularly the machine-building industry, is operating below capacity. To increase the light and textile industries' productive power by closing, suspending or amalgamating factories or switching them to other production is only a temporary measure and is not the best method. Such amalgamation and switching can neither greatly increase the productive power of the light and textile industries, nor can it help to accelerate the socialization and modernization of production. The current situation is one of "tearing down the eastern wall in order to repair the western wall." In actual fact, neither of these "walls" is newly built, as both have been in a state of disrepair for a good many years. Furthermore, this approach also raises two other questions: First, when most of the heavy industry is operating below capacity, how is the national economy to maintain a steady rate of growth; secondly, how should this temporarily-idle productive power be employed, readjusted, strengthened and improved? In the final analysis, implementation of the four modernizations must ultimately depend on heavy indsutry, and on the machine-building industry in particular.

For these reasons we should view readjustment as a positive measure and not as a case of taking down the eastern wall in order to repair the western wall. By combining readjustment with technical transformation, the whole of the national economy can be revitalized.

It was said recently by a leading comrade that, "in the past the emphasis was placed on new construction and external growth; now the emphasis is placed on technical transformation and internal improvement. This is a strategic change in our policy for construction. The need to make full use of our present material and technical base and to carry out an overall technical transformation of the national economy is an important task which influences the whole economic situation and one which now clearly faces all parts of the industrial sector, especially the machine-building industry." During the period of readjustment the use of the whole country's machine-building power to carry out a gradual technical transformation will allow us to kill two birds with one stone: as the level of the entire national economy is gradually raised and such a transformation is carried out throughout the economy, the machine-building industry itself will also be transformed. The phenomenon of lopsided development will then disappear.

2. If the Four Modernizations Are To Be Implemented, an Overall Technical Transformation of the National Economy Must Be Carried out in a Planned Manner

After more than 30 years of construction, our country has already established a complete industrial base. However, as far as the needs of the four modernizations are concerned, this is clearly not sufficient. If the year 2000 is assumed to be the target date for the initial implementation of the four modernizations, this means we still have 19 years left to go; or if one calculates from 1985, with the completion of readjustment, there are 15 years left; either way the period of time is not short. Both West Germany and Japan managed in the space of about 15 years to rebuild themselves into powerful industrial nations from the ruins of war. Furthermore, compared with them, our base is stronger, and conditions are slightly better. However, two other factors should also be taken into account: First, compared with China, Germany and Japan are relatively small countries with small populations. They also had some experience on industrial production, their people had a certain degree of education and, more important, both countries enjoyed American support. Our situation is thus very different from theirs. Secondly, the distance separating us from the advanced nations of the world is too great; this is true for all sections of the national economy. Examples of this can be drawn from agriculture as well as heavy and light industry: 5 percent of the American population live on the land and provide enough food for 200 million people, with per-capita grain consumption being around 3,000 jin. In our country, on the other hand, 80 percent of the population live on the land, which means that a force of 300 million strong farm laborers must support a total population of 1 billion, and the per capita grain consumption is only around 600 jin. With over 12 million workers our country's light and textile industries make up the largest part of the industrial sector. However, the people's level of consumption is still very low compared to other countries. Taking 1978 as an example, the average per-capita number of cotton goods produced in the developed nations was 3-4 times greater than it was in our country. As for chemical fibers and plastic products, the developed nation's per-capita rate of production was 21 times higher than it was in China. For synthetic detergents the foreign rate of production was 14 times higher and for sugar and paper it was 13 times higher. The productivity of our country's workforce is also less than it is abroad. For example in America the spinning of a piece of 20-count yarn requires only 1.5 man days, while in our country it takes 6.5 man days. Our country's steel industry has as many workers as the combined workforce of the American, Russian, Japanese and West German steel industries. However, the actual level of production is less than 10 percent of the combined production in these 4 countries. Our country's coal industry employs over 3.8 million workers, which is about the same as the total number employed in the important coal-producing nations; however, our coal industry accounts for only 20 percent of total world production. While over 80 percent of foreign coalmines have been fully mechanized, only 28 percent of our major mines have such equipment. Our country's power generator installed capacity is only 10 percent that of America's and 50 percent of Japan's. In terms of workers and the number of machine tools, our country's machine-building industry is the second largest in the world; the value of output, though, is 1/9 of America's and 1/4 to 1/3 of West Germany's and Japan's. Labor productivity in the machine-building industry is about 1/12 to 1/10 of that in America, West Germany and Japan. As for the machine-building industry's production of export products, America, West Germany and Japan produce 150 to 200 times more than our country does; France and Britain produce 100 times more; and even several small East Asian nations produce 5 to 7 times more. Our machine-building industry's utilization rate of steel is only 65 percent, while in advanced foreign countries it is up to 80 percent. The floating capital turnover in our machine-building industry takes about 221 days, while in America it is 70 days and in Japan 76.

For these reasons it can be seen that while our country has a certain industrial and technical base, the actual productive power is extremely low. At present the critical question is how to use our present base and promote its improvement and development. There exist two possible solutions: the first is to make a determined effort to liberate productive force by reforming any irrational relations of production which may now exist. Generally speaking, if improvements are made in this area there should be no problem in increasing productive force by 1/3 to 1/2. The alternative solution is to basically use our present technical and economic base as the starting-point for a full-scale technical transformation of our national economy, that is, of our current productive power. This will mean the renewal of critical equipment, the upgrading of backward technology, the reorganization of irrational productive units and the use of modern managerial techniques and methods to strengthen the administration and management of enterprises. It can be said that aside from these two alternatives, there is no other shortcut.

3. The Regular and Sustained Introduction of Technical Improvements Into Industry Is a Common Way of Developing Productive Forces

An overall survey of Western nations' industrial development shows that while the construction of new factories is a continual process, most new factories are built during the initial period of industrial development. In later periods, the introduction of technical change in old factories is a more common way of achieving a higher level of performance. In the last 10 or so years in particular, the rapid development of science and technology, combined with the intensification of competition, has resulted in a constant striving for lower prices which, in turn, has benefited both technological and economic development. There are several common methods of achieving this: The use of the existing economic base combined with a strengthening of scientific and technological research; the renewal and replacement of outdated equipment; the adoption of advanced techniques; and the improvement of administration and management. Such efforts to develop production and maintain forward momentum by carrying out continual and sustained transformation of existing industry is what we mean by placing the emphasis on technical transformation and internal improvement rather than on new construction and external growth. Why is it that many foreign countries have proceeded in this manner? First, such improvement is not only cheaper and faster than new construction; it can also allow for a more effective use of the existing base; second, because improvement is continuous and technology accumulates easily; third, because such improvement is meant to meet relatively short-term needs, one can keep a clear view of the situation;

feasibility studies should be relatively simple and it should also be easier to manage the economy in a rational manner; fourth, even though there may be mistakes in the plans for improvement, errors can be corrected easily and actual losses should be small. In short, this scientific economic approach derives solely from the realities of the situation.

There are many factual examples: for the past few years the number of machine tools in the advanced industrial nations has not increased greatly, and in some cases has even decreased; production, however, has still continually increased. For example, in America before 1960 there existed a steady proportional relationship between the growth in the number of machine tools and the increase in production. After that date production increased at a rate of 20 percent every 5 years. In 1978, however, the number of machine tools had declined by 14 percent compared with 1973. At the same time, however, the number of numerically-controlled machine tools and processing centers doubled; production lines increased by 20 percent and overall production during this period went up 20 percent. In Japan the situation was very similar. Between 1967 and 1973 the number of machine tools increased by a little over 20 percent, while the actual output value quadrupled. This shows that the forces and level of production do not depend on a numerical increase in equipment and enterprises but rather on qualitative improvement. Comrades who return home after studying this problem abroad all say that in the industrially developed nations it is not at all uncommon for old factories to be producing goods which can still compete on the international market. On one occasion a general engineer visited a steel-rolling mill in a Western country; the manager pointed to a steel-rolling machine and said, this machine dates from the 1950's but it is still more efficient than new machines because of continuous technical improvement. He also expressed deep regret over the fact that our factories are only used and never improved. In Japanese industrial circles it is often said that, "the process by which an enterprise continually develops and prospers is a process of continual technical improvement." Although Japan's social system is different from our own, this statement holds true for our country as well, and deserves serious thought.

For the past 10 or more years capital construction has been the centre of efforts to increase productive forces. For a number of reasons, the problem of duplicate construction is a very serious one, and the utilization rate of equipment is very low, which results in a wastage of manpower, materials, financial resources and time. In the heavy industrial sector, our country has more heavy machine plants than any other country in the world; furthermore, many of these plants rank among the world's largest. However, there are also many factories which even after many years in operation have still not reached full capacity. Take the case of our country's hydraulic presses for example: While we have more such presses than Japan, Western nations' orders for forgings of several hundred tons or more are always placed with Japanese factories. What is more, we are often unable to produce forging of over 10 tons for ourselves, and many of our hydraulic presses lie idle. If a general survey were carried out of the whole country's economic results, people would be shocked by the number of examples of such waste.

Once a capital construction project has been put into operation, why is not it possible to quickly bring the productive forces into full play? The most basic reason for this is that while we have a system of capital construction we have no system for the transformation of production techniques. There are numerous financial channels designed to assist capital construction projects; however, when it comes to the funding of technical improvements, not a single channel exists. Therefore a newly-built factory is expected to be a sort of "money tree" which only has to be shaken to produce and needs neither pruning, weeding, watering, or fertilizing. The result of this is that its effectiveness decreases daily and it gradually withers away. The classic example of this was during the 1960's, when we imported a complete factory to produce hydraulic equipment from Japan. The factory was in every way the same as factories of the same class in Japan at that time. After 10 years, however, the factories in Japan had increased their output 6 times and were already producing the 3d generation of their product. In our country, on the other hand, things were still the same as they were 10 years before, and in some areas production had even deteriorated.

The introduction of technical improvement into our existing economic base not only increases productive forces at a faster rate; it is also cheaper and relatively profitable. Under the present circumstances, it is very common for people to think that because capital construction demands large amounts of money, it should be included in our economic plan; technical improvement, on the other hand, is merely a question of accounting and cannot be included in the general plan. Such an approach is entirely mistaken.

The implementation of overall technical transformation of our national economy is, of course, a very large project. An optimistic estimate would be that it will be difficult to complete the task in less than 10 to 15 years. For this reason it must be carried out in stages. We must first of all gain experience by transforming those enterprises that produce products very important to the development of the national economy. Such transformation must be based on a scientific foundation and should also accord with economic and technical reality. The results of such a transformation should be the development of our country's productive capacity, the raising of the technological level, the increasing of the economy's efficiency and the creation of greater accumulation for the state. Products of which there is a domestic shortage should certainly be considered as targets for technical improvement. We will need to reduce imports and increase exports and also to increase the quality of domestically increased products. For example, the supply of products such as bicycles and sewing machines is unable to meet demand. We should investigate whether or not it is possible to use the whole country's machine-building capacity to carry out technical improvement in these factories (for decades most of our nation's industrial investment has been used to increase our productive capacity for primary products, and very little investment has been used to increase our productive capacity for secondary products. As a result there are many light industrial factories where not only is the equipment antiquated and techniques backward, but even the working environment is substandard. Technical transformation should certainly be carried out in such factories.) In addition to technical improvement we should also implement the system of socialist cooperation and division of labor. The organization of several large groups each producing from 5 to 10 million bicycles would strengthen the development of each smaller unit. As for reducing imports and increasing exports, the reform of several factories will not only increase foreign exchange revenue but will simultaneously reduce foreign exchange expenditure. According to statistics, during the last 3 years we have imported more than 4 million tons of steel plate at a cost of $2.2 billion. Naturally, such imports cannot be continued for a long period of time, and we should make a determined effort to use a portion of this expenditure to carry out improvements in one of our steel-rolling mills. Such an approach would certainly benefit the state. The conservation of energy is another area where money can be saved. Our country has many inefficient boilers; but if we were to spend money on reconditioning them we would be able to save 1 ton of coal for every 60 yuan invested. If, on the other hand, we wanted to increase the production capacity of coal by 1 ton, it would require an investment of around 200 yuan. A comparison of these two cases clearly demonstrates how worthwhile technical improvement is. There are many other such examples. In sum, it can be said that no matter whether we look at technical improvement from a macroeconomic point of view, from a long-term point of view or from the point of view of the cause-and-effect relationship that exists between the economy and financial revenue, we can feel equally confident. Some leading comrades now insist that we should study the way in which money is made, accumulated and used. In a society there exist numerous sources of funds; financial allocation is not necessarily the only way of finding the funds necessary for technical improvements; economic methods can also be used and may even yield better results.

4. The Role of the Machine-Building Industry in the Technical Transformation of the National Economy

A leading comrade once said that, "the machine-building industry is the national economy's equipment section." It was said in the past that, "the machine-building industry is the heart of industrialization" No matter which phrase we choose to use, both emphasise the crucial role to be played by the machine-building industry in the technical transformation of the national economy.

There are, at present, two incorrect views of the machine-building industry. One of these views underestimates both its capacity and level, and seems to suggest that since nothing is any good we should even start importing products which we have been producing domestically for decades. In actual fact, in our existing technical and economic base over 80 percent of the equipment was domestically produced. Why is it that such things were good enough in the past but now simply won't do?! Certainly, domestically-produced equipment has certain shortcomings compared with equipment produced in the advanced industrial nations: it does not form complete sets, its reliability and durability are sometimes deficient, and the service is often poor. Some of these problems are scientific and technical, others are managerial, while others are problems of materials. All of these problems must be carefully solved. However, there exists another more important problem, which is that the state must have a policy that protects and supports its own industry. If this is not the case it is impossible to talk of self-reliance; and the loss of self-reliance would certainly influence the progress of the four modernizations.

The other view is that the machine-building industry is too big. Therefore, as soon as any mention is made of readjusting this industry, the problem is always seen in terms of drastic cuts, closures, suspensions, amalgamations and conversions. Such a view pays too much attention to quantity and not enough to quality. There are also people who say, quite correctly, that our machine-building industry is too bloated. With about 3.8 million machine tools, our country ranks second in the world in terms of the number of machines. However, if this is analyzed a little more closely it can be seen that of these machine tools over 100,000 date from before the revolution; another 100,000 were imported during the 1950's; another

800,000 are machines that were produced before "the great leap forward;" and during the great leap forward itself about 1 million machine tools were produced. Of the products dating from the "great leap forward" and the "cultural revolution," many were manufactured in a shoddy and slipshod way and their quality is often below standard; as a result many such machines, lying idle in factories, have become a real burden. There are probably only about 900,000 relatively standard machine tools divided among 170,000 different factories. Some 100,000 of these machines are run by people's communes, and the remainder belong to more than 1,500 small and medium enterprises. It is thought that key enterprises account for only about 600 of these enterprises. This means that there are probably no more than about 1,000 enterprises that will be able to play a positive role in the future.

About half of these 900,000 standard machine tools have already exceeded their service life. In one machine-building complex, most of the equipment is already more than 20 years old; in another one 70 percent of the equipment is more than 20 years old; there is even one enterprise in which 80 percent of the machine tools are over 25 years old. Abroad, the depreciation period for equipment is usually about 5 to 10 years; in our country it is 30 years. For these reasons our machine tools need constant repair; some have been overhauled up to 10 times. It should be pointed out that after a machine tool has been overhauled it is only possible to restore 96 percent of its original precision; after a second overhaul another 6 percent is lost; after a third time another 15 percent is lost, and by the time a machine tool has been overhauled for a fourth time, only 60 percent of its original precision rating remains. In actual fact, once a piece of equipment has been overhauled three times, not only does its level of precision decline, but the amount of money spent on repairs begins to exceed its original net value. The fact that our country's equipment has such a long depreciation period means, in reality, that there exists no system for the renewal of equipment, and much of our equipment is already old and inefficient. If, as well as being unable to produce precision products, we continue to use this substandard equipment to produce generation after generation of equipment, the standard will certainly get lower and lower. Low productivity, high cost and low utilization rate of materials also all flow from this same problem. For this reason the machine-building industry itself also has a serious problem with technical improvement.

Should we first transform the machine-building industry, and only when this is accomplished, set about reforming other sectors; or should we adopt a proportional approach and try to improve each industry a little? Neither of these methods seems to be particularly appropriate, for the following reasons: First, the existing productive capacity of the machine-building industry needs to be brought into full play; secondly, there needs to be a demand for machine products; thirdly, most of the capital needed to carry out technical improvement in the machine-building industry should come from that industry itself. Therefore, the introduction of technical improvement into this industry must depend on the technical transformation of other industries; that is to say, the machine-building industry should serve other industries in a practical and realistic manner. Through the process of helping other sectors to carry out changes, the machine-building industry itself will also naturally achieve a degree of technical improvement. This is not a before-and-after relationship, but a relationship of dialectical development. In Japan the machine-building industry was at the centre of their development plan. First of all, 10 or so products were chosen as targets for technical improvement; the object of this was to increase exports and reduce imports with a view to improving the foreign exchange balance. Our objectives are not entirely the same; and our economic relations are also different. The machine-building industry will act as both the equipment section and the technical reform section for the overall technical transformation of the national economy. For this reason, only when we have taken the transformation of the whole national economy as our starting-point can we then decide the order and process of transformation in the machine-building industry.

5. Several Questions That Should Be Answered Before Technical Transformation Is Carried Out

(1) The technical transformation of the national economy is an extremely complicated and painstaking task; it will require a unified plan, constant reappraisal and scientific verification. The leadership and command system which carried out Japan's machine-building industry restoration was more unitary block than our country's. Each of our country's industrial sectors has its own sphere of control, and the scope of our national economy's technical transformation is far wider than it was in Japan; for these reasons the task is much more difficult than it was in Japan. Without strong and powerful organization and leadership and without a unified plan, nothing can be accomplished. The formulation of a realistic and feasible plan for technical transformation will require the participation of a great number of experts. Problems such as what should be improved and what should be improved first should be subjected to repeated scientific analysis.

(2) The overall technical transformation of the national economy is a major strategic decision. As with the construction of 156 major projects in the first 5-year plan, no effort should be spared. Moreover, compared with the period of the first 5-year plan, we have many more methods today. If the state wants to meet some of the problems involved in technical transformation by introducing various items of legislation, such measures must first be passed by the permanent organs of the NPC, which have absolute authority, and only then will legislation be legally binding. In this way a unified understanding can be reached and affairs can be managed according to law.

(3) The phrase "technical transformation" should be understood in a broad sense. It refers to both the improvement of material conditions and also the readjustment and reform of organization and management. Because of this, when we carry out technical transformation it will be necessary, on the one hand, to reform any irrational parts of the superstructure and, on the other hand, to break away from the limitations of the different forms of ownership. The implementation of this plan and the carrying out of reorganization should be relatively centralized. Otherwise, we will end up expending a lot of effort for small results because none of the different channels link up; and this opportunity for reform could end by merely exacerbating the phenomenon of a divided system with numerous large and small independent units.

(4) The state should have a policy of supporting those enterprises in which technical transformation is being carried out. Depending on the particular circumstances of each enterprise, the government should make special provisions for loans and taxation.

In short, this is a major undertaking that requires full cooperation in all areas, as well as joint study and investigation.
CSO: 4006/113

'JINGJI GUANLI' ON DEVELOPING COLLECTIVE COMMERCE

HK191235 Beijing JINGJI GUANLI /ECONOMIC MANAGEMENT/ in Chinese No 9, 15 Sep 81 pp 44-45

[Article by Zhang Qipan [1728 0366 3140] and Li Xiuyi [2621 0208 5030] of the Ministry of Commerce: "Collectively-owned Commerce Should Be Greatly Developed"]

[Text] Since the 3d plenary session of the 11th CCP Central Committee, in the implementing the policy of readjusting, restructuring, reorganization and upgrading of the national economy, readjustment and reform have also been implemented in the realm of circulation of commerce and have progressed in the direction of more types of economic elements, more management forms, more circulation channels and fewer intermediate links. This has made possible the rapid recovery and development of collectively-owned commerce and the catering and service trades, and has thus played an active role in enlivening the market and bringing about a prosperous economy. The ups and downs of our collectively-owned commerce and the catering and service trades over the past 30 years have shown that their existence and development are in conformity with the economic conditions of our country, that they are essential, and that in reality they form an important constituent part of socialist commerce. To weaken collective commerce is to weaken socialist commerce. In fact we have endured much suffering in this connection and have learned a very painful lesson therefrom. It awakens us all the more to see that the current flourishing growth of collective commerce and the catering and service trades in an important step to the strengthening and improvement of socialist commerce and is the natural result of the development of the socialist economy. At the same time, it makes us clearly understand that following the readjustment of the national economy, the development of production the increase in commercial circulation channels, and the demand for improved social services, collective commerce and the catering and service trades still need to be greatly developed.

I. Experience and Lessons Gained From the Growth and Decline of Collective Commerce

In the early period of the founding of the PRC, collective commerce in our country was only in one single form and that was the supply and marketing cooperatives. During the transitional period, in restructuring agriculture; the handicraft trade and capitalist industry and commerce, we began to gradually organize the small merchants and small pedlars scattered throughout the country into cooperative stores and cooperative units. As a result, this gave birth to another type of collective commerce. By 1956, following the basic completion of the socialist restructuring of the private ownership system of the means of production in the great majority of areas in the country, collective commerce in the form of cooperative stores and cooperative units had already reached a certain degree of development. In 1957, the size of the staff of the cooperative stores and cooperative units in the country was about 3.59 million people, comprising 46.1 percent of the total number of people engaged in socialist commerce at that time. In addition, some 950,000 small merchants and pedlars remained in the independently-operated individually-owned commerce. In 1958, under the influence of "leftist" guiding ideology, these stores and units were reorganized under the pretext of "promoting" them or putting them through the stage of "transition," and collective commerce which had only started to grow, took a sharp downturn and suffered a serious setback. By 1960, there were only 980,000 people working in cooperative stores and cooperative units. Moreover, with the network of state-operated commerce steadily merging small units into big units, the size of the collective commercial network swiftly dwindled to 72 percent of what it had been before within 2 or 3 years. In 1961, the policy of "readjusting, consolidating, filling out and raising standards" was adopted with regard to the national economy. Many of the stores or units which had been "promoted" or were "in transition" were able to recover their original status successively. However, due to the adoption of various inadequate policies, the cooperative stores and cooperative units, though staging a certain comeback, were still not able to regain their 1957 level. In the course of the 10 years of turmoil, collective commerce in the form of cooperative stores and cooperative units was looked at as a "capitalist tail." They were subjected to the policies of "transition" and "replacement." In some localities, the stores were forcibly closed and the people inside were driven away. What remained of the cooperative stores and cooperative units were converted into state-operated units, while their reserves which they had accumulated over a prolonged period of time and their public welfare funds were taken away. They lost completely their special features of independent accounting, responsibility for their own profits and losses, and lively operations. During this period, the collectively-owned supply and marketing cooperatives were also incorporated into and placed under the system of ownership by the whole people. Since then, commerce under the system of ownership by the whole people has ruled the country and basically speaking the situation has become one wherein there is a single circulation channel and business is run by one single unit. By 1978, compared with 1957, while the retail sales volume of commodities of the society increased by 220 percent, the number of points in the commercial network dropped by 52 percent and the size of the working staff increased by 11 percent.

What kind of problems and influence these ups and downs in the course of the development of collective commerce have exerted on the realm of commercial circulation and what experience and lessons are to be learned therefrom must be earnestly summarized. Only by clearly understanding these problems can we further eradicate the influence of "leftist" thought. And only in this way can we, in our future work, actively support the development of collective commerce, correctly display and utilize the functions of collective commerce, enliven the circulation of commodities, greatly improve the social services, promote production development, make life easy for the masses and fully meet social needs.

Looking at the two stages of setbacks for collective commerce, namely, one from 1958 to 1960 and the other from 1966 to 1976, the problems that directly presented themselves were the large decrease in the number of commercial network units or points, the oversimplification of the social services, and the inability to meet the demands for production development, for improvement of the people's standard of living, and for strengthening the channels of circulation. In turn, this has bred a series of problems among which the principal ones are: (1) The daily life of the people has met with many "difficulties"--difficulties in shopping, eating, clothing and repairs and maintenance. These difficulties not only remained unsolved for a long time but were even greatly aggravated due to the steady increase in the population of society. (2) To a certain extent, weakening of the servicing capacity of circulation invariably results in lengthening of the circulation process. This constitutes an immense social waste. It is indeed frightening to imagine the losses occasioned in the time element by the masses having to queue up for purchases on account of the decrease in the number of service units of the commercial network. According to an investigation made in Beijing, each year 700 million hours of valuable time are lost by people in the city due to their having to walk a long distance and to stand in line when doing their shopping. This has not taken into account yet the fact that wholesalers have to stockpile their goods on account of the small number of retail stores, nor of the adverse effects that such a state of affairs may engender. (3) Collective commerce and the catering and service trades can very well provide employment for a large number of people and thus help to solve the employment problem of the society. Restricting the development of collective commerce would block the road to employment as a result of which, on the one hand, there would be jobs with nobody to fill them and the needs of the society could not be met while, on the other hand, there would be many people with nothing to do and the unemployed unable to find jobs on time. (4) If the constituents of the commercial economy are basically confined to only one type of commerce, namely, that under the system of ownership by the whole people and the mode of operation is uniformly fixed at doing 8 hours of work a day, then the situation would be highly depressing and stereotyped and the people's livelihood needs can hardly be met. All the above illustrates one point, namely, that commerce under the system of ownership by the whole people cannot manage the entire burden of promoting production development, making life easy for the people and enlivening the circulation of commodities. In particular, it cannot take up the task of adequately attending to the multifarious and complex needs of the people's livelihood. It must have some complementary and supporting force such as collectively-owned and individually-owned commerce.

2. Development of Collective Commerce Reflects Social Needs

In the course of reforming the circulation structure calling for the existence of diversified forms of economic components, diversified operational forms, numerous circulation channels and a small number of intermediate links, the various types of collective commerce and individual commerce have claimed the most rapid development and produced the best results. In less than 2 years between 1979 and 1980, the number of points in the collective commerce network reached 763,000 units, occupying 37.7 percent of the total number of points in the whole social commercial network. This sector employed 3.33 million people comprising 36 percent of the total number of people serving the society's commerce. At the same time, there were 686,000 points in the individual commerce network, occupying 33.9 percent of the total number of points in the whole commercial network of the society. In all, 897,000 people were employed, making up 9.7 percent of the total number of people serving social commerce. The number of collective commerce network points in the urban areas in 1980 increased by 69 percent over 1978 while the number of points in the individual commerce network increased by over 3,000 percent for the same years. The rapid development of collective commerce and individual commerce reflects the needs of the society and is well received by the populace.

This development in collective commerce and individual commerce brings about thoroughgoing changes in the realm of circulation. First of all, it breaks down the unitary type of operation and the single circulation channel of commerce under the system of ownership by the whole people. It forms a social commercial structure of multiple economic components, and adds strength to the domain of circulation. In particular, it displays its important role in many sectors of commodity circulation which commerce under the system of ownership by the whole people cannot reach. In this way, the longstanding contradictions resulting from the serious insufficiency in the number of commercial network points are relieved to a rather large extent. At the end of 1980, there were 2.369 million units in the social commercial network, an increase of 1.03 million over 1978, or an increase of 76.9 percent. At the same time, the door of employment was opened wide and jobs were found for several million people awaiting employment. This not only helped strengthen social service work but was also beneficial to stability and unity. Moreover, collective commerce and individual commerce have the special features of independent accounting, responsibility for one's own profits and losses, ability to start business early and close later, ability to do business along alleys or at street corners, dexterity in operation, being convenient for the populace and enlivening the market. They are able to fill in the gaps, extend their business hours, increase their service items and, in short, meet social needs by means of taking various service forms. The longstanding problems of difficulties met with in shopping, eating, clothing and in general repairs and maintenance work are being gradually solved. They are complementary to commerce under the system of ownership by the whole people but are also its competitors. The special features of their operation have served to promote changes in the operational methods of commerce under the system of ownership by the whole people, overcome the bad demeanor of "officials running business," improve management and control and enhance the quality of service.

This active role of collective commerce and individual commerce fully illustrates that their existence and development are in conformity with the national condition of our country, suit social needs and possess enormous vitality. This indeed is the basic reason why for a prolonged period of time, and despite the many ups and downs, they have been found to be indestructible and irreplaceable. Our country is big, and has an enormous population but a weak foundation. The development of social service enterprises cannot depend entirely on investments from the state. The employment of social labor power cannot be entirely made by enterprises under the system of ownership by the whole people. Only when state-operated and civilian-operated enterprises are combined together can we achieve greater, faster, better and more economical results. In collective commerce the units are small and are diversified. The investments required are small and faster results are achieved. In comparison with commerce under the system of ownership by the whole people, considerable savings in investment can be effected. According to an investigation made in Shanghai, in the catering trade, the average amount of fixed assets (not including the dining rooms) required per individual employee was 625 yuan in state-operated establishments but only 85 yuan in establishments under collective ownership. In the state-operated service trades, the average amount of fixed assets required per individual employee was 827 yuan whereas it was only 146 yuan in service trades under the system of collective ownership. On this basis, if the number of people additionally employed over the last 2 years in collective commerce and individual commerce were employed by enterprises of state-operated commerce, the state would have required additional investments amounting to 2 to 3 billion yuan. Hence, concurrently with the development of state-operated commerce, the principal direction hereafter for addition to the points in the commercial network and providing people with employment should be the development of collective commerce.

3. Consolidating and Developing Collective Commerce Is a Long-Term Policy

Collective commerce as an important constituent of socialist commerce will coexist for a long time with commerce under the system of onwership by the whole people. The present development of collective commerce is by no means a temporary measure but is instead a long-term policy. Departments of state-operated commerce should learn well how to correctly utilize this important force of collective commerce so as to better fulfill the tasks in the realm of circulation. They should give help and support to collective commerce on various sides, absorb their experiences and improve their own management. The viewpoint and practice of discriminating against collective commerce are the influences of "leftist" ideology and must be thoroughly eradicated. Staff members of collective commerce should rest assured, strive to learn business techniques, develop and grasp the ability to run enterprises, correctly carry out the policies of the state, do a good job of running enterprises, and make more and greater contributions to serving the people. It would be entirely erroneous to consider collective commerce as unreliable, and to believe that collective commerce is inferior to state-operated commerce where everyone "eats out of a big pot" and has an "iron rice bowl." This is because state-operated commerce just the same has to go through reform in order to solve the problems of "eating out of a big pot" and having an "iron rice bowl." Only in getting a full understanding of all these matters can collective commerce attain consolidation and development.

At present, collective commerce still faces a number of problems in its development. Besides such considerations as the political rights of staff and workers, their social status, their enlistment in the armed forces, their schooling or going to college and computation of working age all of which the state has already made definite provisions for, the problems still requiring solution are: (1) respecting the decisionmaking power of collective enterprises and assurance of the principle of more work more pay in distribution. In enterprises which have done well, the staff should receive a higher income than that in state-operated enterprises and the staff of state-operated enterprises should not be jealous and nor should the departments in control attempt to place such limitations as levying extra taxes or making special appropriations. (2) Collective commerce must have the assurance that it can operate normally. In the supply of goods or raw materials and in the pricing of commodities it must be treated the same as the same type of state-operated retail stores and must not be discriminated against. (3) The governing principle should be that whoever starts the business should be in control. The control of collective commerce should be strengthened. The internal administration system of the enterprises should be gradually perfected. Reserves and welfare funds should be set up. Income receipts should not be completely distributed or consumed. The development of the enterprise and a group welfare scheme for the staff must depend on the accumulations of the enterprises themselves. Without accumulations the enterprises will not have a firm foundation. (4) The relevant departments in control should treat collective commerce in the same light as state-operated commerce. They must be put under unified planning and their geographical distribution must be rational. They must be made to develop in a planned manner and according to the needs of the social structure. The setting up of network points for collective commerce should follow the principle of whoever runs the unit should do the building work and the departments concerned should provide the necessary support. If according to needs a municipal government engages in building up station points, it should assign to collective commerce a portion of the points on a compensatory basis. In general, we must start from a long-term view and formulate a definite policy for the protection of collective commerce to the end that it can continually be consolidated and improved and progress in a healthy manner.

It must be pointed out that in the last 2 years, following the development of collective commerce, the commercial network of the social structure has grown considerably in size and notable results have been achieved. But viewed from the standpoint of social needs, a great disparity still exists. In 1957, on a yearly average basis each point or unit in the retail sales network served some 331 people. In 1980 the number of peoples so served increased to 672. Quite obviously, the problem of the insufficient number of service points in the commercial network is a pressing one. Hence, in addition to the development of commerce under the system of ownership by the whole people, collectively-owned commerce must also greatly develop.

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'JINGJI YANJIU' CITES SPEECHES AT SEPTEMBER MEETING

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[Summaries of speeches delivered by Sun Yefang [1327 0396 2455], Chen Hansheng [7115 5060 4563], Chen Daisun [7115 1486 1327], Yan Zhongping [0917 0022 1637], and Luo Gengmo [7482 5087 3351] at the first annual meeting of the Chinese Federation of Economics Groups]

[Text] Editor's Note: The first annual meeting of the Chinese Federation Economics Groups was held in Dalien from the 3-6 September. Over 300 people attended the meeting, including representatives from various economic societies, federations and research institutes, and representatives of news agencies. This meeting was the first large-scale meeting of the economics circles since the founding of the republic. At the meeting, Comrade Yu Guangyuan, adviser to the Federation of Economics Groups, delivered a speech entitled "Develop the Science of Economics and Better Serve Socialist Modernization." Advisers to the federation, Comrade Sun Yefang, Chen Hansheng, Chen Daisun, Yan Zhongping and Luo Gengmo also spoke at the meeting. In this issue, we are publishing the text of Comrade Yu Guangyuan's speech in full and summaries of the speeches by Comrade Sun Yefang and the others. (The titles of the summaries of the speeches, outside of that by Comrade Sun Yefang, were made by our editorial department. [End Editor's note]

On the Problem of Linking Together Theory and Reality and Letting a Hundred Schools Contend -- Sun Yefang

I shall talk on two problems. One is the linking together of the theory and reality and the other is the promotion of academic discussion, that is, the problem of letting a hundred schools contend.

The purpose of our forming the federationof economics groups is to promote the development of the science of economics. But this is only an organizational measure and is the promotion of this work from only one aspect. In order to upgrade the science of economics, we must do two things well. First, all people in economics circles, and naturally this includes myself, must seriously and penetratingly study the original theses of Marxism-Leninism, particularly "Das Kapital" by Marx. During the period of the "cultural revolution," "Das Kapital" was slandered as having the "function of a horse's tail." Lin Biao said: "Das Kapital" could only explain the problem of capitalism but not that of socialism. This was nonsense! "Das

Kapital" not only explains clearly the laws governing a capitalist society but also explains the basic laws governing a socialist society. We must read "Das Kapital" repeatedly and study it repeatedly. Why should we overthrow the capitalist system and set up a socialist system in its place? In constructing a socialist economy, what kind of principles must we follow? In "Das Kapital" Marx supplies us with the answers in principle. Hence, we should not only urge the younger generation to repeatedly read "Das Kapital" but also encourage our older comrades to do so as well. In recent years, people have accused our economists of writing articles or developing theories which contain confused concepts and divergent views. Generally speaking, academic thinking and concepts always grow from divergent to unity. Hence, there is nothing strange in the confusion of the concepts or in the divergence of views. However, we must gradually unify our thinking and concepts and should not allow them to remain confused or divergent. How then should this unity be brought about? The answer is that they should be unified on the basis of Marxism and on the basis of the "Das Kapital," the basic work on Marxist economics.

Naturally, we cannot copy or apply mechanically Marx's writings, including "Das Kapital." Marx and Engels not only did not see socialism in practice, but also did not see some of the new things in today's capitalist economy. But we should still follow the basic principles of Marxist economics to explain these new phenomena and these new problems. We oppose the doctrinairism of copying or applying mechanically and we also oppose pragmatism or empiricism which take and accepts things as they are and is the opposite of the basic thoery of Marxism.

The zigzag road which we have traversed over the past 32 years in our research work on economic theory and our actual financial and economic work was not due to our use of any of the tenets in "Das Kapital," but rather due to our violation of many basic principles long ago pointed out therein. Even the many defects in the economic control system which we introduced in the 1950's were not due to our violation of the basic principles therein. For this reason, we Marxist economists should well propagandize "Das Kapital." As for the many new things not touched upon in "Das Kapital," we must also follow the basic theories of "Das Kapital" to seek further elucidation. At present, certain comrades are interested in many new concepts and new ideas introduced from the West. In this regard I am not a conservative. I feel that in Western economics there are many useful things which we should absorb, particularly economic metrology, departmental economics, enterprise management and so on, all of which we can learn from. The West has had many good experiences in the field of economic management and control. However, in regard to political economics, Marxist political economics is radically different from the capitalist political economics of the West. We cannot readily borrow its concepts and terms. At the present, there is already a random use of certain terms and categories of Western economics. But what is the criterion to determine which concept should be introduced and which not? In my opinion, we should use Marxist classical theses as the criterion, and in the case of economics, particularly "Das Kapital." Hence, I believe that to promote the development of the science of economics, we must advocate the study of the calssical works of Marxism, particularly "Das Kapital."

At the same time, if we wish to raise the standard of economics and promote the development of the science of economics, we must pursue investigation and research. Actually, this is long-standing pclicy. Our articles (including mine) are full of empty talk and have little content. One of the reasons is that we lack a realistic approach, are not in touch with the pulse of the economy, and are inclined toward abstract problems. Therefore, I hope that the academic societies of the Federation of Economics Groups will not only advocate but also organize and plan some worthwhile topics for investigation and research, go deep into the countryside, factories and stores, make friends with the peasants, workers, storekeepers, particularly comrades doing financial and accounting work, or planning or statistical work, observe and learn from life, and thus do some model type of investigative work. At the same time, we should do investigation and research in collaboration with the planning and statistical departments which deal with problems comprehensively. That articles by our economists are devoid of content and substance may be ascribed to the lack of statistical materials. Economists in general have no access to comprehensive statistical materials. I fervently hope that the statistical bureau can satisfy the wishes of the economics circles.

Linking theory with reality, study in Marx's works and doing a little investigation and research--these were what Comrade Mao Zedong advocated during the first and second civil wars. He reiterated this again in the early 1940's during the rectification and education campaign when he voiced his opposition to Wang Ming's doctrinairism. Even now the works written during the rectification campaign can well serve as a motto for us in our theoretical research work. However, the "resolution" adopted at the 6th plenary session of the 11th CCP Central Committee pointed out that what led to Comrade Mao Zedong's errors in his later years was his losing contact with reality, cutting himself off from the masses, and the growing seriousness of his subjectivism and his air of despotism. In other words, during his last years he failed to carry out investigation and research on reality. Therefore, although linking theory with reality and doing investigation and research are longstanding policies, they still should be carried out and forever be new topics of discussion. Let us hope that this will always be remembered by those of use doing theoretical research work and those doing practical work.

The second problem I wish to touch upon is the promotion of academic discussion and the enlivening of the atmosphere of the economics circles. Academic discussion in economics is tantamount to the economics circles doing criticism and self-criticism work. "Letting a hundred schools contend" has been advocated for a number of years, but it has not been well developed. There have been few cases of our economics circles of consulting and discussing problems and even though were a few cases, little can really be said about them. Academic discussion should be criticism and self-criticism as well as criticism and countercriticism, or judgment and counterjudgment. This is the normal phenomenon for academic discussion. Unfortunately, for many years we have not acted in this way. Indeed, if one was named in an article as being opposed to the views of somebody else, that was something extraordinary. As far as I know, in this regard the historical circles are much more open-minded than our economics circles. Nevertheless, their discussions still centered more on historical events. There have been little criticism and discussion by name on real historical viewpoints. In my opinion, academic discussion, also known as academic judgment or academic criticism, is nothing unusual but if you are unwilling to sign your name, others reluctant to carry on a discussion with you. If both sides are willing to sign their names in articles criticizing the other's views, then truly the economics circles will be enlivened. We should not be afraid of being criticized by name if our viewpoints are correct, but if the viewpoints cannot pass the acid test, the sooner other people criticize you by name, the greater indeed will be the help rendered to you.

Economics Science Should Be Studied for the Purpose of Application--Chen Hansheng

Studying for the purpose of application is an important problem. It is hoped that the Federation of Economics Groups will take this into consideration.

In the past, it was frequently found that we were unable to put to use what we had learned, and when the time came for application, we found that we had not learned enough. I have been thinking: Could it be that we had not learned enough and therefore were unable to cope with the application work? Or could it be that after learning we had no way to apply it? I feel that if we want to put to use our learning, then we have to rely on the government's political power and, when there is political power, we study for the purpose of application. The application of economic knowledge depends on practice and this has a close relation to the political regime at the time. The Kuomintang under the leadership of Sun Yat-sen was unable to implement his economic principles because at that time the political power was not in the hands of the Kuomintang but in the hands of the warlords, bureaucrats and landlords. At present, the situation in certain countries in Latin America and Africa is the same as that in our country before the liberation when our national capital had not been fully developed and the warlords were in power. If in the future, members of the Federation of Economics Groups can write a book on the economic history of contemporary China, then it will be a valuable reference material to many of the developing countries.

In regard to the problem of studying for the purpose of application, I feel that to implement the economic policies there must be rational organization structures, touching on various phases. After 1956, our party was lacking in democratic spirit, political life was abnormal and frequently the words of one individual were final. For example, at the time when cooperatives should have continued to be organized, suddenly there was the decision to organize people's communes. Originally, the policy called for developing agriculture first, light industry second and heavy industry third, but subsequently emphasis was laid on heavy industry while agriculture and light industry were relatively ignored. As a result, this brought about a series of bad effects. At present, our cadre system has one defect. That is, it concentrates only on personal affairs and not on business affairs, while those in charge of business affairs have no power over personnel. Those in charge of business affairs wish to do their work well and must have suitable personnel, but frequently they cannot get the kind of personnel they require and have to accept those assigned to them regardless of their suitability. The results are that the organizational structures have become ponderous. They have more hands than needed and their work efficiency is low. Under such conditions, although we have learned economic management methods we cannot find or put them to use. Naturally, before any improvement has been made in organizational structures, comrades in our Federation of Economics Groups should still help the cadres who lack in economic knowledge to find people versed in economics to help them to better implement our party policies.

Comrades doing research in economics should not confine themselves, in the course of their work, to reference materials only but should organize actual investigative work. Our research should be based on the analysis of materials derived from actual investigation. I am in favor of Comrade Sun Yenfang's suggestion of doing actual investigation. Because the formulation of our party policies should be based on reality, that is, derived from the people and eventually implemented among the people. Only in this way will the policies conform with the interests of the people. I hope that comrades of the Federation of Economics Groups will organize some investigative projects so that in the implementation of the 8-character policy, they will be able to offer constructive views. This is really studying for the purpose of application.

Linking Theory With Reality and the Development of Economics Science--Chen Diasun

It is indeed my good fortune to be able to take part in this first annual meeting of the Federation of Economics Groups. I am very happy to be here. This is the first grand meeting of the economics circles for more than 30 years. While extending my felicitations to the gatherning, I wish to express the hope that this meeting will be instrumental in the promotion of economic theory being closely linked with reality and in guiding reality. Teaching is my profession. I have much contact with comrades of the younger generation. Young comrades think in a lively way. This is good. However, in their thinking, certain problems do arise. For example, some comrades believe that Western economic theories have been continuously progressing and can solve the various problem confronting the capitalist economy. To them "Das Kapital" does not seem to have such a capability. Does this not mean that "Das Kapital" is out of date? Indeed, we cannot blame the youngsters for these kinds of doubts. As teachers, we should blame ourselves for not having done our work well. We did not, or could not, guide the students to learn how to link economic theories with reality and, to go a step further, how to employ correct theories in leading reality. From time immemorial, economic theories, or economics itself, may be said to be a kind of knowledge for use in application and not merely theories on paper. The problems it is meant to solve come from reality. After probing and studying, theories are formed and they in turn guide reality. The two Chinese characters for economics "jingji," were originally imported. The Japanese used these character to represent the so-called modern economics introduced from the West, and we borrowed them from the Japanese. Nevertheless, the origins of this terminology can be traced to our country. Formerly in China there was a phrase, "jing shi ji ming," ["tending the universe and helping the people"]. The term jingji is an abbreviated version of this phrase. Naturally, this former phrase encompassed a much broader scope than the scope of what we now call economics, since it was related to the various phases of the rule of the state or society. However, what we understand today as economics is one of the important phases. At any rate, when in earlier times the phrases "jing shi ji ming" or "wen zhang jingji" ["the theory of economics"] were used, any reference to jingji or economics carried the implication that it was linked with reality and was knowledge that was to be applied. Judging from the historical development of Western economics, there was not any stage of development in which economic theory was not linked with reality. From the classical economists in vogue in Western nations today, their objective was the solution of actual problems. In particular, Marxist political economics was an outstanding example of theory linked with reality and guiding reality. Yet, despite years of stressing the linking together of theory and reality, we have habitually forgotten about it. As a result, our economics has become mere armchair strategy and some young comrades cannot put theory to use in solving problems. Some people feel that Marxist political economics is useless. They urge borrowing from Western economics, believing that some of the theories therein might be well worth our copying. As a matter of fact, Western economics has certain points worthy of being drawn upon for reference. But contemporary Western economists always boast that their economics is based on reality and is not related to the problem of social value. Such a claim is erroneous and not in conformity with reality. This is because the economics of the capitalist class has the logical premise of protecting the capitalist system and the problems it endeavors to solve grow out of the capitalist system. The theories formed for the purpose of solving these problems are merely to serve this system. We had closed our doors for several decades. Now that the doors are opened, certain people are bewildered by new situations and believes that all things from the outside are good. Naturally, abandoning the closed-door policy is a great change. Our responsibility is to channel this change in the right direction.

The Federation of Economics Groups is a comprehensive organization. If it can join together the various departments engaged in economics science, it will greatly help to strengthen the link between theory and reality. We hope that the Federation will make contributions in this effect.

Study of Economic Theory Must Be Strengthened--Yan Zhongping

In my youth, I studied economics of the capitalist class and had no training in the study of history. In 1953, my organizational unit assigned me to write on economic history. Since economic history entails the science of economics and the science of history, it requires especially extensive training and understanding of Marxism. Since I had neither, I thought I could obtain some knowledge from my senior comrades, but unfortunately then and for over the past 20 years and more, I have been able only to find few writings in this aspect. So, I have been at a loss.

It must be acknowledged that since the founding of the republic, our senior comrades have gained much successful experience in their research on China's contemporary economic history. But of the 4,000-odd published articles on China's contemporary history, more than 2,000 were on the history of the Taiping heavenly kingdom, and many were on the peasants' uprisings and on general political history. Certainly all these historical events should be studied. But, basically speaking, was it not because of the difference or inequality in the economic status of the various classes that led to the outbreak of the various class struggles? Should we not pay attention to the history of the economic status of the classes in our research on this history of class struggle? However, while some people spent much time researching whether or not Hong Xiuquan had a moustache, the research on the problem of the economic status of the peasants during Hong Xiuquan's era receive relatively speaking, a cold reception.

Our country has placed the branch of learning of economic history within the department of the science of economics. Institutions of higher learning have established courses on economic history under the study field of political economics, while scientific research departments have set up economic history research offices or units in their economic research organs. The situation at present is: institutes or departments on the special study of political economics are currently offering courses on the economic history of contemporary China. Few have offered courses on the economic history of ancient China and even fewer have offered course on economic history of foreign countries. At the same time, students in the special departments of political economics concentrate on studying economic theories and problems and, generally, pay little attention to economic history. Could this also be true in so far as economic history is concerned with students in departments of special studies of history in the institutions of higher learning? Scientific research departments have placed economic history within their scientific research organs while few research organs on the science of history do not have their own economic history special research offices or units, but the research on economic history in economic research organs is more or less in the same situation as the course study of economic history is in higher institutions of learning.

This situation is like that of the tradition story that when there are only two monks in a monastery they usually had no water to drink because both of them refused to carry water. Since the economic foundation determines the condition of the upper layers of a structure, this uneven stress laid by historians on the economic foundation and on the upper layers of the structure is an error in strategy. Marx said that he knew of only one science and that was the science of history. Hence, the research on the history of economic development should provide the basic tool for all research on economic theories and economic problems. If a little more historical or quantitative sense is inserted in economic publications, they will no doubt have an even greater influence.

Several Hopes Concerning the Work of the Federation of Economics Group--Luo Gengmo

Only half a year has passed since the establishment in April this year of the Chinese Federation of Economics Groups. It has now 226 group members. If on the average each group has 300 to 400 individual members, then the federation is a big organization in the economics circles with a total membership of 70,000 to 100,000. This is an organization with great possibilities. Naturally, only through the smashing of the gang of four and the implementation of the correct ideological line of the 3d plenary session of the 11th CCP Central Committee are we able to meet together here today and are elated and full of vigor.

I wish to talk about some minor problems. They are: the federation's constituent group members have only been active in the last 3 years. Besides this, they can be characterized with two words, "lax" and "weak." What I mean here by being "lax" and "weak" is different from what newspapers and magazines have recently characterized the party's leadership as being "lax" and "weak." What I have in mind in using "lax" and "weak" is these are a temporary phenomena characterizing the federation's constituent group members in the early stage of its formation.

The federation is an academic organization of a public or civilian nature of new China's economic circles. Its group members all belong to the same category. Before the 10 years of turmoil, organizations of similar nature also had existed. Their number was small and their activities were limited. Lin Biao and the gang of four, with the aim of destroying the new socialist culture and using the pretext of "overthrowing the academic authority of capitalism," cracked down on all of them and not a single organization survived. So what we have been advocating in recent years in promoting the public activities of economics academic organization and the establishment of the Federation of EconomicGroups was tantamount to starting anew. Moreover, since the liberation, we have been accustomed only to the type of scientific research work that was mobilized administratively from the above, although some investigation and research work has been done at the initiative of the departments of finance, trade, industry and communications. While at the same time, there were no scientific research activities being carried out by academic economics organizations and these organizations lacked the experience and foundation that could have been derived from these activities. The scientific research activities that were carried out in the past by economics groups mostly depended on three types of people--teachers and economic research workers, workers in economic departments and retired comrades who were still interested in economic research. These people voluntarily devoted some of their time to this work and were not solely engaged in this effort. As a result, in the next 2 or 3 years the scientific research activities of these economics groups will probably continue to be loosely organized. They will have to depend principally on the scientific organs in the various localities and their members sense of responsibility under the guidance of the party's ideological line. Concurrently, the Federation of Economic Groups will have to attend to the necessary liaison and promotion work and gradually pull together to form an integrated whole. For this reason, I suggest that between the Federation of Economics Groups and its constituent group members, between the economics groups of the academic departments of the various localities and between all of these groups and their individual members that there be cultivation of good social behavior befitting a socialist civilian academic organization. There should be mutual respect, mutual understanding, and mutual assistance. Bad practices such as sectarianism, arrogance and conceit must be avoided. We must quickly and closely bind together the ranks of the older, middle-age and young generations of the economics circles of the entire country to make the needed contributions to socialist modernization.

The problem of the "weakness" of the Federation of Economics Groups which I mentioned has reference to the following condition of the federation: the academic ranks which it has joined together are numerically rather strong in regard to both the constituent groups and their individual members. However, measured in terms of their ability to serve the four modernizations and the quality of the scientific research work, they are still relatively weak. This is particularly true at the present stage. We must be deeply aware of this point. Many reasons have contributed to this "weakness," of which I mention three. First, during the 10 years of turmoil, the damages done by Lin Biao and the gang of four not only completely destroyed the economics academic groups which were still in their "infancy" stage and wrought this kind or that kind of havoc onto the economic theory workers versed in Marxism, confining them for a prolonged period in cowsheds separated from the outside world, but also disrupted the higher education for a whole generation of people. At present, in the whole country the economics departments of institutions of higher learning and economics scientific research organizations are all facing the problem of a temporary shortage of personnel. In general, they lack an integrated academic staff for the training of research students aspiring for the master's or the doctor's degree. Capable teaching staff and scientific research workers who can connecting link between the past and the future are sadly lacking. This hardly befits a great nation with a population of 1 billion people. This is one of the effects of the 10 years of turmoil. Second, we may trace back to the 1950's and find a political setting different from that mentioned above. In the past, the courses offered in the economics departments of the institutions of high learning were few and narrow in scope, and due to the influence of the "leftist" line, they were confined to using textbooks from the Soviet Union written in the 1940's and 1950's (although we must admit that at that time, they might still served some useful and beneficial purposes). The evolution of modern economic thought of the West, particularly management methods and economic technology and know-how, was almost entirely neglected in our research work and was not even introduced "with critical reservation" to the public. This of course greatly reduced the scope of our economic knowledge and level of development of our economics science. Somewhat related to this factor was the fact that our college students all had a rather low proficiency in foreign languages. The great majority of them were restricted to only one foreign language (Russian). Even at that, they could hardly pass the crucial test of using the language. Third, for a prolonged period the party's leadership cadres frequently paid no attention to cultivating and training a contingent of economic theoretical workers, or in any way supervising or supporting this type of work. For example, in the systematic and prolonged accumulation of economic materials so vital to economic theoretical work, economic teaching and research personnel (including medium-level and low-level cadres in economic departments) met with difficulties and obstacles which they cannot solve or remove. The leadership at higher levels were not aware of or failed to take note of such difficulties and consequently neglected to help solve problems. Up to now, the great majority of such workers have difficulty in obtaining economic statistical materials and other materials. This has brought about a situation which may be likened to the proverbial saying that the "cleverest housewife cannot cook a meal without rice." This is also one of the reasons for the slow upgrading of new China's standard of economics science. We hope that the leadership will show an all-round interest in the growth of a contingent of economic theoretical workers and help them to solve the problem of the supply of statistical and other materials and other problems relating to their working conditions.

Finally, let me express some views on the tasks of the Federation of Economics Groups in the next 3 years. In my opinion, in addition to doing well the work of popularizing the science of economics, the Federation of Economics Groups should arrange to promote and organize a contingent of specialists to compile publications on economic theories (embracing special-topic investigation and research reports) centering on the economic theoretical problems and practical problems related to the current readjustment and restructuring of the economy. The publications can be of the type that makes a hundred schools contend and encourage people to make even more exhaustive studies and pursue further scientific work. The federation may very well use this as a foundation to help members of groups in localities as well as the economics departments of institutions of higher learning to organize academic speech-making tours on a seasonal or rotational basis. This will help to supplement and upgrade the standard of teaching and of scientific research on the economics science. We should pay close attention to the analysis, research and appraisal of advance economic theories and economic model theories presently being introduced from the West and Eastern Europe. On the one hand, we must keep out any ossified and leftist thoughts, and on the other hand, we should take note of and see through the revised vulgar economic theories. We must not eulogize or propagate them as new "scientific development." This is very necessary at present.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON ENTERPRISE PROFIT-SHARING

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[Article by Zhu Yen [2612 1484] and Cao Yifeng [2580 3015 1496] of the Institute of Economics of the Shanghai Academy of Social Sciences: "An Analysis of Profit-Sharing in Shanghai's Enterprises With Expanded Decisionmaking Power"]

[Text] The pilot projects on expanding enterprise decision-making power which started in our country in 1979 mainly involved expanding enterprise financial powers and replacing centralized control of income and expenditure by profit-sharing, while correspondingly demanding that enterprises assume certain economic responsibilities and that economic benefits be shared in accordance with the economic results of the enterprises' production and management, in order for the enterprises to increase labor productivity.

For the past 2 years, practice in the experimental enterprises with expanded decision-making power in Shanghai has shown that although this involved only partial expansion of enterprise powers, it has indeed started to mobilize the initiative in enterprise production and the workers' enthusiasm because it has grasped the key link of integrating enterprise economic benefits with their contributions. In particular, those industrial enterprises which were assigned production quotas short of their production capacity have been taking the initiative to open up new markets, improve management and expand production and sales. They have been able to increase production and income and achieve better economic results.

Both production level and economic results markedly improved in these enterprises compared with the period before the pilot projects were undertaken. Below are the comparative figures:

Over Industrial Output Growth Rate

Year	(Compared with previous year)	
	Shanghai	Pilot-project enterprises
1979	8.4 percent	12.7 percent
1980	6.1 percent	7.1 percent

Industrial Profit Growth Rate (compared with previous year)		Extent of Profit-Sharing
Shanghai	Pilot-Project Enterprises	Percentage of Total Profit
3.7 percent	15.5 percent	5.3
2.9 percent	7.0 percent	8.0

Average Bonus	
Shanghai	Pilot-Project Enterprises
100 percent	136 percent
100 percent	152 percent

The above chart shows that the pilot-project enterprises were able to realize the principle of "increasing state income, enterprise profit-sharing and individual income"--that is, of simultaneously taking care of the interests of the state, the enterprise and the individual--on the basis of increased production and income. In handling the relationship among the three parties, individual income of workers and extent of enterprise profit-sharing were placed within reasonable limits and individual benefits received by workers were determined by the extent of benefits realized by the enterprise.

In 1979, total amount of profit-sharing in pilot-project industrial enterprises in Shanghai reached 473.86 million yuan. In 1980, with the increase in number of enterprises experimenting in expanding decisionmaking power, the amount of profit-sharing also rose to 767.30 million yuan. Of the total amount of profit-sharing in the 2 years, production development funds accounted for 45 percent, collective welfare funds 29 percent and worker incentive funds 26 percent.

With the above-mentioned funds, the pilot-project enterprises are able to depend on their own financial resources to undertake structural renovation of old enterprises and achieve the intensive type of production increase by tapping potentials, reforming and restructuring. The enterprises also have more funds to improve the workers' collective welfare facilities, particularly, to solve the workers' housing problem; and to raise the average amount of bonuses in pilot-project enterprises to 36 to 52 percent above the average for industrial workers in the municipality.

With the expansion of enterprise financial powers, there was also a corresponding increase in the economic responsibilities they assume. This resulted in gradual improvement in the level of enterprise operation and management and the strengthening of economic accounting work. Reforms have promoted the consolidation of enterprises. These have been the most important results of reform.

However, it can also be seen from the above chart that although the annual growth rate of profit in pilot-project enterprises is way above that in ordinary enterprises, the growth rate in 1980 was lower than in 1979. The same is also true with ordinary enterprises. According to the analysis of the municipal statistics bureau, this phenomenon was caused by several factors. One of them is the faulty method of enterprise profit-sharing. Let us proceed to discuss this question.

I

When pilot projects in expanding enterprise decision-making power started in Shanghai in 1979, the method of having enterprises share both basic profit and appreciated profit was adopted. The total profit in pilot-project enterprises in 1978 was taken as the basic profit, with profit-sharing rate set accordingly, and once set, this figure was not to be changed for 3 years. Annual profits realized after the pilot project began, if larger than the basic profit, were considered appreciated profit. In 1980, pilot-project enterprises were still sharing profits according to the amount of basic and appreciated profits. However, the difference is that basic profit for each year is set according to the amount of proift realized in the previous year. Thus, basic profit changes every year.

In 1980, there was a great number of enterprises which undertook pilot projects in expanding decisionmaking powers. They adopted the method of cyclic ration. For fear that overly high profits during the current year would affect the increase of appreciated profit in 1981, in 1980, when increase in enterprise production and income reached a certain level, many enterprises turned their efforts to equipment inspection and repair, and few devoted efforts to further increasing production.

At that time, pilot projects in expanding enterprise decision-making power had the tendency of spreading to ordinary enterprises. Thus, this also affected those enterprises which had not undertaken the experiment. These enterprises feared that if their profit quotas for the current year were too well fulfilled, their basic profit level would be correspondingly raised and they would be in a position of "disadvantage" when the time came for experimenting in expansion of enterprise powers. This was an important reason why total industrial output in Shanghai for the second half of 1980 was lower by 2.5 percent compared to the first half.

Of course, the enterprises' worries reflect certain contradictions existing between partial and overall interests. At the same time, they even more vividly reflect the shortcomings of the present method of enterprise profit-sharing. That is to say, the present method of enterprise profit-sharing fails to correctly embody the issue of proportional relationship between enterprise economic interests and the contributions they have made. Practice in the past 2 years revealed many problems, focusing on the issue of imbalance of profit-sharing rate among pilot-project enterprises, which in turn creates the contradiction of inequality in enterprise income and bonuses given to workers. Due to the gap between high and low profit-sharing rates, these rates failed to reflect the efforts exerted and contributions made by many enterprises. There were instances where advanced enterprises which have done basic work well, exerted great efforts and contributed much received only little economic benefits. This is the key problem.

II

To realize profit sharing, we must shift from the method of including certain expenses and capital (including funds for new product development, scientific research and worker training) in appropriations from the higher levels or in operating capital to the method of including these items in that part of profit which is retained by the factories, in order to establish the link between the factories' economic benefits and their operational results and to strengthen their sense of economic responsibility.

According to regulations, the amount of profit-sharing in enterprises experimenting in expansion of enterprise powers in Shanghai is divided into two parts: basic profit-sharing and appreciated profit-sharing. The sum of the two is the economic benefits received by enterprises. Individual benefits received by workers are apportioned according to a certain ration from the amount of profit shared, and are determined by the amount and distribution ration of the profit shared. Can this method of profit-sharing properly reflect the efforts exerted by the pilot-project enterprises in their production and management and establish a corresponding link with the economic benefits they receive? Let us analyze this in detail.

Let us first analyze the components of the amount of enterprise profit-sharing.

Amount of Enterprise Basic Profit-Sharing Rate Appreciated
Profit-Sharing Equals Profit X for Basic Profit Plus Profit

X Profit-Sharing Rate
for Appreciated Profit

(Basic Profit-Sharing Rate Amount of Basic)
(Profit X for Basic Profit Equals Profit-Sharing)

(Appreciated Profit-Sharing Rate Amount of Appreciated)
(Profit X for Appreciated Profit Equals Profit-Sharing)

In the above formula, the basic profit is a known quantity. It is determined by the total profit realized by pilot-project enterprises during the previous year; that is, basic profit for enterprises joining the pilot projects in 1979 is determined by their total profit in 1978, while that for enterprises participating in 1980 is determined by their profit in 1979.

Appreciated profit represents the remainder when basic profit is subtracted from the annual profit of pilot-project enterprises. When basic profit is set at a high level, appreciated profit becomes correspondingly smaller; when basic profit is set at a low level, the same amount of profit results in a bigger appreciated profit.

The profit-sharing rate for basic profit is computed according to certain formulas and it differs from one pilot-project enterprise to another. The average profit-sharing rate for basic profit in the municipality of Shanghai in 1979 was 4.2 percent. Profit-sharing rate for appreciated profit is fixed. In pilot-project enterprises adopting the fixed ratio, it is set at 10 percent, and in those adopting the cyclic ration, it is set at 20 percent. The reason why profit-sharing rate for appreciated profit is much higher than that for basic profit is that this brings forth enthusiasm for increasing production and income. However, this also easily leads to the possibility of pilot-project enteprises taking legal measures to lower the amount of basic profit.

The total amount of profit-sharing in enterprises is made up of two components parts. Here, the profit-sharing rate which affects the amount of basic profit-sharing differs from factory to factory. This is an effort to use different basic profit-sharing rates to enable pilot-project industries starting with various amounts of profit during their initial period to arrive at relatively balanced amounts of basic profit retained. The formula for its computation is as follows:

The denominator is the total profit realized by the pilot-project enterprise during the year taken as base.

The numerator is, as mentioned above, those expenses and capital that should be appropriated from retained profit after an enterprise undertakes the pilot project. These are to be computed according to certain proportions which they account for the enterprise's overall appropriation for wages or in the total profit. They are roughly equivalent to the amount appropriated from higher levels or taken from capital expenditure or enterprise profit during the base year.

Profit-sharing rate for basic profit computed according to this formula differs according to the differences in total profit of enterprises during the base period and the differences in the amount of related expenses and capital expenditures of various enterprises. Basic profit-sharing rates computed according to this formula range from low to high, with some as low as 1.94 percent and others as high as 16.5 percent, although the great majority are below 10 percent.

The pilot-project enterprises can arrive at the amount of economic benefits they are entitled to during the base period by multiplying the amount of profit realized during the base period (basic profit) by the profit-sharing rate for basic profit. If the pilot-project enterprises want even greater economic benefits, they must increase production and income during the experimental period, and create appreciated profit, in order to enjoy appreciated profit-sharing.

At first glance, this method seems to be very fair. Moreover, this method of computation guarantees that the state's financial income will not be lower than the level during the base period.

However, on closer inspection, this method is premised on blanket affirmation of the actual conditions in various pilot-project enterprises during the base period, and these conditions include many abnormal and irrational elements. Thus, the fault of "uniformity" exists because the differences in the operational conditions in the various pilot-project enterprises during the base period were not taken into consideration. This computation method dictates that some enterprises' economic benefits are fated to have no connection with the contributions they could make, and that some pilot-project enterprises should suffer unjustified losses while others should enjoy undeserved additional benefits. This will not only dampen the enthusiasm of some pilot-project enterprises but will also weaken the positive role of the expansion of financial powers in promoting economic development.

III

The profit of industrial enterprises is a comprehensive index which shows the level of production and management. How well it is realized is determined by the factory's type of production tasks, composition of product varieties, method of production organization, effectiveness in operations and sales and the lowering or increasing of production costs. Lastly, it is also determined by whether the pricing system for the products is rational or not.

To take a factory's production and management as example, whether production capacity is fully utilized and the level of production cost reduction decisively affect the profit level of the factory.

In the formula for computing basic profit-sharing rate, the denominator is the total profit. If the numerator remains constant, the bigger the denominator, the smaller the basic profit-sharing rate; the smaller the denominator, the bigger the profit-sharing rate. Thus, during the year taken as base, among factories with similar production conditions, those pilot-project enterprises with full-capacity production tasks or which have brought productive capacity into full play and those enterprises which achieved remarkable results in reducing production costs created large profits. In turn, the denominator in the formula was bigger and thus, the resulting profit-sharing rate was ironically smaller. If we analyze this in relation to historical conditions: Those pilot-project enterprises which, during the base year and the years immediately before that, increased production, reduced production costs, and turned over in progressively greater amounts of profit to the state every year were sure to have a very low basic profit-sharing rate. This rate was inversely proportional to the contributions made by these factories. On the other hand, those which during the base year did not have full-capacity production assignments or which did not make full use of their production capacity due to various reasons, and those pilot-project enterprises which raised production costs due to improper operations and management, certainly realized less profit than usual, and thus, their contribution to the state was small. However, when they joined the pilot project, their economic benefits were not reduced accordingly but on the contrary, their basic profit-sharing rate was high. The problem does not only lie here. With low level of basic profit, it was of course easy to realize a large appreciated profit during the experimental period and this correspondingly brings about undeserved "advantage" in terms of appreciated profit. The extent of this "advantage," in turn, is inversely proportional to the efforts these pilot-project factories exerted in their operations and management.

Many believe that the inequity in the economic rewards received by pilot-project enterprises is caused by the differences in appreciated profit-sharing. That is not true. Its root cause lies in the faults of the method of basic profit-sharing. With the progress of pilot project work, these faults have become more evident. They have become definite obstacles in extending the accomplishments of the pilot project. The "reservation" of the enterprises which are about to join the pilot project in increasing production and income is a silent protest directed against the faults of this profit-sharing method.

The numerator in that formula refers to: expenses for testing new products, operational expenses for scientific research establishments and workers' training costs, workers' welfare funds, bonuses for workers and enterprise reserve funds. The first two items are incidental to a certain extent. We will not discuss them. The last three items should be linked to the overall appropriation for wages in pilot-project enterprises during the base period, or should be computed according to certain percentages in the overall amount for wages according to regulations. The overall volume of wages is determined by the number of workers and average wages in various pilot-project enterprises during the base year. Those pilot-project factories which had many workers and high average wages had a great overall wage volume and welfare funds, bonuses and enterprise reserve funds computed according to set percentages were big in amount. Otherwise, the situation was the exact opposite. Following the formula, if the denominator remains constant, the bigger the numerator, the higher the resulting basic profit-sharing rate; the smaller the numerator, the lower the profit-sharing rate.

Take two pilot-project factories as example. If during the base period they realized the same amount of profits and their production conditions were the same or similar, then that factory with more workers and higher wages would have a higher basic profit-sharing rate than the other factory that had less workers and lower average wages. This is one aspect of the problem. On the other hand, whether during the base year, the questions of the number of workers in the pilot-project factories was reasonable--that is, whether it was compatible with the production scale of the factory--whether the work norm was of an advanced level and whether work hours were fully utilized were not analyzed and taken into consideration in computing the basic profit-sharing rate. Thus, inevitably, the result was: those factories with too many workers, which were oftenly idle and which wasted work hours during the base year received more benefits after they joined the pilot project than those factories which made fuller and better use of their work hours.

From the foregoing analysis, we can see: The fault of the method of computing basic profit-sharing rate lies in indiscriminate and blanket affirmation of the production conditions during the base year and in not conducting scientific analysis in accordance with the current situation of production and management in the factories. We did not start from the overall goal of promoting the production level in various enterprises and formulate a more rational method of computing profit-sharing rate. This is the root cause of the irrational nature of profit sharing among pilot-project factories.

IV

Let us now analyze some actual examples of pilot-project enterprises in Shanghai to serve as supporting evidence for the above points.

The Wujing Chemical Plant is a big enterprise. In 1978, there were many problems in its production: industrial accidents often led to power failure in the whole factory and there was serious waste of materials. Take for example the raw material sulphuric acid. Upon stocktaking, the waste of mineral ores alone amounted to 12,200 tons, raising per-ton raw material consumption by 74 kilograms. Thus, the profit quota for that year was not well fulfilled. The basic profit-sharing rate for that plant computed according to these conditions was as high as 16.5 percent. This overly high profit-sharing rate computed with an overly low profit as base brought this plant great advantages when it participated in the experiment on expanding enterprise powers. After the plant joined the pilot project in 1979, to deal with the problems in enterprise operations, it undertook reorganization in equipment, techniques, production safety and the plant's physical appearance. As a result, production order was rapidly restored to normal, the incidence of industrial accidents was reduced, while per unit consumption and production cost were also markedly reduced. The overall output value in 1979 was 25.7 percent more than that of 1978 and profit realized was 240 percent that of 1978. Because of low basic profit and high basic profit-sharing rate, that plant was able to have the best of both worlds. In 1979, that enterprise shared a total profit of 3.038 million yuan and each worker was able to receive an average of 335 yuan in bonuses, the highest among 76 pilot-project enterprises in the whole municipality. That plant has adopted a fixed ratio system and this ratio will not be changed in 3 years. In 1980, the profit realized showed a still more remarkable increase, amounting to 254 percent of that of 1978.

The heightening of the enthusiasm of the workers in the Wujing Chemical Plant after it joined the pilot project was the main reason why it was able to increase production and income in 2 consecutive years. However, part of the reason why the enterprise shared such a substantial amount of profit was obviously because of the unreasonable base figures. Logically, a part of the profit should have been handed in to the state, but because of the fault of the method of computing basic profit, it was retained by the plant. Similar situations and problems exist in some other pilot-project plants to various extents.

Another situation that explains overly low basic profit was that during the base period, the pilot-project enterprise was at the stage of testing new products.

Both the Shanghai No 3 and No 4 watch factories are pilot-project enterprises which joined the experiment in expanding enterprise powers in 1979. Both used 1978 profit as base and adopted the method of fixed ration profit-sharing, a ratio that does not change in 3 years once fixed.

The Shanghai No 3 Watch Factory has been producing the Haishi brand of men's watches and has thereby accumulated considerable experience in watchmaking. In 1978, it began to produce the S3-1 Shanghai-brand ladies' watch. During the experimental period, it concentrated efforts on checking techniques and solving problems concerning product quality. Thus, its production capacity was not fully utilized, while the cost of testing new products was high. Naturally, the base profit was low. This ironically became a favorable condition for increasing enterprise profit-sharing when the factory joined the pilot project.

The "Zuanshi-Brand" watch produced by the Shanghai No 4 Watch Factory is a high-quality and well-known product in Shanghai. It formally went into production in 1970. Over the years, the factory tried to tap potentials every year. By 1978, production output had grown 10-fold and profit had increased by 376 percent. After joining the experiment in expanding enterprise powers, because of high basic profit, its extent of increasing production and income was somehow restricted. The economic benefits received by this enterprise were paradoxically less than the No 3 watch factory.

Below is a comparative chart of the increase in production and income and extent of profit-sharing in the two watch factories after they joined the pilot project:

1978 (Base Period)

Name of Enterprise	Basic Profit (in 10,000 yuan)	Profit-Sharing Rate	
		Basic	Appreciated
Shanghai No 3 Watch Factory	373	8.07	10.00
Shanghai No 4 Watch Factory	2,065	3.92	10.00

Total Profit and Profit
Shared (in 10,000 yuan)

1979		1980	
Profit	Profit Shared	Profit	Profit Shared
914	84.8	1,538	147.1
2,693	144.0	3,250	199.6

Total Labor Productivity (Yuan)		Average Bonus per Worker (Withdrawn) (Yuan)	
1979	1980	1979	1980
28,579	35,142	220	359
51,996	56,893	180	271

Factory No 3 and Factory No 4 in the above chart are both old factories with rich experience in watchmaking. The "Zuanshi-Brand" is even a famous brand. Just because Factory No 3 test-produced ladies' watches in 1978 and that year was incidentally the "base period" when it joined the experiment on expanding enterprise powers, powers, its basic profit-sharing rate was more 200 percent that of Factory No 4, while its appreciated profit-sharing rate was the same as that of the latter. Thus, the following irrational situation came into existence: although the overall quality index of the No 4 Factory in the past 2 years was higher than that of Factory No 3 by 16.57 and 13.43 points respectively, and total labor productivity surpassed Factory No 3 in 2 consecutive years by 82 and 62 percent respectively, the ratio of profit shared to total enterprise profit, based on the chart, was 9.2 and 9.5 percent for Factory No 3 and only 5.3 and 6.1 percent for Factory No 4, while the average bonus withdrawn per worker in Factory No 4 was only 81 and 75 percent respectively that of Factory No 3.

It is usually believed that the inequity in benefits enjoyed after enterprises joined the pilot project is due to the difference in appreciated profit-sharing, because in designing the basic profit-sharing, the assurance that the economic benefits of the enterprises be maintained at the level of the base period had been taken into consideration. This is a superficial view. The problem precisely lies in the fact that inequality already began at the base level. Thus, once the pilot project started, the "good" or "bad" results in enterprise profit-sharing could already be predicted.

Another extreme case was setting the basic profit at zero. That means indiscriminately branding factories which lost money during the base period as money-losing units.

The "Feiyu-brand" of television set is a famous brand. It is produced by the Shanghai No 18 Radio Factory. In 1978, that factory was mainly producing 9-inch television sets and amplifiers. The 9-inch television set was a money-losing product while the amplifier was making a profit. Adding up profits and losses, the factory was making a read profit or more than 800,000 yuan. Yet counting the losses incurred by disposing with materials at a reduced price amounting to more than 2.3 million yuan, the factory, in the end, incurred a loss of 1.53 million yuan in 1978.

In 1979, the Shanghai No 18 Radio Factory participated in the pilot project to expand enterprise powers. Its profit-sharing ratio was set and could not be changed for 3 years. Due to the fact that in 1978, the balance sheet showed it to be a money-losing unit, its basic profit was set at zero and all the profit realized during the 3 years of the pilot project was to be considered "appreciated profit." According to regulations, those enterprises adopting the "fixed ratio" have a uniform appreciated profit-sharing rate of 10 percent (a very small number of pilot-project enterprises have a rate higher than 10 percent). This is higher by 138 percent, compared with the municipal average of 4.2 percent for basic profit-sharing rate. This "uniform" policy on appreciated profit-sharing rate has aggravated the situation of inequity in economic benefits among some pilot-project enterprises.

After the Shanghai No 18 Radio Factory joined the pilot project in 1979, its product composition was changed. The 9-inch television set was eliminated, while the output of the 12-inch television set which was making money reached 80 percent of overall production. Profit realized during this year was 11.08 million yuan, which was all regarded as appreciated profit, and profit shared was 1.08 million yuan. True, the expansion of enterprise decisionmaking power mobilized the factory's enthusiasm. Yet, part of the profit was undoubtedly brought about by the change in product composition. This should be considered a favorable objective factor. Pilot-project enterprises have different favorable objective factors which vary tremendously. For example: different modes of production; different organic composition of capital; changes in product composition; different proportion of net production value in overall production value, and different ratio between products for domestic and foreign trade. These factors all affect the degree of profit increase. In particular, the price factor (including prices of finished products, raw materials and associated materials) exercises wideranging influence because price seriously deviating from actual commodity value is a commonplace phenomenon. The existence of these influencing factors has made the objective measurement of enterprise subjective efforts even more difficult. However, in most cases, the appreciated profit-sharing rate is "uniformly set." This makes the pilot-project enterprises bear the burden of the good or bad economic results brought about by objective factors to enterprise profit. As a result, in the pilot-project enterprises' profit-sharing, some received benefits very easily and some suffered losses without justification, and this is also reflected in the workers' economic benefits.

In Shanghai, in order to solve the problem of "inequity of benefits" among pilot-project enterprises, methods of internal adjustment within various trades were adopted by the industrial bureaus and companies that were practicing profit-sharing in an entire trade. These had certain effects on alleviating the contradiction of "inequity of benefits" among enterprises, but they also had their limitations. This was because these methods did not try to solve the problem by tackling the root cause, while profit rate in various trades differs greatly. Therefore, it is difficult to solve the problem of "inequity of benefits."

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The main purpose in expanding enterprise decisionmaking power is to make the enterprises an internal economic force in enlivening the economy and improving production and management. To make the enterprises fully play their role as an internal economic force, the economic benefits they receive must be linked to the quality of their operation and management and with their contribution to the state.

We believe that in order to solve the problem of inequality in enterprise profit-sharing and to better implement the principle of simultaneously looking after the interests of the state, the enterprise and the worker, attention must be paid to the following questions:

1. At present, the phenomenon of industrial product prices deviating from actual value is very commonplace. This is an important objective factor outside the factories which affects the profit volume of enterprise and contributes to the inequality in profit-sharing. This problem exists between trades and between enterprises to various degrees. For example, the profit realized by each "Shanghai-brand" men's watch is as high as 37 yuan while the industrial profit per unit (1,000 boxes) for "Shengchan-brand" matches is only 1.42 yuan. There is a great gap between the two. This is the result of the state policy of centralized control of income and expenses in state-run enterprises, which was instituted during the 1950's after socialist transformation was basically completed. Obviously, this is incompatible with the requirements of the reform of the economic structure. We must undertake adjustment of prices in a planned and step-by-step manner. However, it takes a long time to institute a rational price system. Moreover, factors that influence prices, aside from the value base, include policy requirements, demand and supply relationship and so on. Thus, under certain conditions, it is inevitable for prices to deviate from value. Therefore, it is desirable to use the tax lever to supplement price policies and extract through taxes that part of enterprise profit which is created by objective favorable conditions.

2. Compared with the average enterprises in the country, most industrial enterprises in Shanghai have higher standards of operation and management and high profit level. It is obviously not always appropriate to adopt the "cycle ratio" method in enterprise profit-sharing. Perhaps, according to actual conditions in different types of enterprises, we can adopt different profit-sharing methods, such as fixed ratio, cyclic method, total profit retention, basic profit-sharing plus appreciated profit-sharing, sharing profit in excess of planned quota and assigning fixed profit quotas. In this manner, we can better mobilize the enthusiasm of the enterprises and the workers.

3. Whether the setting of basic profit is rational or not is a key question that bears on the inequality of economic benefits. Thus, we must not simplistically take the actual profit of the enterprise concerned during the base year as the base figure. We must compute the reasonable profit volume of the enterprise under normal production conditions and make this the base figure. We believe that the measures for the subjective efforts exerted by the enterprise are: the extent production capacity is utilized and the level of production cost. These are two decisive factors that bear on factory profit volume. Therefore, we must correctly determine a relatively rational way of quantifying these two major factors.

There are objective criteria for measuring whether the production capacity of a factory is being properly utilized. Generally, this means making a comprehensive analysis of how far the factory utilizes its designed capacity or its overall production capacity, whether it has attained the highest level in history and how well the production tasks have been fulfilled during the base year. Thus, we can arrive at a relatively reasonable basis for computation.

By relying on the above actual analysis of enterprise production capacity and production cost level, while referring to the actual profit level during the base year and deducting the objective favorable factors in the enterprises, we can surely set down a more rational basic profit volume. This is a solution to the shortcoming of "uniformity." Only thus can we enforce a more rational profit-sharing scheme, encourage the advanced units and stimulate the backward ones. Furthermore, we can also lay down the groundwork for future advance from profit-sharing to "independent accounting, state taxation and self-responsibility for profit and losses."

CSO: 4006/113

FINANCE AND BANKING

STRENGTHENING FINANCIAL MANAGEMENT OF PRODUCTION TEAMS URGED

Jinan DAZHONG RIBAO in Chinese 10 Sep 81 p 1

[Article by staff commentator: "Conscientiously Reorganize and Strengthen the Financial Management of Production Teams"]

[Text] Under the new situation of implementing the production responsibility system in agriculture, how to handle the financial management of the production teams has become an outstanding problem that the broad number of farmers are generally concerned about. The commune members said: "The responsibility system is the bamboo rake to bring in money; financial management is the cash box to hold money." This discription is very expresive and very appropriate. Only by striving for more income and managing the income well can there be increased yields and increased income.

Of course, the financial management of the communes and brigades at present is still a weak link in business management. This is clearly manifested in the following: in some units, costs are not calculated in production, the costs are high and the results are poor. Management of property and materials is poor, loss and damage are serious. There are too many subsidies for banquets and giving gifts, wasteful eating and drinking and various inappropriate subsidies; the burden of the commune members is heavy. There is too much borrowing and misappropriation, there is too much improper retention of capital, there are too many debts unpaid, distributions that should be realized cannot be realized. The accounts are confused, there are no records of receipts and expenditures, finances are not made public, the economy is not democratic. Some units contracting work to the families do not close old accounts, do not establish new accounts, do not clarify debts, there is no record of fixed assets. A few units have even divided the property of the collective, eliminated the accountant, etc. If the confusion in financial management in the collective economy is not quickly reorganized, the results of labor by the commune members will be wasted, the socialist principle of distribution according to work cannot be truly implemented. Therefore, handling financial management well is a very important and urgent task facing us. The party and administrative leadership organs at each level in the farm villages must grasp financial management like they have grasped the production responsibility system, help the production teams carry out a conscientious reorganization and truly handle financial management well.

Reorganizing financial management first of all involves clarifying all accounts, thoroughly clarifying assets and materials, debts and various expenditures and revenues. The results of clarification should be publicized for the commune members, and the masses of cadres should be mobilized to summarize the experience and lesson. The goal of clarifying the accounts is to bring problems to light, to understand the causes, eliminate shortcomings, accept the lessons, and improve the level of management. Clarifying the accounts is not launching a movement, it is not purging the cadres, it requires mobilizing the basic level cadres to take the intiative to do the work well and to boldly lead. The general financial problems that existed in the past should not continue after they have been understood and examined and corrected. Major individual cases of theft and embezzlement should be handed over to concerned departments for special handling, they should not be included in the reorganization of finances. Second, measures for improvement should be studied on the basis of clarifying the accounts, and a sound financial management system should be established. Regarding productive financial expenditures, those that can be contracted should be contracted as much as possible, those that require quotas for expenditure should be placed under quotas, the portion conserved should be kept, and overexpenditures should not be subsidized. Collective property and materials should be placed under a strict responsibility system: good management should be rewarded and poor management should be punished. Plans for retrieval and repayment of debts that cannot be cleared immediately should be clearly recorded in the books and contracts should be signed with the creditor for retrieving and repaying debts according to contract. Fixed assets must be redepreciated according to the actual situation and how new they are. They should be accounted for so that the real assets and the books are consistent, a depreciation system should be established and a responsibility system for the control, repair and use should be established. Analysis of economic activity must be carried out by the month or by the season to tabulate revenues and expenditures at fixed intervals; it should be posted for comparison with the same period last year and for comparison with similar units; the reasons for increases and reduction should be analyzed, the experience and lessons should be summarized, and measures to increase revenue and conserve expenditures should be studied.

Although collective revenue and expenditure items and accounts of units contracting production and work to the family have lessened in number, accounting personnel still have a lot of work to do. For example, helping the brigade committee establish production plans; signing contracts for production and work with each family; representing each family in uniform purchases and distribution of chemical fertilizers, farm chemicals, and superior seeds; collecting from each family the farm sideline products to be sold and closing the accounts; calculating and managing monetary subsidies for food grains for martyr families, "five protected families", families in difficulty and their special care; managing and using well the money from food grains kept by the collective; keeping good accounts so as to show the cash flow, posting the accounts for the masses and accepting supervision oy the masses; and clarifying and managing well the original debts, transferring them to new accounts and supervising their retrieval and payment. As regards the original collective property, regardless of whether it still belongs to the collective or whether it is to be distributed to the families according to established prices, the accounts should all be managed according to the accounting system. The various forms of contracts and deeds, accounts, vouchers, bills and reports formed after collectivization and such financial files must be kept well. At the same time, the collective still must carry out some work benefiting the life and production of each family which the family does not have the ability to realize or which is not suitable for the family to implement. Accounting personnel must carry out or participate in carrying out all these things; accounting work is still very important. The view that after contracting production and work to the families, accountants have nothing more to do and so can be eliminated is wrong.

Reorganizing financial management involves a broad area, the situation is complex, there are many problems and questions of policy are involved, so the county commune party committee and government must strengthen the leadership of this work. Responsible comrades must undertake the work and carry out profound actual investigation and study, discover problems in time and handle them well. Business departments must take the initiative to do the trial work well, to seek experience and to serve as good consultatants to the leadership. Reorganizing finances is very detailed economic work, it is not something that can be done at one blow; we must strengthen the constant ideological and political work and the guidance in operation, combine the proper production responsibility system with yearend distribution, and carry out work according to plan and in stages and in groups.

Financial management work mainly relies upon the accountants for implementation. The caliber of the accountants determines to a very great extent the quality of financial management of the unit. Therefore, selecting good accountants, strengthening training, instituting periodic examination, and training a Red and expert accounting team constitute the basic construction in financial management. Only when the basic work has been done well can the active function of the accountant be truly developed to handle financial management well and to promote the more prosperous development of the collective economy.

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CSO: 4006/511

BRIEFS

JIANGSU RAW COAL PRODUCTION--In August, the whole province's production of raw coal was 1.33 million tons, a surplus of 65,000 tons, creating the highest monthly yield this year. The Xuzhou Mining Bureau conscientiously implemented the spirit of the national unified distribution of coal production conference, truly strengthened leadership and began implementing the economic responsibility system, thus mobilizing the enthusiasm of the broad number of workers. In August, it produced over 980,000 tons of raw coal, a surplus of 25,000 tons. Xuzhou, Huaiyinba, Yancheng, Yangzhou, Nantong Prefectures, the city of Lianyungang and the provincial Taihu Coal Company all overfulfilled their August production plans. [Text] [Nanjing XINHUA RIBAO in Chnnese 3 Sep 81 p 1] 9296

CSO: 4006/511

THIRD MINISTRY OF MACHINE BUILDING INCREASES ASSISTANCE TO CIVILIAN INDUSTRIES

Beijing GUANGMING RIBAO in Chinese 7 Oct 81 p 1

[Article by Correspondent Tang Ding [2768 0002]: "Third Ministry of Machine Building Has Outstanding Results in Readjusting Its Service Orientation"]

[Text] Since the Third Plenary Session of the 11th Central Committee, certain enterprises and research and design organizations belonging to the Third Ministry of Machine Building have readjusted their service orientation, and while giving priority to completing military research and production tasks, they have organized their technical personnel to visit civilian products enterprises, gain an understanding of their technical difficulties and help them solve their problems; some of the enterprises have thrown open their doors and invited visits by representatives of civilian products enterprises or have taken the initiative in explaining and introducing new processes and technologies, as well as doing some preliminary work to spread new technologies, all of which has yielded outstanding results.

Their methods are as described below.

Adopting results from military work. For example, aircraft engines have been converted to ground-based gas turbines which are used as high-efficiency, light, easily controllable power installations which can use a variety of fuels; one variety of turboshaft engine and two varieties of turboprop engine have already been adapted as power units of this sort and are being used in the petroleum industry as electrical generators or water injection units. In addition, various aircraft electric motors, instruments and oil pumps are being converted for use in mines, light industry and textiles, chemical engineering, hoisting equipment and automation equipment.

Providing technical services to civilian products departments. Last year the Sanjiang Mechanical Engineering Works sent technical personnel on many fact-finding visits to the Wuliangye Liquor Plant, where they designed and produced a mechanized continuous bending machine, solving the difficulties which the plant, which produces Wuliangye, one of China's famous liquors, had encountered with bending processes, and increasing liquor production efficiency and bending quality. The Third Ministry of Machine Building's Power Research Institute sent about 30 engineers and assistant engineers to investigate domestic and foreign results and adopt advanced military technologies and equipment in developing this country's first complete automated bread production line, which produces an average of one loaf of bread (weighing 2 liang) per second. Some plants trial-produced certain advanced, versatile mechanical equipment for the cigarette, textile, watchmaking and domestic electrical equipment industries. Some have also made computers and other experimental equipment available to the civilian products departments.

Production of certain civilian-use textiles. Many enterprises have set up production lines for civilian products, using idle buildings and equipment, and have produced domestic-use electromechanical equipment for civilian aircraft and other civilian needs, as well as producing key parts and components. Some plants have produced graphite rings for the chemical fibers industry and have furnished urgently-needed parts for imported equipment, saving foreign exchange for the nation; some have used a variety of stainless steel screening which won a national award to produce high-quality filter components and have developed new products for the chemical fibers, chemical engineering, metallurgy and petroleum sectors.

8480
CSO: 4006/37

ECONOMIC RESPONSIBILITY SYSTEMS IN ZHEJIANG INDUSTRIAL ENTERPRISES OUTLINED

Hangzhou ZHEJIANG RIBAO in Chinese 6, 7, 8 Sep 81

[Article: "What Types of Industrial Economic Responsibility Systems Has Our Province Instituted?"]

[6 Sep 81 p 2]

> [Text] Editor's note: Recently this newspaper has received many letters from readers asking about the economic responsibility systems instituted by industrial enterprises. Accordingly, a reporter from this paper visited relevant departments in this province and obtained some information about these matters, which is presented below.

[Question] What, in essence, is the situation since our province began to implement the economic responsibility system on the industry and communications front?

[Answer] Since the Third Plenary Session of the Eleventh Central Committee, this province's industrial and communications front has begun investigations related to implementation of the economic responsibility system. In 1979, when the Central Committee applied the financial contract system involving "separating receipts and disbursements and assigning responsibility at various levels," the provincial party committee made a study and drew conclusions, and the province and the cities and counties implemented the approach of "eating in separate kitchens." Next, many cities and counties also implemented the work contract system for industrial bureaus, companies and enterprises. At the same time, the system of partial retention of profits was implemented in enterprises participating in the experiment with expanded autonomy, in accordance with State Council and province guidelines. Thus the economic responsibility system is being expanded gradually in this province's industrial and communications enterprises. According to statistics from the end of 1980, various types of economic responsibility systems have already been implemented in 771 industrial and communications enterprises owned by the whole people; most of these have also introduced various types of work contracts for shops, shifts and even individual workers.

Establishing the economic responsibility systems and making them work properly, and linking economic responsibility and economic powers closely to economic interests helps solve the industrial and communications enterprises' long-standing problems of stifling centralization, "eating from one big pot," and tendencies toward egalitarianism, and are an important policy for improving economic performance and increasing financial revenues. Because the proportion of profit retained by the enterprise and the size of employee income is directly linked to the quality of production management and the magnitude of labor results, this strengthens the enterprises' internal economic incentive and creates the conditions for reorganizing enterprises, improving administration and management, and further stimulating the enterprises' and employees' enthusiasm.

The key problem in implementation of economic responsibility systems in the industrial and communications enterprises is that of correctly handling the relationship between the state, the enterprise and the employees. This manifests itself in two areas: the first is correct handling of the economic relationship between the enterprise and the state, and the second is correct handling of the distribution relationship within the enterprise.

[Question] What types of economic responsibility systems applying to the relationship between the enterprise and the state are in effect in this province? What are their merits and shortcomings?

[Answer] Currently six types of economic responsibility system applying to the relationship between the enterprise and the state are being used throughout this province.

1. Partial retention of base profit and partial retention of profit increment. There are two specific systems here. The first is the method established by the State Council in Document No 23 (1980). If the enterprise's profits for a given year are higher than those for the previous year, a predetermined proportion of the amount equal to last year's profit goes to the enterprise as the retained percentage of base profit, while a different proportion, also set by the state, of the increase in profit over the preceding year is assigned to the enterprise as the retained proportion of profit increment. If the enterprise's profit in a given year is lower than that for the previous year, the enterprise retains a percentage of the base profit, calculated in terms of the profit for the year and the established retention percentage. The proportion of base profit to be retained is set by considering the proportion of last year's profits accounted for by that year's expenditures on trial production of new products, scientific research expenditures and employee training expenditures, and the size of the employee benefits fund, the employee bonus fund and the enterprise fund. The percentage of incremental profit which is retained is set at 10, 20 or 30 percent, depending on the difficulty of making profits in different industries. The funds which the enterprise retains from profits are used for the production development fund, the employee benefits fund and the employee bonus fund. No expenditures required to be paid out of funds retained from profits may be covered through further allocations by the state, nor may the enterprise write them off as costs.

This method is a rather good embodiment of the state's, enterprise's and employees' interests. It encourages the enterprise to increase its output, improve quality and increase the amount of money paid to the higher levels. Its shortcomings are: first, that well-managed enterprises which earn high profits but have difficulty increasing them, i.e. primarily enterprises which have high technical and economic indicators, do not benefit much, so that we are "whipping the fastest ox"; second, because of such factors as pricing policy, there is an unequal distribution of benefits and disadvantages among industries and among enterprises.

The other form of this system is the method specified by the province's Document No 128 (1979). After the state plan is completed, the former payment of 5 percent of total wages into the enterprise fund is replaced by a payment of 3 to 5 percent of plan profits to the enterprise as its retained proportion of profit, in addition to which, as a rule 20 percent of the profit increment is earmarked for the enterprise; employee benefits expenditures and employee bonuses are handled by the enterprise as described above.

The advantages of this approach are that it is rather simple and clear and is easy for the enterprise to calculate and implement. In particular, for a 2-year period enterprises need not pay to the higher levels any profit increases generated from their own assets, but instead may add them to their assets, an arrangement which the enterprises especially welcome. Some shortcomings are that the problem of "whipping the fastest ox" and unequal distribution of benefits and disadvantages still remain, and that the employee benefits fund and bonus fund are still tied to total wages.

Enterprises which are using the system of partial retention of base profit and partial retention of incremental profit must take care to act on the basis of the overall situation and must concentrate primarily on improving their management and achieving better economic results. According to relevant provisions of the State Council and the province, a small number of enterprises which, as a result of changes in objective conditions, are experiencing genuine difficulty in implementing the existing system of partial retention of profits, may make certain alterations in accordance with specific conditions. For example, a small number of enterprises which have inadequate production assignments and are experiencing sizeable decreases in profits must first reorganize and consolidate, revise their product structure and increase their output, and if these efforts are still insufficient to guarantee normal employee benefits fund levels and minimum bonus levels, the financial departments must make special allowances for them or carry out an audit in terms of the plan assignments that were handed down and implement the method of partial retention of above-plan profits. In the case of enterprises whose profits are especially affected by increases in state prices for raw and other materials or by decreased sale prices for their products, a suitable adjustment in the proportion of base profit retained may be made. In the case of some enterprises whose retained proportion of base profit established in accordance with State Council Document No 23 (1980) is too high, this proportion should be adjusted downward following suitable work on the case, and held within 40 percent.

Since these methods were implemented, they have acted as a positive factor in bringing enterprise enthusiasm into play, mobilizing employee enthusiasm, and stimulating enterprise and employee concern for output and a striving to increase profits, and have produced rather good economic effects. According to statistics for last year on 211 enterprises experimenting with expanded autonomy which have been circulated by the province, the total industrial output achieved in 1980 was 19.58 percent above that for the previous year and profits realized were up by 29.95 percent from the previous year, exceeding the increase in profits by the state-run enterprises throughout the province by 27.5 percent.

2. Implementation of the profit contract system and partial retention of excess profits in the case of small-profit enterprises. The profit indicators are generally based on the actual amount of profit paid to the higher levels in the previous year, with allowance for the actual circumstances in the present year. When the change in profit is rather large, these indicators are determined yearly, but when profits are rather stable, the percentage is fixed every 3 years. In some cases all above-plan profits go to the plant, while in other cases only a certain percentage is retained; in addition, some localities specify that if prescribed indicator values are not attained, the enterprise must pay a 5 percent penalty. For example, the Sheng County Zisha [4793 4263] Plant paid 60,000 yuan of profits to the higher levels in 1980, while this year its profits contract figure is 80,000 yuan; 10 percent of the profit in excess of the contract figure is paid to the cognizant department, and 90 percent is retained by the plant. As a result, the profit realized in the first half of this year has been 54,200 yuan, an increase of 126.8 percent over the same period last year.

3. A system in which enterprises operating at a loss receive fixed supplemental allocations, excess losses are not made up, and the amount by which losses are decreased is retained, either wholly or in part. In implementing this type of economic responsibility system, the various localities use the following method, depending on the size of enterprise losses, the difficulty of decreasing them or turning a profit, and the plant's specific situation: 1. "Bear half, receive half" of losses. In this case, the enterprise itself bears 50 percent of excessive losses and retains 50 percent of the amount by which losses are decreased. 2. "Bear all, receive all." In this case, excess losses are not made up by the state, and the amount by which losses are decreased is fully retained. 3. Determination of the percentage of losses to be subsidized in terms of product sales volume. This is a very effective method. Enterprises whose loss figure is contracted for show a profit rather quickly and shed their "money-losing" label. For example, the Lizhu Iron Mine in Shaoxing had shown a loss in every one of the 10-odd years since it was constructed. When this method was implemented, the situation showed a rapid change for the better. In the past, losses amounted to 10,000 yuan per day, while now the profit is over 50,000 yuan per day's production, and in the period from last April to this April alone, overall profits for the mine amounted to more than 2 million yuan. The province's 37 enterprises which operate at planned losses or whose losses are based on policy considerations showed a total loss figure of 2.268 million yuan in 1979; in 1980, after implementation of the contract system, they showed a profit of 2.117 million yuan. In the past these money-losing enterprises had no production expansion fund, and the plant was considerably behind as regards employee welfare benefits. Now that the enterprise is showing a profit, not only is it able to exploit unused potential, modernize and renovate with its own resources, but it also has been able to provide some collective welfare and deliver some real benefits to the employees.

4. Linking of bonuses to profits and calculation of bonuses in terms of profits. In this method, bonuses are decoupled from wages and linked to profits instead. Employee benefits in the previous year are compared with profits to determine the bonus ratio, which is approved by the relevant department and is in effect for 3 years. The larger the amount paid to the higher levels, the greater the bonuses obtained, and conversely. The advantage of this method is that the employees' economic interests are closely linked to enterprise management results; "when the water rises the boats float higher," and bonuses go up as profits go up, which

assures large revenues for the state. The disadvantage is that setting the bonus-to-profit ratio in terms of last year's actual figures is a somewhat random method; some enterprises' bonus figures may exceed the prescribed amounts.

5. Partial profit retention by entire industries. In this method the bureau or company is taken as the unit and a base figure contracted for; part of any surplus is retained, with the proportion remaining constant for several years. In addition, the bureau or company and its subordinate enterprises each have a base contract figure and a surplus profit retention percentage set for them. The main feature of this method is that the department (or company) can make suitable adjustments in terms of the quality of individual enterprises' management within the industry as a whole, in terms of such factors as the favorable or unfavorable character of objective circumstances, the difficulty of increasing output and profits, and the size of the contribution made to the state. Ningbo City implemented industrywide partial retention of profit increases for all industry and communications bureaus (or companies), while Jinhua City, Sheng County, Jiangshan County and others are also testing the method. Its advantages are: first, it helps solve the problem of "uneven distribution of benefits and disadvantages" among enterprises; second, it helps in the planning and disposition of the various funds and allows rational organization of production; third, it helps promote readjustment, reorganization and integration of industries. Its weak points are that enterprises with high profits complain that their profits are being skimmed off by low-profit enterprises, and that some enterprises think that some of their powers have been taken away by their cognizant departments. As a result, special attention must be paid to correct handling of relations between the cognizant department and the enterprises and to effective political and ideological work.

6. Replacement of payment of profits by payment of taxes, and responsibility for profit and loss. Under this method, when small enterprises change over from payment of profits to payment of taxes, the interests of state, enterprise and employees are more closely linked together, which helps thoroughly mobilize enterprise and employee enthusiasm, promote the expansion of production and increase earnings, which assures the state financial offices of steadily increasing revenues. The principle of basing the types of taxation and the tax rates on the interests of the state, the enterprise and the employees alike, which helps to mobilize the enthusiasm of all concerned, can be applied with due reference to local conditions. For example, some localities now use the "four taxes" (income tax, profit shortfall adjustment tax, vehicle and boat license tax, land use tax), and the "two fees" (fee for use of fixed assets, fee for use of circulating funds), while some localities make reference to the collective-ownership enterprise method and collect an eight-level graduated income tax. Once payment of profits is replaced by payment of taxes, all after-tax profits go to the enterprise, and the enterprise itself determines their use.

In addition, industrial enterprises under collective ownership which are experimenting with expanded autonomy have implemented the partial retention of profit method in accordance with province specifications, with 4 percent of the specified base profit level being retained the enterprise, while 20, 30 or 40 percent of the profit increment is also retained, depending on the size of the profits and the difficulty of realizing them. Starting this year, collectively-owned enterprises throughout the area will institute the system of "double reduction" for profit increments (collection of half of the income tax that would normally be due, and payment of half of the cooperative fund to the higher levels).

[7 Sep 81 p 2]

[Question] What forms of economic responsibility system govern the relationship between the enterprise and the employees?

[Answer] Currently, six types of economic responsibility system applying to the relationship between the enterprise and the employees are in existence on a provincewide scale.

1. Computation of wages by piece rate. This is a wage form in which compensation is based on the number of pieces or the quantity of work of a specified quality completed by the worker. Its distinguishing feature is that it links worker compensation directly to worker accomplishment: the more he works the more he earns, and conversely. Compared with a time rate, it more correctly reflects the quantity of work performed by the worker, better embodies the principle of distribution according to work, and mobilizes employee enthusiasm.

After they have set up a job responsibility system and a checking system and have seen to it that quota management is operating properly, enterprises which are fulfilling their production tasks and which are suited to the piece rate system may secure higher-level approval to implement it; either the collective or the individual may be taken as the piece-rate unit. Workers coming onto the piece-rate system will not be awarded the regular production bonuses.

Implementation of the piece rate system must be linked to the enterprise's economic results and must be arranged so that it guarantees quality, decreases labor costs and results in bigger increases in output and profit. Given these preconditions, enterprises retaining a portion of profits may pay piece rate wages out of costs; a suitably decreased profit retention percentage will be computed for them. Wages paid on the piece rate system may not be calculated as part of the bonus fund money accruing to the enterprise under the partial retention of profits system; this prevents double payment and waste.

This form is already being spread in some branches, enterprises and trades in the construction, transport, cigarette and textile sectors. As to specific measures, some organizations are using the direct unlimited piece rate system, in which wages are calculated according to a single piece rate with no limitations, a method which is suited to work in which individual output from manual or machine operations can be calculated. Some organizations are using a progressive piece rate system, in which wages are calculated using a graduated piece rate based on the size of the quota achieved by the worker; this is suited to enterprises and types of work in which above-quota production is rather difficult. Other organizations are using the limited piece rate system, in which the increase in wages calculated by the piece rate system is limited to 30 percent of the standard wage. After the Ningbo Cigarette Factory instituted the limited piece rate system in July, cigarette output increased from 890 cartons a day to 1,030 cartons a day with the same equipment and personnel.

2. The above-quota piece rate system. This is a piece rate system in which the individual or a small group such as a shop, shift or section is taken as the unit, and the base wage is paid for fulfilling the quota and a piece rate is paid for above-quota production, so that the more the output exceeds the quota the higher the wage; those who do not meet the quota are penalized 5 to 10 percent. Within the group, distribution is carried out in accordance with the technical difficulty, labor strength, conditions and responsibility for the various types of work. Enterprises which implement this system stop paying regular production bonuses and overtime. This method not only protects the interests of older workers, but also mobilizes new workers' enthusiasm, so that all enterprises with effective leadership groups and a good basis for management work which have full production assignments can implement it on a trial basis. At present, some enterprises in Hangzhou, Ningbo and Shaoxing cities and Yuhang, Sheng and Lishui counties are testing this method.

3. The floating wage system. This system involves making a large proportion of the original wage (generally between 70 and 80 percent) a fixed wage and designating a small part of the original wage plus the bonus (including bonuses obtained from partial retention of profits) or an allowance as the floating wage. For example, after the Ningbo Municipal Moving Company adopted this wage method last December, handling efficiency was increased by 43 percent, and the amount of profits remitted to the higher levels was doubled, while the workers' income was increased by 59.2 percent compared with the fixed wage system.

4. Computation of bonuses according to bonus points. This replaces the evaluation bonus with a points bonus. Various technical and economic indicators such as output, quality, variety, consumption and expenditure are broken down into a number of smaller indicators which are applied at each level down to the shop, shift and individual worker; bonus point values are assigned for each indicator and the points are tallied on a monthly basis. In some cases an economic contract is also signed to specify rights and responsibilities. This method is already in rather widespread use. The 23 silk plants in the Hangzhou City silk system have implemented it. Starting in 1980, the Fuhua Silk Plant in Hangzhou went on to combine the bonus point system with the above-quota piece rate bonus system, awarding bonuses in terms of above-quota piece production and bonus-point totals; the plant's headquarters set standard point values and instituted the following regulations: 25 points were to be awarded to a worker who fulfilled his quota, with 3 additional points to be added for each 1 percent overfulfillment, while those who did not meet their quotas were to have 3 points deducted for each 1 percent shortfall; those who met quality quotas were awarded 45 points, with an additional 10 to 15 points awarded for eliminating second-quality products; those who met conservation indicator targets received 10 points, and an additional 10 points for safe, enlightened production, while those who were responsible for accidents lost their month's bonus. Implementation of this system allowed a rather small bonus sum to have a rather large effect, and last year records were set in all technical and economic indicators. This year, although the size of bonuses has been decreased somewhat, the state plan is being overfulfilled every month.

5. Computation of bonuses according to output. This is a system in which bonuses are paid in terms of output. The Sheng County Cement Plant specified that those who fulfilled the state plan would receive 1 yuan in bonuses per ton. Sections

which overfulfilled the plan by 50 percent received a bonus of 1.5 yuan per ton, and those which overfulfilled the state plan by more than 50 percent received a bonus of 3 yuan per ton. The Sheng County Electromechanical Plant specified that the basic bonus would be paid when the plantwide monthly output value was 300,000 yuan and the sales figure reached 250,000 yuan; the bonus would be increased an average of 1 yuan per worker for each 50,000 yuan overfulfillment of output value and sales quotas.

6. Setting up a "several specifications, one bonus" system for leadership cadres and management personnel. Most front-line workers have hard and fast quotas, and it is relatively easy to calculate a bonus by a point system, but there are no hard and fast quotas for leadership cadres and management personnel, so that it is rather hard to compute bonuses on the basis of a point system. Many enterprises set bonuses for mangement cadres slightly lower than the average for the production workers. For example, the Jinhua Cotton Cloth Mill has a rather good method. It instituted a "six specifications, one bonus" system for plant-level leadership cadres, involving specified output value, specified profit, specified variety, specified output volume, specified quality and specified consumption. It declared that the leadership cadres had complete responsibility for all of the enterprise's monthly plan indicators, and a proportionality factor for awarding or decreasing bonuses was specified for each indicator. Those who fulfilled their quotas for all six indicators received the full bonus, and those who failed to fulfill three of the indicators had their individual wages cut by 20 percent. A system of "seven specifications, one bonus" was instituted for shop superintendents and shift foremen, consisting of output volume targets, quality targets, consumption targets, safety targets and the like. Those who met all the targets received the full bonus, and if the two main indicators of output volume and quality were overfulfilled, they could receive an additional 10 percent. If the two main indicators of output volume and quality and two secondary indicators were not met, 2 percent was deducted from their wages. The Lanxi County industrial enterprises prescribed that provided the four yearly indicators of output volume, quality, profit and provision of goods in accordance with contracts were met, the plant-level leadership would receive a bonus to be calculated in terms of the percentage by which the enterprise overfulfilled the quota for payment of profits to the higher levels. If the profit quota was not met, 2 to 5 percent would be deducted from the standard individual salary of the main leadership personnel for a period of 3 to 6 months.

[8 Sep 81 p 2]

[Question] To what problems should industrial and communications enterprises implementing economic responsibility systems pay attention, and what principles should they follow?

[Answer] This province is still in the investigation and experimental stage in its implementation of economic responsibility systems in the industrial enterprises, and we can only say that the experience gained thus far is preliminary. The specific methods described above are relatively practicable. But in studying and spreading this experience, we must refer to the specific situations of the individual geographic areas, departments, and enterprises, take a realistic approach, be creative in adopting it, continually investigate new circumstances which arise during practice, solve new problems, and gradually improve the techniques.

At the same time, implementation of the economic responsibility systems must proceed side by side with enterprise reorganization; establishing an economic responsibility system and making it work properly is the point of breakthrough in enterprise reorganization, which can bring the enterprise internal economic impetus, strengthen its basic work, and improve the quality of management and administration.

No matter what type of economic responsibility system an enterprise implements, it must grasp the following points:

1. Simultaneous reference to the interests of state, enterprise and employees. The primary requirement is to assure large revenues to the state; the enterprise must use appropriate measures and appropriate methods to pursue proper economic interests, but it must never violate law and discipline or engage in deception. In the relationship between state and enterprise, the key point is to assure rational base numbers for performance contracts and rational proportional shares; in distribution within the enterprise, the key is to develop norms for average and advanced work and rational unit-values for computing work results. Once large revenues for the state are assured, everything should be done to take account of enterprise and employee interests and to mobilize enterprise and employee enthusiasm. Certain enterprises suffering special hardship may be allowed to keep their profits for a specified period of time so as to allow them greater income and give them time to rest and recuperate and to build up their financial resources.

2. Specific forms and methods should be realistically based, take account of local conditions and use the forms best suited to them, rather than imposing arbitrary uniformity. Nor should they rush headlong into action, and enterprises in which the conditions are right should not force their implementation. In addition, account should be taken of "neighbors," and of relations between all types of personnel.

3. The awarding of a percentage of profits to the enterprise and contracting for profits, and the computation of bonus points or implementation of the piece rate system within the enterprise, must both take full account of variety, output volume, quality, consumption and safety indicators; and such one-sided tendencies as ignoring product quality and production safety or single-minded pursuit of quantity in profit should be opposed, overall fulfillment of the state plan should be guaranteed, and a sense of responsibility toward the consumer should be manifested.

4. Rights and responsibilities should be made clear, and methods should be simple and easy to implement. The various yardsticks must be subjected to free and thorough discussion by the workers, and once they are fixed, they must not be changed lightly, so as to maintain stability and continuity of policy.

5. Vigorous political and ideological work must be done to guarantee the effectiveness of these systems. Establishing economic responsibility systems in industrial enterprises and keeping them in good working order constitutes an important reform of the industrial management system. Accordingly, this work requires a positive orientation, a variety of methods, stable policy, an active and prudent approach, and implementation with leadership and a program; and the relevant departments must provide support so that it progresses in a healthy fashion.

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GENERAL

ECONOMIC RESPONSIBILITY SYSTEM IN FINANCE AND TRADE

Kunming YUNNAN RIBAO in Chinese 21 Sep 81 p 1

[Article: "Push the Economic Responsibility System in Finance and Trade Vigorously and Steadily"]

[Text] All those finance and trade enterprises that practice the economic responsibility system in our province have undergone changes in both the quality of service and the economic results. Practice has proven that taking the economic responsibility system as a breakthrough point to restructure the system of commercial management will benefit the economic readjustment and stimulate the market. All localities should take a positive attitude with regard to the economic responsibility system, strengthen their leadership, and unswervingly attend to the job of instituting the economic responsibility system.

In pushing the economic responsibility system, the finance and trade enterprises should correctly handle not only the relations between the state, enterprises, and workers but also their relations with consumers and producers. This is determined by the characteristics of finance and trade activities. After putting the economic responsibility system into practice, enterprises must take care of the interests of the state, enterprises, and workers. They are not permitted to change the higher degree of public ownership into a lower degree of public ownership or to squeeze state revenues. They must see to it that, under the premise of ensuring fulfillment of the quotas of profit deliveries, enterprises retain more profits and workers get more income. Egalitarianism should be overcome when issuing wage bonuses. The characteristics of commerical enterprises and service trades are to serve the consumers directly. This demands that commercial enterprises and service trades safeguard the interests of the masses and adhere to the direction of their services. It is even more important that state-operated commercial enterprises and service trades, which are the main fronts for safeguarding the daily needs of the people, refrain from the practice of handling only the profitable commodities and not the less profitable commodities or moneylosing commodities. They must hold themselves responsible to the market. Some enterprises practicing the economic responsibility system concentrate on profits and wage bonuses and disregard the orientation of their operation and the quality of their services. All localities should intensively teach finance-trade cadres and workers to promote one policy (developing economy and ensuring supply), two services (service to production and service to people's livelihood), and three viewpoints (political viewpoint, production viewpoint, and mass viewpoint). At the same time, the education should be supplemented with economic means and administrative measures to guide the enterprises in their proper direction of operation to the satisfaction of the state, enterprises, workers, and consumers. In putting the economic responsibility system into practive, the commercial purchase departments, which have close connections with the producers, should take the promotion of production as an important feature of proficiency assessment.

The finance and trade departments are economic departments organizing the circulation of commodities and the circulation of money. In their activities, innumerable trades, complicated categories, wide areas, and different situations are involved. For this reason, the system of economic responsibility should be instituted in light of different conditions and in a manner suited to local conditions of each store, rather than insisting on "arbitrary uniformity." For example, a distinction should be drawn between town and country, between plains areas and mountain areas, between wholesale and retail, between large stores and small ones, between commercial enterprises and service trades. At the same time, action should not be precipitate. We may make some experiments, acquire experience, and popularize it step by step. Those enterprises that have instituted the system should keep summing up their experiences and perfecting the system. Those that have not instituted the system and are in a position to do so should institute the system quickly. Those enterprises marked by confused management, weak leading groups, and numerous problems should be reorganized and, on that basis, the system should be instituted. In this way, there will be better prospects for thriving growth of finance and trade in our province.

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REASONABLE CONTRACT QUOTAS URGED

Jinan DAZHONG RIBAO in Chinese 24 Sep 81 p 1

[Article by staff reporter Wang Juntian [3769 6874 3944]: "The Assigned Quota Should be Reasonable"]

[Text] The industry, communications, finance, and trade enterprises in the Jinan municipality have popularized various forms of economic responsibility and have achieved marked economic results; but there have arisen some problems that merit attention. One problem is that the quotas of profits assigned to some enterprises and units are too low and the profits are shared irrationally between the state and enterprises, with the result that the share going to the state is decreased and the income earned by individuals is excessive, and that, among enterprises of the same type and in the same trade, some gain from the system but others lose. Take one restaurant for example. With a long record of losses, this restaurant lost more than 3,000 yuan for the first 7 months last year. Beginning the fourth quarter of last year, the responsible department decided to put the restaurant under the system of contract profits and sharing above-quota profits with the state. Taking account of the average amount of profits delivered to the state over the past 3 years, that is, 370 yuan, at first the department set the quota of profit delivery at 400 yuan. When a contract was signed this year, the quota was set at 800 yuan. But the two quotas did not take into account the advanced level of the same trade in the municipality nor the record level of profit delivered by the restaurant in November 1976, that is, 3,400 yuan. As a result of executing the contract, the restaurant made 27,700 yuan profits from January to August, averaging 3,550 yuan a month, 4.4 times the amount of quota assigned. In August this year, wage bonuses averaging 49.60 yuan per capita were paid to its workers and the amount of profits delivered to the state averaged only 16 yuan per capita. The Huimin Restaurant on Weisanlu, which operated under basically the same conditions, put into practice the system of retaining a portion of profits as wages to its workers. From January to August, the restaurant earned 27,700 yuan in profits and in August delivered to the state profits averaging 37 yuan per capita and paid wage bonuses averaging 15.30 yuan per capita. Thus, the contribution made by each of the Huimin Restaurant workers was 1.3 times greater than that contributed by each of the other restaurant workers, while the income made by each Huimin Restaurant worker was equivalent to only 30 percent of that made by each of the other restaurant workers.

The above situation indicates that the implementation of the profit-contract economic responsibility system has played a significant role in reversing the protracted loss of money in the case of some units. But the losses made by some units are operational ones and abnormal because their profit potential is great. Therefore, if a change from loss to profit is the only consideration in assigning contracts, a situation like the case mentioned above is bound to arise. To make such an approach will have an adverse effect on state revenues and dampen the enthusiasm of other enterprises in the same trade.

Since industry, communications, finance, and trade enterprises differ in thousands of ways, introduction of the economic responsibility system must proceed from reality, concrete circumstances, and concrete analysis; and each case must be dealt with on its merits. A problem currently calling for study and solution is how to determine, for units implementing the profit-contract system, a reasonable contract quota in such a way that it will ensure bringing the two kinds of enthusiasm into play, take good care of the interests of three sides, and ensure more revenues for the state, more retained profits for enterprises, and more income for individuals while encouraging the advanced and spurring the backward on. This problem should be given attention by all sides concerned. How are we to work out a reasonable quota to be assigned? I had talks with some comrades whose consensus is: (1) Quotas should be drawn up only after investigation and study and with consideration given to the business conditions of the units concerned, including the actual results of their operation for the previous year; the average figures and progressive growth rates for the past 3 years; their past record levels; and, also, with consideration to the state standards as well as the average advanced levels of the same trade, same type, and same class. Only thus can advanced and reasonable quotas be set, making it possible for enterprises and most of the workers to overfulfill the quota through exertion of efforts. (2) Production and operation are complicated and variable in some enterprises. In such cases, the base contract figures should be concretely figured out and determined separately for different trades and different enterprises in light of current market conditions and objective factors. It should be permissible to make the necessary adjustment through practice. Nothing should be made unalterable. (3) With regard to enterprises and units that lose money, the causes of the losses should be concretely analyzed and corresponding measures should be taken to deal with them rather than just assigning a contract and having done with it. At the early stage, it is difficult to figure out the quota accurately; and, inevitably, some quotas are set too low. The duration of contracts should be a little shorter so that adjustment can be promptly made. Money-losing enterprises should be reorganized promptly and the causes of their losses should be traced and guarded against by taking the necessary measures. In the case of such enterprises, the profit-contract system should be restored only after their normal production and operation have been restored.

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'JINGJI GUANLI' DISCUSSES COMMERCIAL NETWORK

HK190805 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 15 Sep 81 pp 47-48, 55

[Article by Ji Jianxin [4764 1696 2450]: "How Did Jiangsu Province Develop its Commercial Network?"]

[Text] (1) The Present Situation of the Commercial Network

There were 226,000 commercial, catering and service points (hereafter referred to as commercial network) in Jiangsu Province in 1957, with an average of 5.4 points for every 1,000 people and such a situation was basically in line with the need to develop the national economy and people's life. People were happy to enjoy convenience in their life and to see brisk markets. But under the influence of various thinking such as "constantly reforming the relations of production," "changing consumer cities to producer cities" and "production first and then people's life," a great number of commercial points were abolished or merged while the shops run by couples, small retailers and mobile pedlars that represented the individual economy were sliced down after 1958. The commercial network further declined during the 10 turbulent years. Compared with 1957, the population increased by 39.4 percent in 1978 and the volume of retail sales of social commodities increased by 257.1 percent; but the commercial network decreased by 67.7 percent, with a decrease of 76 percent per 1,000 people on average. In 1978, the average space for the commercial network in cities was only 400 square meters per 1,000 people, about 50 percent less than the normal space of 700 square meters. Consequently, the broad masses of people found it difficult to solve daily necessities such as eating, living, bathing, having their hair cut, buying vegetables, repairing shoes and making clothes.

In 1978, the provincial authorities decided to improve the situation of the commercial network. With the party secretaries at various levels taking command, the masses were organized for this purpose. But because of wrong policies, just over 1,000 commercial points were set up after 1 year of the work that was carried out in a big way. Taixing Prefecture that planned to set up 29 commercial points only set up 1 point.

Under the inspiration of the 3d plenary session of the 11th party Central Committee in 1980 and following the implementation of the directives of the party Central Committee that in developing a commercial network it is necessary to engage in a more diversified economy, adopt more management forms and more circulation channels and to lessen links (abbreviated as "three mores and one less"), the commercial network has developed rapidly. During the year alone, 47,000 commercial points were set up. The departments concerned of the province are now considering working out a plan for the development of the commercial network in a bid to restore the commercial network to the level of 1957 in 5 years so that it will accord with the needs of people's life in the interests of both production and people's livelihood and to help open up a road for more employment. According to initial calculation, once the commercial network is restored to the 1957 level, it will be able to provide an additional 200,000 to 300,000 jobs and increase the amount of currency withdrawn from circulation by 1 to 2 billion yuan.

(II) Encourage Through Policies the Initiative of Various Aspects in Developing Commercial Network

How to develop the commercial network? To depend on state investments or party policies? Comrades from Jiangsu Province said that it will not work to totally depend on state investments and that the commercial network will be able to develop rapidly only by relying on party policies and principles. Jiangsu Province mainly implemented the following policies.

1. Conscientiously implement the principle of "three mores and one less" and adopt various forms to develop the commercial network.

First, encourage individual households to undertake various trades such as small snack bars, small service points, small repair points and small groceries so as to enable the network of small retailers to spread even wider as a supplement to state commerce. Such retail points are flexible and they are in a position to go deep among the grassroots and the masses for the convenience of their life. Over the past year and more, Wuxi city has set up 150 eating houses. This figure is equivalent to the figure for the eating houses run by the state and the collective. With rational location, these eating houses are able to solve the problem of eating fairly well.

Second, continue to develop collective commerce so as to assist state commerce. This method does not require state investments, nor does it require more people with commodity grain or increase the state labor quotas; but it is in the interest of arranging more employment. The Qionghua neighborhood committee of Yangzhou city has set up 18 small eating houses, small grocers and small repair points without spending a single cent from the state. These undertakings convenience the masses and provide employment for a number of people.

Third, set up shops by making use of the existing premises of industrial and mining enterprises, organizations, army units and schools. In 1980, 668 shops of this kind were set up throughout the province.

Fourth, restore and develop city agricultural trading markets. Since the 3d plenary session of the 11th party Central Committee, the province has restored and developed 245 such markets. The trading volume of vegetables, meat, eggs, poultry and marine products and these markets in 1980 equalled 16 to 36 percent of the trading volume of similar commodities in state markets which made up for the shortages in state markets. At the same time, the emergence of competitors has helped the state enterprises to improve their management.

2. Implement the responsibility system in the existing state-owned shops. The previous method of "eating out of a big pot" characterized by fixed wages and awards was not in the interest of mobilizing the initiative of staff and workers and consequently many shops did not play their due roles. In 1980, the shops in Nanjing city with bad service quality and bad management experimented with the wage form of "assigning responsibility for fixed quotas with retention for overfulfillment." With this form, the units concerned signed contracts with shops to implement "five fixed quotas for shops" (fixed sales volume, fixed gross earning, fixed expenses, fixed profits and fixed proportion of retention from the profits gained from the overfulfillment of the quotas). Thus the method of fixed wages and awards was changed to basic wages plus profit retention for overfulfillment of quotas. Investigations of typical units showed that with this method, all working efficiency, sales volume, gross earnings and tax increased by over 200 percent. For example, the Shengji cigarette and wine cooperative shop in Gulou, Nanjing, had bad management. It refused to sell even the commodities that were in good demand. Its service was bad and when customers came to buy something, the answer was "out of stock" even if it had the goods. As a result, many commodities turned moldy and the shop lost every year. Now great changes have taken place since the shop introduced the responsibility system. Its varieties of commodities have increased from 60 or 70 to more than 100. The staff now treat their customers warmly while their service hours have been prolonged from 7 in the morning till 11 at night. In the first month following the introduction of the responsibility system, the shop turned losses to profits and overfulfilled the sales quotas, gross earnings quotas and tax quotas in each of the following 6 months.

3. Prohibit arbitrary dismantling or occupation of commercial points. Under the influence of the "leftist" thinking in the past, some departments and units arbitrarily dismantled and occupied commercial points at will. The provincial departments concerned consequently defined that no unit is permitted to dismantle or occupy commercial points arbitrarily. If such points are to be dismantled because of municipal construction, it can only be done after the same number of alternative premises are built by those who are doing the dismantling. The points that were occupied earlier for other purposes must in principle be taken back or be exchanged for other premises. Roadside premises that have been occupied must be returned soon so that the shops will be able to operate again.

4. The management of investment in capital construction must accord with the features of the scattered and small-scale commercial network. Basing themselves on the sources of the commercial profit retention, losses and depreciation funds, the provincial departments concerned allotted 4.52 million yuan for the capital construction of the commercial network in 1980 to set up 70,000 square meters of commercial network and solve some urgent problems. But in 1981, there was no investment in this aspect and consequently some urgent problems have yet to be resolved. The provincial commercial departments pointed out that the commercial network is an apparatus directly serving the livelihood of the masses and it includes many commercial points that are spreading widely and each of these points only requires several hundred thousand yuan of investment with a construction space ranging from

several hundred to 1,000 square meters. Such commercial points basically do not consume state energy, nor do they vie for raw materials. Therefore, commercial departments must be allowed to build part of the commercial points with the funds raised by themselves on the premise that such a measure will not affect the state finance. With regard to the management of such investments, consideration should be given to using the expenses for such undertakings together with the construction funds with whole responsibility according to the method of using the funds for constructing simple commercial buildings.

5. The commercial points in the newly built industrial and mining areas and housing areas must be coupled with related infrastructural construction. In the past, the building units only paid attention to the main projects and neglected construction of the related infrastructure such as municipal installations and commercial points. Consequently, many houses could not be commissioned after completion. Such a situation has been improved a little over the past 2 years.

The practice of Jiangsu Province has proved that in developing a commercial network it is imperative to rely on party policies. But it is also necessary to have a certain source of funds for carrying out some capital construction to add more commercial points. It is unlikely at present that we will be able to rely on state investments and we must mainly rely on our own efforts in gradually solving this problem by making use of commercial profit retention and the finance of various levels in the localities. Local finance in particular must undertake fewer "bones" and more "meat." In this way, after 3 to 5 years of hard work it will not be difficult to restore the commercial network to the 1957 level.

(III) Some Problems in Developing Commercial Network

Comrades from Jiangsu Province say that there still exist three problems for them in developing the commercial network.

1. Some comrades still do not dare to implement the principle of "three mores and one less" and particularly in developing individual small retailers. They have "four fears and three worries." That is to say, they fear that they will develop capitalism, carry a burden, squeeze the business of others and affect the urban environment and they worry that their source of goods, license and places for business will be blocked. For example, several months ago, there were 500 pedlars from the countryside who sold dumpling soup in Nanjing city and they were welcomed by the masses. But before long they were driven out on the grounds that they had no license and they were discarding agricultural production. Quite a number of the more than 40,000 commercial points that were developed in 1980 were given no license by the departments concerned. Some comrades who are doing business individually, "eating out through selling the commodities that are in short supply," selling popular goods of dependable quality and who are accustomed to simple service, are not active in supporting the businesses run by many or individual households and such an attitude is not in the interests of developing the commercial network.

2. The commercial departments are now leasing 70 percent of the business premises of the housing department. These houses were left over from preliberation days and they are all very simple and old. For a long period the housing department only collected rent but did not repair the buildings, and with more dangerous

buildings increasing year by year, the use of these buildings has been affected. Comrades from the provincial commercial bureau suggested that during the readjustment period these buildings be handed over to the commercial departments so that these buildings can be repaired to ease the stringent situation of commercial buildings.

3. The funds for tapping potential, renovating and restructuring are only used in production construction while only little consideration is given to meeting the needs in making up for complete "meat" such as commercial points, cultural, educational and health installations and municipal installations. If this situation continues, a new imbalance will occur in the proportion between the "bones" and the "meat."

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GENERAL

DEVELOPMENT OF COMMERCIAL SERVICES SAID NECESSARY

Kunming YUNNAN RIBAO in Chinese 19 Sep 81 p 3

[Article by Shu Qun [2885 5028]: "Development of Commercial Services Is the Inexorable Trend of Economic Development"]

[Text] Commercial services are a link indispensable to the total process of social production, playing an important functional role in organizing circulation, joining production and consumption, linking up industry and agriculture, promoting production development, and serving people's livelihood and directly bearing on the ultimate realization of the aim of socialist production.

As we know, the process of social reproduction is unity of the production process and the circulation process. Production and circulation depend on each other, interace on each other, and condition each other; and neither should be overemphasized at the expense of the other. Production is the decisive link and, without production, circulation will lose its material base; but, without circulation, production and consumption of products cannot be realized and, no matter how many products are turned out, they can only lie in the warehouse and cannot pass from the hand of the producer to the hand of the consumer, in which case the potential use-value of products cannot be translated into use-value and it is similarly impossible to satisfy the needs of the people. Only through the bridge of circulation can production and consumption be linked up and the aim of production be ultimately achieved. Therefore, circulation must be suited to production and commercial services must be corresponding developed. Along with the progress of science and technology, the growth of industrial and agricultural productivity, the rise in people's living standard and the change in consumer structure, commercial services will be ever expanded in scope and commerical employees will ever increase in number: such is the inexorable trend of modern economic development.

Development of commercial services is an important feature of the economic readjustment and is a long-term plan for promoting production, bringing about a prosperous economy, benefiting the nation and serving the interests of the people. Over the years, influenced by the "leftist" ideology, people have had certain prejudices against commercial labor and have gone so far as to equate commodity exchange with capitalism. In economic construction, they often laid stress on production to the neglect of consumption, on production to the neglect of circulation, on production to the neglect of services, and on industry to the neglect of commerce with the result that development of commercial services has fallen behind the development of production and the needs of people's livelihood. Population has increased, the housing area has expanded, and people's purchasing power and commodity circulation have increased fast but commercial networks have decreased. In the Kunming municipality, for example, commercial networks have decreased 50 percent in 1978 compared with 1956, causing great inconveniences to people's livelihood. Since the Third Plenum of the Party, the party and government who care for the living condition of the people have made great efforts and commercial services have been significantly restored and developed, and shortage of commercial services has eased. But, for multiple reasons, the development of commerical services is still a long way from the production and livelihood requirements of urban and rural people; and some trades have not been restored to their record levels of the past and such problems as finding it difficult to have a dress made, to get meals in a restaurant, to have things repaired, and to get bus service have not been completely solved. Further, it should be pointed out that, with the implementation of the line and policies laid down at the Third Plenum, the national economy has embarked upon the correct road to sound growth; agriculture and light industry have markedly developed; consumer goods have increased in large quantities; the variety of colors and designs is increasing day-by-day; farm produce and by-products are continuously flowing into the market; and, along with these developments, people's economic income and purchasing power have increased. These circumstances set new and higher demands on commercial services. When commodities increase in variety and quantity, it is necessary to expand the networks to increase sales. When cloth and silk products are abundant, it is necessary to increase dressmaking correspondingly. When meat, fish, poultry, and eggs are abundant, it is necessary to strengthen the catering services to make delicious food for the people. When the urban and rural people have bought more bicycles, watches, sewing machines, and TV sets, the repair trades should correspondingly increase. Therefore, along with the development of the national economy, commerce must keep pace, the circulation channels should be kept more open, and services should be further augmented and perfected so as to give a greater impetus to production, withdraw money from circulation, stimulate the economy, make the market prosper, and meet the living requirements of urban and rural people.

Developing commercial services also is an important avenue for the placement of youths waiting for employment and for solving the problems of unemployment. Labor employment is a pressing problem in the economic development of our country. Because of the limitations of state financial resources and the adjustment of the economic structure, it is not possible to solve the problem of unemployment within a short period of time by building new plants. By developing commercial services, arrangements can be made for the placement of large numbers of unemployed persons in cities. Most of the commercial services fall into the category of labor-intensive trades characterized by less investment, quicker results, greater returns, and a capacity for accommodating more manpower. According to surveys, the manpower accommodated by each 100 yuan in fixed assets in the industrial sector is less than one able-bodied worker in the case of heavy industry and only two-and-one-half able-bodied workers in the case of light industry. But, for the placement of one able-bodied worker, the amount of investment required is about some 800 yuan in the case of the state-operated catering trade, some 600 yuan in the case of the clothing trade, and only some 100 yuan in the case of a barber shop. In a situation in which our country lacks construction funds but has surplus manpower, the development of commercial services and diverse kinds of public service businesses will open a broad avenue for employment. Again, take the Kunming municipality for example. According to the requirement of commerical employees who account for only 3 percent of the national average, the municipality can create an additional 20,000 jobs. Thus, commercial services still have great employment potential.

To be sure, the development of commercial services should proceed from the reality of various localities, from the needs of the masses, and on the basis of proper arrangement and deployment. For the present, it is particularly advisable to develop small-scale collective commercial services and individual commercial service trades so that a diversified economy, in which different sectors exist side-by-side, with the state and collective economy as the mainbody and the individual economy as the subsidiary, and a unified socialist market with diversified modes of operation and diversified channels of circultation will form a commercial service structure which has multiple levels and whose network and centers are more properly and flexibly distributed and more suited to the needs of the masses, a commercial service structure which will play a still greater part in the four modernizations.

9780
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GENERAL

WORKER REPRESENTATIVE SYSTEM AT SHAANXI PLANT DESCRIBED

Xian SHAANXI RIBAO in Chinese 27 Aug 81 p 1

[Article by reporter Shen Yunjun [3088 0061 7486]: "The Key To Handling Democratic Management of Enterprises well Is the Party Committee--Investigation of the Implementation of the Worker Representatives Conference at the Shaanxi Textile Equipment Plant"]

[Text] The party committee of the Shaanxi textile equipment plant handed over the big task of business administration to the worker representatives conference for discussion and decisions, actively mobilized the enthusiasm of the broad number of workers for being masters, and thus improved and strengthened party leadership. From 1978 to 1980, overall the plant overfulfilled the state production tasks for 3 consecutive years. During the first 7 months of this year, it completed 81.11 percent of the total production value for the whole year and realized 113.08 percent of the planned profits for the entire year.

When this plant began to reinstitute the worker representatives conference in 1978, some leading members of the party committee feared that developing democracy would result in misuse; they feared too many opinions would make it difficult to reach final decisions; and they said: "Our plant is a one with serious problems, there are many debts, holding worker representatives meetings will intensify the conflict between the leaders and the workers." To unify understanding, the party committee immediately organized a "group" to study the directives of the party Central Committee concerning democratic management of enterprises, reviewed the facts during the first half of 1977 when the plant humbly listened to the opinions of the masses, mobilized the masses to engage in a hundred days of labor competition, and quickly changed the chaotic situation at the plant and turned losses around so that everyone recognized that the workers of a socialist enterprise are the masters of the nation, the worker representatives conference is the fundamental form for the implementation of democratic management. It provides organizational assurance for developing the workers' sense of responsibility as the master and the enthusiasm to be the master; it not only will not intensify the conflict between the leaders and the workers, it will strengthen and improve the party's leadership and promote the development of the enterprise. At the beginning of 1978, the percentage of qualified products of seven types of production of the plant was very low; half of the products were not up to standard. Through the holding of the worker representatives conference, the representatives conscientiously analyzed the favorable conditions and the unfavorable factors in production at the plant, proposed 229 measures, and adopted corresponding decisions. After the conference, the plant leadership and the workers of the whole plant conscientiously implemented the conference resolutions and concentrated on the weak links involved in improving product quality, and by September the quality of all products was up to standard.

Let the Worker Representatives Conference Have Authority and Duty

After establishing the worker representatives conference in the plant, the party committee gave it full authority:
1. to discuss and decide on the reform of business management of the enterprise and establish rules and regulations and systems; 2 to discuss and decide on plans for the development of the enterprise, annual plans, and plans for digging for potential, reformation and improvement; 3 to review the financial budget of the whole plant, the final accounts, and the utilization of capital at the enterprise; 4 to resolve the major questions concerning collective welfare enterprises for the workers and concerning the individual benefits of the workers; 5 to supervise and evaluate the work of the leading cadres at each level.

The party committee of this plant not only handed the authority over to the worker representatives conference; it also respected the resolutions and measures decided on by the worker representatives conference in exercising its authority. It assured implementation of the resolutions of the worker representatives conference as the practical activity to organize and support democratic management at each level. For 3 years, the group organized by the party committee and the leading cadres at each level carried out the work and led in the implementation of the resolutions. In May of last year, the plant held its second worker representatives conference. The representatives inspected waste, dug for potential, calculated the detailed accounts, and resolved to realize a profit of 1.5 million yuan for the whole year. Although in September there was a shortage in the supply of raw materials, the plant manager personally went to the mountain regions to secure materials so that the resolution of the worker representatives conference did not become empty talk. Last year, the whole year's profits reached 1.53 million yuan. After each worker representatives conference of the plant, each branch of the party conscientiously transmitted the spirit of the conference and propagandized the resolutions, mobilized the masses to establish plans and measures to realize the resolutions so that everyone cared about and conscientiously implemented the resolutions. The party directly examined the execution of the conference resolutions and also tasked the union organization and the worker representatives conference representative with carrying out inspections. Before inspection, they first determined the key points of inspection according to the content of the resolution, then they reported the inspection results to the party committee or wrote a synopsis and posted it throughout the plant.

Party Leadership Is Strengthened and Improved

After this plant established the worker representatives conference system, the party leadership was not weakened but was improved and strengthened. First, the party committee's main efforts could be devoted to grasping the major political guidelines and ideological and political work of the party. Previously, the party committee had to decide on everything at the plant. Since the worker representatives conference system was instituted, there has been a change: the party committee has been able to arrange, inspect and establish systems for ideological and political work. When combining and popularizing the responsibility system of linking output with remuneration, the party committee profoundly launched the campaign for the "five stresses" and "four points of beauty," forcefully promoting the development of production. Second, the conference system brought the relationship between the party and the masses close. This plant's production scale was large, the number of workers increased, they were hard pressed, and so the masses complained. After instituting the worker representatives conference, before each conference, the delegates widely sought the opinions and demand of the workers; the conference decided which were urgent matters and which were not, and according to the plant's financial ability, the tasks that the plant wanted accomplished were written into resolutions and then the concerned departments completed the tasks within a definite period. Tasks that were not completed because the conditions were unsuitable were explained to the workers so that everyone was satisfied, and the relationship between the party and the masses became closer. Third, the conference system benefited the implementation of the party's guidelines and policies. For example, the workers requested that last year's surplus rewards be distributed. This obviously did not coincide with the state regulations. At the third session of the second worker representatives conference, the plant leaders explained to the representatives the policy and the reason for preallocation of a protion of the reward money. The conference discussed the matter and decided to preallocate the reward money. The workers knew about the decision of the worker representatives conference and did not have any further complaints. Fourth, the conference system promoted a change in the way of thinking of the teams of cadres. Since the institution of the worker representatives conference, the improper methods of handling personnel shifts, recruitment of workers and housing appropriations, and similar behind-the-scenes activities have been eliminated. Some cadres said: we are not afraid that the worker representatives represent us, we are afraid that they use facts to carry out inquiries.

This plant has achieved welcome results in implementing the worker representatives conference system. But the representatives consider that is not perfect enough, and at present they are summarizing and improving the experience according to "the temporary regulations concerning the worker representatives conference of state-run industries and enterprises."

9296
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HEBEI TO BUILD PORT EAST OF CANGZHOU

HK061200 Hong Kong TA KUNG PAO in Chinese 6 Nov 81 p 1

[Dispatch from correspondent Huang Ke-fu [7806 0344 1133] from Guangzhou: "Hebei Decides to Draw in $100 Million in Foreign Investment to Build a Port East of Cangzhou"]

[Text] In an interview with our correspondent today, Li Erzhong, governor of Hebei Province, said, "Hebei Province is rich in natural resources. It has convenient land and water communication systems and good port facilities. Foreign merchants, overseas Chinese, and industrialists from Hong Kong and Macao are welcome to invest, or to develop compensation trade and processing and assembling of imported materials. We are now drawing up plans for the construction of a port east of Cangzhou. We plan to draw in $100 million in foreign funds for the cost of the construction and are prepared to export 3 million tons of raw coal to pay for the loan. Hebei Province is very rich in coal as well as in molybdenum and other rare metals.

"Hebei Province has a good industrial foundation. There is considerable potential for the processing and assembling of industrial machinery, and an abundant supply of scientific and technical forces and work forces. Industrialists from overseas are welcome to Hebei Province for tours, visits, investments, setting up factories, opening up mines or engaging in partnerships. We will give preferential treatment."

When talking of his visit to the special economic area of Shenzhen, he said Shenzhen had a lot of experience which Hebei Province could use as a reference in developing its economy. He said: "For example, Hebei Province could follow the example of the tourist and holiday center in both big Meisha and small Meisha. Qinghuangdao and Beidaihe in Hebei are excellent resorts. Hebei Province also has a lot of scenic spots and historical sites admired by tourists at home and abroad. For example, people look forward to the summer mountain villa of Chengde. Hebei Province will strive to repair and protect historical relics and sites, build scenic spots and develop the tourist trade."

Governor Li Erzhong arrived in Guangdong last week at the head of a Hebei provincial delegation consisting of responsible members of the departments concerned. They visited the special economic area to see its construction and to learn from its experience. After a 2-day visit to Shengzhen, they returned to the north by plane this afternoon. Just before leaving Guangzhou, Governor Li Erzhong met with our correspondent in the guest house.

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30 November 1981

China Report

ECONOMIC AFFAIRS

No. 185

Extracts from Almanac of China's Economy for 1981

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30 November 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 185

EXTRACTS FROM ALMANAC OF CHINA'S ECONOMY FOR 1981

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[Text]

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SELECTED ECONOMIC STATISTICAL DATA FOR 1949-1979

STATE STATISTICAL BUREAU

EXPLANATIONS

1. These data have been supplied by the State Statistical Bureau. Some of the figures published in the past have been checked and revised. Some of the indexes have been changed because of changes in the computing units or statistical limits.

2. These data, with the exception of our national territory, do not contain Taiwan provincial figures.

3. To facilitate numerical comparison for various periods, all of the figures of units owned by the whole people and those owned collectively that have been tabulated for 1949-1957 include pertinent data for that period on joint state-private enterprises, private enterprises, and handicraft industrial units.

4. The average annual rate of increase of all data tabulated is calculated according to the standard method [shuiping fa].

Population and Natural Resources

Item	Actual Fig end-1979
National population	97,092 (Unit of 10,000 people)
of which:	
Population in cities, towns	12,862 " " "
Population in rural areas	84,230 " " "
Social laborers	40,580 " " "
of which:	
Agricultural laborers	29,934 " " "
Industrial laborers	5,340 " " "
Area of state	About 960 (in 10,000 km^2)
Cultivated area	9,950 (Unit of 10,000 ha)
Plain	5,473 " " "
Hilly land	4,477 " " "
of which: Level terraced field	800 " " "
Area of land used for forestry	25,509 " " "
of which:	
Forest area	11,978 " " "
Sparsely wooded area	1,563 " " "
Underbrush area	2,957 " " "
Immature forest, seedbed	472 " " "
Rate of forest mulch	12.5%
Total forest reserves	93.5 (hundred million m^3)
Grassland area	31,908 (10,000 ha)
Total area of fresh water	1,664 " "
Waterpower reserves	6.76 (hundred million kw)
Length of inland rivers	43 (10,000 km)
Area of ocean fishing grounds	81.8 (10,000 sq. nautical li (haili))
Length of coastline	18,000 (+10,000 km)

Note:

1. With the exception of the area of our state, these data do not include figures of Taiwan Province.
2. The cultivated area appears to be decreasing. Further investigation and checking are to be done.
3. The figures for forest area and total forest reserves have been checked for 1973-1976 and that for water surface area, in 1974.
4. The length of coastlines does not include that of islands.

National Population Figures

Unit: 10,000 persons

Year	Total population (year-end fig)	By sex Male	Female	By cities, countryside Population of cities/towns	Population of rural areas
1949	54,167			5,765	48,402
1952	57,482			7,163	50,319
1957	64,653	33,469	31,184	9,949	54,704
1965	72,538	37,128	35,410	10,170	62,368
1975	91,970	47,126	44,844	11,171	80,799
1979	97,092	49,754	47,338	12,862	84,230

Note: This table does not include the number of compatriots in Taiwan, Hong Kong, and Macao.

Major Indexes of National Economy
(Absolute Figures)

Item	Unit	1949	1952	1957	1965	1975	1979
1. National population figure	10,000 persons	54,167	57,482	64,653	72,538	91,970	97,092
2. Social laborers	"		20,729	23,771	28,670	38,168	40,581
Of which: staff, workers	"		1,603	3,101	4,965		9,967
3. Gross value of industrial, agricultural output	hundred million yuan	466	827	1,241	1,984	4,504	6,175
GVAO	"	326	484	537	590	1,285	1,584
GVIO	"	140	343	704	1,394	3,219	4,591
Light industry output value	"	103	221	374	703	1,393	1,980
Heavy industry output value	"	37	122	330	691	1,826	2,611
4. National income	"	358	589	908	1,387	2,505	3,350
5. Revenue [State Fiscal]	"	65.2*	183.7	310.2	473.3	815.6	1,103.3
Expenditure [State Fiscal]	"	68.1*	176.0	304.2	466.3	820.9	1,273.9
6. Total capital construction investment	"	11.3*	43.6	138.3	170.9	391.9	499.9
7. Commodity turnover	hundred million ton km	255.4	762.3	1,809.6	3,461.3	7,285.9	10,897.7
8. Total volume of retail sales of social commodities	hundred million yuan	140.5	276.8	474.2	670.3	1,271.1	1,800.0
9. Total import/export (rmb)	"	41.5*	64.6	104.5	118.4	290.4	455.6
Total import	"	21.3*	37.5	50.0	55.3	147.4	243.9
Total export	"	20.2*	27.1	54.5	63.1	143.0	211.7

[Continued on following page]

Item	Unit	1949	1952	1957	1965	1975	1979
10. Output of major industrial, agricultural products							
Raw coal	hundred million tons	0.32	0.66	1.31	2.32	4.82	6.35
Generated electric power	hundred million kwh	43	73	193	676	1,958	2,820
Crude oil	10,000 tons	12	44	146	1,131	7,706	10,615
Steel	"	15.8	135	535	1,223	2,390	3,448
Cloth	hundred million m	18.9	38.3	50.5	62.8	94.0	121.5
Sugar	10,000 tons	20	45	86	146	174	250
Bicycles	10,000 units	1.4	8.0	80.6	183.8	623.2	1,009.5
Sewing machines	"		6.6	27.8	123.8	356.7	586.8
Wristwatches	"			0.04	100.8	782.2	1,707.0
Grain	10,000 tons	11,320	16,390	19,505	19,455	28,450	33,212
Cotton	"	44.5	130.4	164.0	209.8	238.1	220.7
Oil-bearing crop	"	256.4	419.3	419.6	362.6	452.1	643.5
Pork, beef, mutton	"		338.5	398.5	551.0	797.0	1,062.4
Aquatic products	"	45	167	312	298	441	431

Note:

1. The gross values of industrial and agricultural output for 1949 and 1952 of this table are calculated on the basis of the fixed prices of 1952; that of 1957 and 1965, on 1957 prices; that of 1975 and 1979, on 1970 prices. The remaining indexes of amount of money are all calculated on the prices in those years.
2. Net output value of national income from five sectors: agriculture, industry, construction, communications and transportation, and commerce.
3. Figures marked with "*" are those of 1950 (same as the next table).
4. The total volume of retail sales of social commodities includes the retail sales of peasants to non-agricultural residents.

Major Indexes of National Economy
(Indexes and Averages/Rate of Increase)

	Indexes (taking 1952 as 100)			% of average annual increase	
Item	1957	1965	1979	1953–1979	1950–1979
1. National population figure	112.5	126.2	168.9	2.0	2.0
2. Social laborers	114.7	138.3	195.8	2.5	
Of which: staff, workers	193.5	309.7	621.8	7.0	
3. Gross value of industrial, agricultural output	167.8	268.3	845.2	8.2	9.4
GVAO	124.8	137.1	249.4	3.4	4.5
GVIO	228.6	452.6	17.3-fold	11.1	13.3
Light industry output value	183.2	344.5	10.6-fold	9.1	11.0
Heavy industry output value	310.7	650.6	29.9-fold	13.4	16.5
4. National income	153.0	197.5	484.9	6.0	7.3
5. Revenue [Fiscal]	168.9	257.7	600.6	6.9	10.2
Expenditure [Fiscal]	172.8	264.9	723.8	7.6	10.6
6. Total capital construction investment	317.2	392.0	1146.8	9.5	13.9*
7. Commodity turnover	237.5	454.2	1429.6	10.4	13.3
8. Total volume of retail sales of social commodities	171.3	242.2	650.3	7.2	8.9
9. Total import/export	161.8	183.3	705.3	7.5	8.6*
Total import	133.3	147.5	650.4	7.2	8.8*
Total export	201.1	232.8	781.2	7.9	8.1*
10. Output of major industrial, agricultural products					
Raw coal	198.5	351.5	962.1	8.8	10.5
Generated electric power	264.4	926.0	38.6-fold	14.5	15.0
Crude oil	331.8	25.7-fold	241 -fold	22.5	25.4
Steel	396.3	905.9	25.5-fold	12.8	19.7
Cotton cloth	131.9	164.0	317.2	4.4	6.4
Sugar	191.1	324.4	555.6	6.6	8.8
Bicycles	10.1-fold	23.0-fold	126 -fold	19.6	24.5
Sewing machines	4.2-fold	18.8-fold	88.9-fold	18.1	
Grain	119.0	118.7	202.6	2.6	3.7
Cotton	125.8	160.9	169.2	2.0	5.5
Oil-bearing crops	100.1	86.5	153.5	1.6	3.1
Pork, beef, mutton	117.7	162.8	313.9	4.3	
Aquatic products	186.8	178.4	258.1	3.6	7.8

Note: The speed of increase of GVIAO and national income is computed according to fixed prices. Those figures with "*" represent % of average annual increase between 1951 and 1979.

Average Daily Standards of Some Major Indexes

Item	Unit	1949	1952	1957	1965	1979
1. Output of major industrial products						
Raw coal	10,000 tons	8.8	18.1	35.9	63.6	174.0
Generated electric power	10,000 kwh	1,178	2,000	5,288	18,521	77,260
Crude oil	ton	329	1,205	4,000	30,986	290,822
Steel	ton	433	3,699	14,658	33,507	94,466
Chemical fertilizer	ton	16.4	107	414	4,729	29,189
Cement	ton	1,808	7,836	18,795	44,767	202,466
Cotton	10,000 m	518	1,049	1,384	1,721	3,329
Bicycles	ea	38.4	219	2,208	5,036	27,658
Sewing machines	ea		181	762	3,392	16,077
Wristwatches	ea			1.1	2,762	46,767
Television	ea				12	3,641
Sugar	ton	548	1,233	3,356	4,000	6,849
Machine-made paper, cardboard	ton	301	1,014	2,493	4,740	13,507
2. Railway transport						
Turnover of goods	100 mil ton/km	0.50	1.65	3.69	7.39	15.31
Turnover of passengers	100 mil passenger/km	0.36	0.55	0.99	1.31	3.33
3. Area of residential construction	10,000 m^2			7.72	4.73	17.14
4. Total social commodity turnover	10,000 yuan	3,849	7,584	12,992	18,364	49,315
5. No. of books published	10,000 vol	28.8	215.3	349.4	594.9	1,115.6
Magazines	10,000 vol	5.5	56.0	86.3	120.7	324.3
Newspapers	10,000 units	112.9	440.8	669.2	1,298.9	3,584.2

Population Birthrates, Mortality, and Rate of Natural Increases

%

Year	National			Municipal			County		
	Birth-rate	Mor-tality	Rate of natural increase	Birth-rate	Mor-tality	Rate of natural increase	Birth-rate	Mor-tality	Rate of natural increase
1949	36.0	20.0	16.0						
1952	37.0	17.0	20.0						
1957	34.0	10.8	23.2	44.5	8.5	36.0	32.8	11.1	21.7
1965	38.1	9.6	28.5	27.6	5.9	21.7	39.5	10.0	29.5
1975	23.1	7.3	15.8	15.2	5.6	9.6	24.2	7.6	16.6
1979	17.9	6.2	11.7	13.9	5.1	8.8	18.5	6.4	12.1

Note: This table is calculated on the basis of annual average population.

Number of Social Laborers (Year-end)

Unit: 10,000 people

Year	Social laborers		No. of workers in collectives of whole people and cities, towns	Individual laborers in cities, towns	Laborers of people's communes in rural areas
	Total	% of total population			
1952	20,729	36.1	1,603	883	18,243
1957	23,771	36.8	3,101	104	20,566
1965	28,670	39.5	4,965	171	23,534
1975	38,168	41.5	8,198	24	29,946
1979	40,581	41.8	9,967	32	30,582

Number of Workers of Various Departments of Ownership System of the Whole People (Year-end)

Unit: 10,000 people

Items	1952	1957	1965	1975	1979
Total	1,580	2,451	3,738	6,426	7,693
Industry	510.0	748.0	1,238.0	2,691.0	3,109.0
Construction industry	104.8	271.4	383.0	558.5	671.2
Agriculture, forestry, water conservancy, meteorology	23.9	112.3	422.0	723.3	810.4
Transportation, post & telecommunications	112.9	166.5	245.0	399.5	463.9
Trade, food & service industries	292.3	488.7	550.0	829.5	1,027.8
Science, culture/education & health	239.2	327.3	533.0	755.1	998.1
Urban public utilities	4.1	21.8	44.0	74.7	110.9
Finance	34.4	36.2	36.0	36.6	50.4
Official organizations	258.5	278.9	287.0	357.6	451.0

Total Workers' Wages of Various Departments Under Ownership of the Whole People

Unit: hundred million yuan

Items	1952	1957	1965	1975	1979
Total	68	156	235	386	529
Industry	24.6	50.7	86.4	169.1	230.2
Construction industry	5.9	21.7	24.9	39.0	54.2
Agriculture, forestry, water conservancy and meteorology	0.9	5.4	18.1	32.8	44.5
Transportation, post & telecommunications	6.2	12.4	18.8	27.0	37.0
Trade, food, service industries	9.5	26.5	31.3	46.3	63.5
Science, culture/education & health	9.2	18.3	31.1	42.1	59.9
Urban public utilities	0.3	1.4	3.1	4.7	7.3
Finance	1.4	2.2	2.3	2.3	3.1
Official organizations	9.5	17.8	19.3	22.8	29.7

Total Number and Wages of Workers of Collectively Owned Enterprises in Cities and Towns

Items	1965	1978	1978	1979
1. No. at year-end (10,000 persons)	1,226.6	1,916.4	2,048.0	2,273.5
Industry	505.4	1,142.0	1,215.0	1,327.7
Construction industry	93.5	157.0	174.5	219.1
Agriculture, forestry, animal husbandry, by-products, fishery	72.3	51.4	59.2	51.6
Transport industry	172.6	188.9	204.3	218.6
Trade, food, service industries	200.3	203.1	211.3	259.4
Culture, education, health	117.8	123.0	128.4	132.9
Administrative departments	6.3	14.0	14.2	17.0
Others	58.4	37.0	41.1	47.2
2. Total wages (100 million yuan)		89.0	100.2	117.2

Origin Value of Fixed Assets of Enterprises Owned by the Whole People at End of Year

Unit: 100 million yuan

Items	1952	1957	1965	1975	1979
Total	240.6	522.9	1,445.8	3,414.3	4,892.5
Of which:					
Industry	107.2	272.2	961.0	2,290.3	3,253.2
Agriculture				90.8	146.8
Construction industry	1.7	21.7	22.9	47.5	80.4
Transportation, posts and telecommunications	115.2	182.7	337.9	672.0	890.2
Trade, food, service industries	11.5	33.9	91.1	209.6	358.7
Supply/sales of goods	0.1	1.8	8.8	23.9	41.6
Urban public utilities	4.9	10.6	24.1	37.6	59.1
Science, culture, education, health				17.0	25.9

Note: 1. Original value of fixed assets refers to purchases of independent accounting enterprises as well as amount of payment for various fixed assets by the construction (industry) and additional investments for rebuilding and expansion.

2. This table is divided according to administrative channels, not to economic departments. The same is for the following table.

Proportion of Circulating Fund Quota Used by Enterprises Owned by the Whole People at End of the Year

Unit: 100 million yuan

Items	1952	1957	1965	1975	1979
Total	171.7	401.8	915.9	2,298.6	3,087.5
Of which:					
Industry	33.0	62.9	230.4	770.8	1,026.5
Agriculture				47.0	129.8
Construction industry	3.7	19.5	18.0	30.8	41.0
Transportation, post and telecommunications	7.1	9.5	20.7	61.9	75.8
Trade, food, service industry	123.2	290.1	493.4	1,061.0	1,421.5
Supply, sales of goods	4.3	19.4	152.3	299.3	354.3
Urban public utilities	0.4	0.4	1.1	3.4	5.1

National Income, Consumption, and Accumulation

Items	Unit	1952	1957	1965	1975	1979
National income	100 million yuan	589	908	1,387	2,503	3,350
Index (taking 1952 as 100)	%	100	153.0	197.5	384.7	484.9
According to average national income of population	yuan/person	104	142	194	274	347
Quota for use of national income	100 million yuan	607	935	1,347	2,451	3,356
Consumption quota	100 million yuan	477	702	982	1,621	2,195
Accumulation quota	100 million yuan	130	233	365	830	1,161
Rate of accumulation	%	21.4	24.9	27.1	33.9	34.6

Note: In addition to calculating the national income according to fixed prices, the remainder of this table is computed on the basis of prices at that time. The "shiyong e" [utilization quota] of the national income is not equal to the total national income, but is influenced by statistical errors as well as import-export balances.

Development of Rural People's Communes

Year	Number of rural people's communes (1)	Number of brigades (10,000)	Number of production teams (10,000)	Number of households in communes (10,000)	Commune members (10,000)	Average number of brigades in a commune (1)	Average number of production teams in a brigade (1)	Average number of people in a production team (1)
1958	23,630			12,861	56,017			
1965	74,755	64.8	541.2	13,527	59,112	8.7	8.3	109
1975	52,615	67.7	482.6	16,448	77,712	12.9	7.1	161
1979	53,348	69.9	515.4	17,491	80,739	13.1	7.4	157

Cultivated Land

Year	Total amount of cultivated land (10,000 Ha)	Cultivated land of which		Proportion of cultivated land of which (%)	
		Paddy fields (10,000 hectares)	Irrigated land (10,000 hectares)	Paddy fields	Irrigated land
1949	9,788	2,282	323	23.3	3.3
1952	10,792	2,585	489	24.0	4.5
1957	11,183	2,753	1,068	24.6	9.6
1965	10,359	2,496	1,011	24.1	9.8
1975	9,971	2,553	2,068	25.6	20.7
1979	9,950	2,542	2,230	25.5	22.4

Note: The amount of cultivated land appears to be decreasing. Further verification remains to be done.

Index of Total Agricultural Output

Year	Taking the year 1952 as 100	Taking the previous year as 100	Year	Taking the year 1952 as 100	Taking the previous year as 100
1949	67.3	-	1965	137.1	108.3
1950	79.2	117.8	1966	148.9	108.6
1951	86.6	109.4	1967	151.3	101.6
1952	100	115.2	1968	147.5	97.5
1953	103.1	103.1	1969	149.2	101.1
1954	106.6	103.4	1970	166.4	111.5
1955	114.8	107.6	1971	171.4	103.1
1956	120.4	105.0	1972	171.1	99.8
1957	124.8	103.6	1973	185.5	108.4
1958	127.8	102.4	1974	193.2	104.2
1959	110.4	86.4	1975	202.1	104.6
1960	96.4	87.4	1976	207.1	102.5
1961	94.0	97.6	1977	210.6	101.7
1962	100.0	106.2	1978	229.6	109.0
1963	111.6	111.6	1979	249.4	108.6
1964	126.7	113.5			

Note: The Gross Value of Agricultural Output is in fixed prices. There have already been three changes. Therefore, the index is calculated on the basis of comparable prices. By using the above index the annual growth rate of agricultural output can be calculated.

Value of Output of Agriculture, Forestry, Animal Husbandry, Sideline Production and Fisheries

Year	Agriculture	Forestry	Animal husbandry	Sideline production		Fisheries
				Total	Of which: Commune-run industry	
1. Absolute figure (100 million yuan)						
1949	224.3	1.6	33.7	11.6		0.6
1952	346.6	2.9	47.9	18.3		1.3
1957	432.6	9.3	69.0	22.9		2.9
1965	446.8	12.0	82.7	38.0		10.1
1975	932.4	37.1	179.4	117.0	82.6	19.1
1979	1,059.6	45.0	221.2	238.9	198.0	19.6
2. % of GVAO						
1949	82.5	0.6	12.4	4.3		0.2
1952	83.1	0.7	11.5	4.4		0.3
1957	80.6	1.7	12.9	4.3		0.5
1965	75.8	2.0	14.0	6.5		1.7
1975	72.5	2.9	14.0	9.1	6.4	1.5
1979	66.9	2.8	14.0	15.1	12.5	1.2

Output of Major Agricultural, Aquatic and Forestry Products

Unit: 10,000 tons

Product	1949 [?]	1952	1957	1965	1975	1979
Grain*	11,320	16,390	19,505	19,455	28,450	33,212
Cotton	44.5	130.4	164.0	209.8	238.1	220.7
Oil	256.4	419.3	419.6	362.6	452.1	643.5
Of which: peanuts	126.8	231.6	257.1	192.8	227.1	282.2
rapeseed	73.4	93.2	88.8	108.9	153.6	240.2
sesame	32.6	48.1	31.3	25.6	20.8	41.7
Jute and hemp	3.7	30.6	30.1	27.9	70.0	108.9
Silkworm cocoons (mulberry)	3.1	6.2	6.8	6.7	15.3	21.3
Tussah silkworm cocoons	1.2	6.1	4.5	3.9	4.2	5.7
Tea leaves	4.1	8.3	11.2	10.1	21.1	27.7
Sugarcane	264.2	711.6	1,039.3	1,339.2	1,666.7	2,150.8
Sugarbeets	19.1	47.9	150.1	198.5	247.7	310.6
Flue-cured tobacco	4.3	22.2	25.6	37.2	70.1	80.6
Fruit	120.0	244.3	324.8	324.0	538.1	701.5
Aquatic products	45	167	312	298	441	431
From the sea		106	194	201	335	319
From fresh water		61	118	97	106	112
Rubber			0.02	1.66	6.86	10.83
Tung oil seeds		43.5	51.8		37.0	32.5
Tea oil seeds		24.9	49.4	33.2	42.5	61.7

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*[Translator's Note: also translated as "food grains."]

Index of Output of Agricultural, Aquatic and Forestry Products

(Taking the Year 1952 as 100) (%)

Product	1957	1965	1975	1979
Grain	119.0	118.7	173.6	202.6
Cotton	125.8	160.9	182.6	169.2
Oil	100.1	86.5	107.8	153.5
Of which: peanuts	111.0	83.2	98.1	121.8
rapeseed	95.3	116.8	164.8	257.7
sesame	65.1	53.2	43.2	86.7
Jute and hemp	98.4	91.2	228.8	355.9
Silkworm cocoons (mulberry)	109.7	108.1	246.8	343.5
Tussah silkworm cocoons	73.8	63.9	68.9	93.4
Tea leaves	134.9	121.7	254.2	333.7
Sugarcane	146.1	188.2	234.2	302.2
Sugarbeets	313.4	414.4	517.1	648.4
Flue-cured tobacco	115.3	167.6	315.8	363.1
Fruit	133.0	132.6	220.3	287.1
Aquatic products	186.8	178.4	264.1	258.1
From the sea	183.0	189.6	316.0	300.9
From fresh water	193.4	159.0	173.8	183.6
Forestry products				
Tung oil seeds	119.1		85.1	74.7
Tea oil seeds	198.4	133.3	170.7	247.8

Number of Hogs, Sheep and Goats and Meat Production

Year	Number of fat hogs removed from inventory (10,000 head)	Number of hogs in inventory at year-end (10,000 head)	Output of pork, beef, mutton and goat meat (10,000 tons)	Number of sheep and goats in inventory at year's end (10,000 head)		
				Total	Goats	Sheep
			I. Absolute Number			
1952	6,545	8,977	338.5	6,178	2,490	3,688
1957	7,131	14,590	398.5	9,858	4,515	5,343
1965	12,167	16,693	551.0	13,903	6,077	7,826
1975	16,230	28,117	797.0	16,337	6,804	9,533
1979	18,768	31,971	1,062.4	18,314	8,057	10,257
	II. Index		(Taking the year 1952 as 100)			
1957	109.0	162.5	117.7	159.6	181.3	144.9
1965	185.9	186.0	162.8	225.0	244.1	212.2
1975	248.0	313.2	235.5	264.4	273.3	258.5
1979	286.8	356.1	313.9	296.4	323.6	278.1

Note: The number of fat hogs removed from inventory includes those procured by the state, and those slaughtered by the collective and commune members as well as those slaughtered by state farms and other units.

Average Yields Per Hectare for Major Agricultural Crops
(Calculated according to sown area)

Kilo/hectare

Product		1949	1952	1957	1965	1975	1979
Grain		1,030	1,322	1,460	1,626	2,350	2,785
Of which:	Paddy [rice]	1,892	2,411	2,692	2,942	3,514	4,244
	Wheat	642	732	858	1,021	1,638	2,137
	Corn		1,341	1,435	1,510	2,539	2,983
	Soybeans	612	815	788	715	1,034	1,029
	Potatoes	1,405	1,879	2,090	1,776	2,604	2,599
Cotton		161	234	284	420	480	489
Peanuts		1,014	1,287	1,012	1,042	1,208	1,363
Rapeseed		486	501	384	598	665	870
Sesame		394	455	332	386	390	495
Jute and hemp		1,276	1,937	2,105	2,469	2,357	3,008
Sugarcane		24,463	38,885	38,925	38,154	31,868	42,008
Sugarbeet		11,938	13,686	9,440	11,608	8,175	9,557
Flue-cured tobacco		705	1,194	721	1,145	1,524	1,583

Average Amount of Grain, Cotton, Oil, Pork and Aquatic Products Per Person

Year	Grain (Kilo/person)	Cotton (Kilo/person)	[Edible] oil (Kilo/person)	Fat Hogs (head/person)	Pork, beef, mutton and goat meat (Kilo/person)	Aquatic products (Kilo/person)
1949	209	0.82	4.73			0.9
1952	288	2.29	7.38	0.12	5.95	2.9
1957	306	2.57	6.58	0.11	6.25	4.9
1965	272	2.93	5.07	0.17	7.70	4.2
1975	312	2.61	4.96	0.18	8.74	4.8
1979	344	2.29	6.67	0.21	11.0	4.5

Number of Large Domestic Animals

Year	Large domestic animals						
	Total	Of which: Draft animals	Cattle	Horses	Donkeys	Mules	Camels
I. Absolute number (10,000 head)							
1949	6,002		4,393.6	487.5	949.4	147.1	24.7
1952	7,646	5,142	5,660.0	613.0	1,180.6	163.7	28.5
1957	8,382	5,368	6,361.2	730.2	1,086.4	167.9	36.5
1965	8,421	4,322	6,695.1	792.1	743.8	144.7	44.8
1975	9,686	5,122	7,354.7	1,129.9	812.7	335.4	53.5
1979	9,459	5,029	7,134.6	1,114.5	747.3	402.3	60.4
II. Index (taking the year 1952 as 100)							
1957	109.6	104.4	112.4	119.1	92.0	102.6	128.1
1965	110.1	84.1	118.3	129.2	63.0	88.4	157.2
1975	126.7	99.6	129.9	184.3	68.8	204.9	187.7
1979	123.7	97.8	126.1	181.8	63.3	245.8	211.9

Amount of Major Farm Machinery Owned at Year's End

Product	Unit	1952	1957	1965	1975	1979
Total motive power of farm machinery	10,000 horsepower	25	165	1,494	10,168	18,191
Large and medium tractors	Multipurpose [hunhe 3236 0678] tractor	1,307	14,674	72,599	344,518	666,823
Hand-guided tractors	10,000 tractors			0.4	59.9	167.1
Large and medium-sized machine-drawn implements	10,000 units			25.8	90.8	131.3
Combine harvesters	1 unit	284	1,789	6,704	12,551	23,026
Power-driven thresher	10,000 units			11.4	155.3	232.8
Powered irrigation and drainage machinery	10,000 horsepower	12.8	56.4	907.4	4,866.6	7,122.1
Rice mill, flour-milling machine	10,000 units				217.7	291.2
Cotton gin	10,000 units				30.2	26.7
Oil press	10,000 units				16.7	21.6
Trucks	1 unit		4,084	11,063	39,585	97,105
Animal-drawn, rubber-tired carts	10,000 units			133.5	245.4	247.7
Hand-drawn, rubber-tired carts	10,000 units			875.7	2,361.1	3,262.4
Motor-driven fishing boats	10,000 horsepower		10.3	64.0	213.6	312.9

Level of Agricultural Mechanization

Item	Unit	1952	1957	1965	1975	1979
Area actually tractor-plowed in that year	10,000 hectares	13.6	263.6	1,557.9	3,320.3	4,221.9
Tractor-plowed area of [total] plowed area	%	0.1	2.4	15.0	33.3	42.4
Irrigated area	10,000 hectares	1,995.9	2,733.9	3,305.5	4,328.4	4,500.3
Irrigated area of [total] cultivated area	%	18.5	24.4	31.9	43.4	45.2
Area irrigated by electric machinery	10,000 hectares	31.7	120.2	809.3	2,288.9	2,532.1
Area irrigated by electric machinery of [total] irrigated area	%	1.6	4.4	24.5	52.9	56.3
Quantity of chemical fertilizer applied	10,000 tons	7.8	37.3	194.2	536.9	1,086.3
Chemical fertilizer applied per hectare of cultivated land	Kilo	0.7	3.3	18.7	53.8	109.2
Rural small hydroelectric stations	1 unit	98	544		68,158	83,224
Capacity to generate electricity	10,000 KW	0.8	2.0		144.4	276.3
Amount of electricity used in rural areas	100 million KWH	0.5	1.4	37.1	183.1	282.7
Amount of electricity used per hectare of cultivated land	KWH		1.3	35.8	183.6	284.1

Note: 1. Chemical fertilizer is calculated on the basis of containing 100 percent of nitrogen, phosphorous and potassium.

2. The amount of electricity used in rural areas refers to that used for production in the rural communes and brigades and for daily life. It does not include that used by the people's-owned manufacturing units in the rural areas.

Gross Value of Industrial Output and Indexes for Light, Heavy Industrial Values

	With 1952 as 100			With last year as 100		
Year	GVIO	Light industry	Heavy industry	GVIO	Light industry	Heavy industry
1949	40.8	46.6	30.3			
1950	55.7	60.6	46.7	136.4	130.1	154.1
1951	77.0	81.0	69.7	138.2	133.6	149.1
1952	100	100	100	129.9	123.5	143.5
1953	130.3	126.7	136.9	130.3	126.7	136.9
1954	151.6	144.8	163.9	116.3	114.3	119.8
1955	160.1	144.8	187.7	105.6	100.0	114.5
1956	204.9	173.3	262.3	128.1	119.7	139.7
1957	228.6	183.2	310.7	111.5	105.7	118.4
1958	353.8	245.0	555.5	154.8	133.7	178.8
1959	481.8	299.0	822.7	136.1	122.0	148.1
1960	535.7	269.5	10.4-fold	111.2	90.2	125.9
1961	330.7	211.1	553.6	61.8	78.4	53.5
1962	275.9	193.5	428.4	83.4	91.6	77.4
1963	299.4	198.1	487.8	108.5	102.3	113.8
1964	358.3	233.4	590.3	119.6	117.8	121.0
1965	452.6	344.5	650.6	126.4	147.7	110.2
1966	547.4	394.3	829.5	120.9	114.5	127.5
1967	471.8	366.4	663.6	86.2	92.9	80.0
1968	448.0	348.3	629.8	95.0	95.1	94.9
1969	601.6	436.1	906.6	134.3	125.2	143.9
1970	786.0	514.9	12.9-fold	130.7	118.1	142.3
1971	903.3	548.2	15.7-fold	114.9	106.5	121.4
1972	962.9	582.2	16.8-fold	106.6	106.2	107.0
1973	10.5-fold	643.6	18.2-fold	109.5	110.6	108.7
1974	10.6-fold	660.6	17.9-fold	100.3	102.7	98.4
1975	12.2-fold	746.4	20.9-fold	115.1	113.0	116.8
1976	12.3-fold	766.4	21 -fold	101.3	102.4	100.5
1977	14.1-fold	873.7	24 -fold	114.3	114.3	114.3
1978	16 -fold	968.1	27.8-fold	113.5	110.8	115.6
1979	17.3-fold	10.6-fold	29.9-fold	108.5	109.6	107.7

Note: The fixed price of gross value of industrial output has been changed three times. Therefore, the index is calculated on the basis of fixed prices.

Gross Value of Output of Major Industrial Sectors

Industrial sector	1952	1957	1965	1975	1979
National grand total (100 million yuan)	343.3	784.0	1,393.9	3,218.8	4,590.7
Of which:					
Metallurgical industry	20.2	60.0	149.5	288.3	410.3
Power industry	4.3	11.7	43.1	124.7	176.7
Coal industry	8.3	20.6	36.0	90.0	118.1
Petroleum industry	1.8	8.0	45.1	179.8	249.6
Chemical industry	16.6	48.2	179.4	364.5	561.8
Of which: chemical fertilizer, agricultural chemicals	0.37	1.63	26.2	61.4	106.9
Machinery industry	39.0	119.0	310.2	890.5	1,244.8
Of which: agricultural machinery	0.87	2.81	14.3	82.3	109.1
Construction material industry	10.3	22.7	39.6	99.95	167.3
Forestry industry	22.3	40.6	39.9	61.1	84.8
Food industry	82.8	138.4	175.5	386.1	518.7
Textile industry	94.3	143.6	220.7	396.1	593.1
Paper-making industry	7.6	15.4	24.5	41.4	60.3
% of national GVIO	100	100	100	100	100
Metallurgical industry	5.9	8.5	10.7	9.0	8.9
Power industry	1.3	1.7	3.1	3.9	3.8
Coal industry	2.4	2.9	2.6	2.8	2.6
Petroleum industry	0.5	1.1	3.2	5.6	5.4
Chemical industry	4.8	6.8	12.9	11.3	12.2
Of which: chemical fertilizer, agricultural chemicals	0.1	0.2	1.9	1.9	2.3
Machinery industry	11.4	16.9	22.3	27.7	27.1
Of which: agricultural machinery	0.3	0.4	1.0	2.6	2.4
Construction material industry	3.0	3.2	2.8	3.1	3.6
Forestry industry	6.5	5.8	2.9	1.9	1.8
Food industry	24.1	19.7	12.6	12.0	11.3
Textile industry	27.5	20.4	15.8	12.3	12.9
Paper-making industry	2.2	2.2	1.8	1.3	1.3

Note: The figures for 1952 were calculated on the basis of the fixed prices of 1952; that for 1957-1970, of 1975; that for 1975 and 1979, of 1970.

Index of Gross Value of Output of Major Industrial Sectors

(Using 1952 as 100)

Industrial sector	1957	1965	1975	1979
GVIO	228.6	452.6	1,216.4	1,734.4
Of which:				
Metallurgical industry	359.4	895.6	1,768.5	2,516.9
Power industry	253.5	934.0	2,699.1	3,824.6
Coal industry	220.5	385.2	762.5	1,000.6
Petroleum industry	411.1	2,317.8	10,703.1	16.342.5
Chemical industry	389.2	1,449.0	5,294.8	7,782.4
Including: Chemical fertilizer, agricultural chemicals	632.4	10,164.4	33,306.7	57,988.5
Machinery industry	366.7	955.9	3,783.0	5,288.2
Including: Agricultural machinery	434.5	2,211.4	17,420.7	23,093.5
Construction material industry	248.5	433.3	1,170.4	1,959.0
Forestry industry	190.1	186.9	243.5	337.9
Food industry	185.5	235.4	397.3	533.8
Textile industry	151.1	232.2	419.3	627.8
Paper-making industry	239.5	381.0	611.7	891.1

Note: This table is calculated on the basis of fixed prices.

Output of Major Industrial Products

Items	Unit	1949	1952	1957	1965	1975	1979
Crude coal	100 million tons	0.32	0.66	1.31	2.32	4.82	6.35
Crude oil	10,000 tons	12	44	146	1,131	7,706	10,615
Natural gas	100 million m^3	0.07	0.08	0.7	11.0	88.5	145.1
Generated power	100 million kwh	43	73	193	676	1,958	2,820
Including: hydro-electricity	100 million kwh	7	13	48	104	476	501
Finished steel	10,000 tons	13	106	415	881	1,622	2,497
Steel	10,000 tons	15.8	135	535	1,223	2,390	3,448
Pig iron	10,000 tons	25	193	594	1,077	2,449	3,673
Machine-made coke	10,000 tons	43	222	555	1,203	2,738	3,354
Lumber	10,000 m^3	567	1,120	2,787	3,978	4,626	5,439
Cement	10,000 tons	66	286	686	1,634	4,626	7,390
Plate glass	10,000 standard cases	108	213	462	687	1,453	2,330
Sulfuric acid	10,000 tons	4.0	19.0	63.2	234.0	484.7	699.8
Soda ash	10,000 tons	8.8	19.2	50.6	88.2	124.3	148.6
Caustic soda	10,000 tons	1.5	7.9	19.8	55.6	128.9	182.6
Synthetic ammonia	10,000 tons	0.5	3.8	15.3	148.4	607.7	1,348.2
Agricultural chemical fertilizer	10,000 tons	0.6	3.9	15.1	172.6	524.7	1,065.4
Of which: nitrogen fertilizer	10,000 tons	0.6	3.9	12.9	103.7	370.9	882.1
phosphate fertilizer	10,000 tons			2.2	68.8	153.1	181.7
Insecticides	10,000 tons		0.2	6.5	19.3	42.2	53.7
Plastics	10,000 tons		0.2	1.3	9.7	33.0	79.3
Tires	10,000 units	3	42	88	232	700	1,169
Chemical pharmaceuticals	10,000 tons		0.01	0.22	1.05	2.73	4.17
Mining equipment	10,000 tons	0.07	0.18	5.29	4.00	19.61	26.37
Metallurgical equipment	10,000 tons		0.02	1.38	1.74	8.21	7.29
Petroleum equipment	10,000 tons			0.59	1.29	6.32	9.30
Chemical equipment	10,000 tons	0.02	0.10	0.72	3.42	7.59	6.64
Power generating equipment	10,000 KW		0.6	19.8	68.3	496.5	621.2
Alternating motors	10,000 KW		64	146	405	2,799	3,563
Transformers	10,000 KV	12	117	420	818	4,097	5,823
Pumps	10,000 sets	0.3	1.4	5.1	15.5	118.8	125.6

[Continued on following page]

Items	Unit	1949	1952	1957	1965	1975	1979
Metal cutting machine tools	10,000 sets	0.16	1.37	2.80	3.96	17.49	13.96
Forging equipment	10,000 sets	0.03	0.11	0.29	0.75	4.47	3.60
Motor vehicles	10,000 units			0.79	4.05	13.98	18.57
Including: trucks	10,000 units			0.62	2.65	7.76	11.67
Roller bearings	10,000 sets	14	118	1,060	3,080	16,273	21,518
Tractors	10,000 units				0.96	7.84	12.56
Hand-support tractors	10,000 sets				0.36	20.94	31.75
Grain combine	Sets			124	655	2,484	4,587
Internal combustion engines	10,000 hp	1	4	69	279	2,348	2,908
Including: engines used for irrigation				26.5	66.3	1,028.2	654.2
Locomotives	Units (each)		20	167	146	526	573
Railway freight cars	10,000 units	0.14	0.58	0.73	0.29	1.57	1.60
Railway passenger cars	Units (each	23	6	454	160	804	856
Steel boats for civilian use	Units (each)		84	646	517	1,605	2,771
Chemical fibers	10,000 tons			0.02	5.01	15.48	32.63
Cotton yarn	10,000 tons	32.7	65.6	84.4	130.0	210.8	263.5
Cotton cloth	100 million meters	18.9	38.3	50.5	62.8	94.0	121.5
Towels	100 million units		2.24	3.68	4.34	7.67	10.90
Socks	100 million pairs		3.59	5.83	4.34	5.92	8.17
Knitting wool	10,000 tons	0.18	0.20	0.57	1.10	2.66	4.44
Woolen goods	10,000 meters	544	423	1,817	4,240	6,943	9,017
Blankets	100 million units	22.2	71.7	86.2	242.0	513.0	690.0
Gunnysacks	100 million units	0.10	0.67	0.83	1.25	1.91	3.44
Silk	10,000 tons	0.18	0.56	0.99	0.91	2.31	2.97
Silk textiles	100 million meters	0.50	0.65	1.45	3.42	4.54	6.63
Light bulbs	100 million units	0.13	0.26	0.69	1.92	5.20	8.50
Synthetic detergents	10,000 tons				3.0	22.3	39.7
Reusable synthetic fatty acid	Tons				8,671	47,064	58,422
Soap	10,000 tons		9.7	26.3	31.5	61.1	75.3
Matches	10,000 units (each)	672	911	1,036	1,207	1,637	1,892

[Continued on following page]

Items	Unit	1949	1952	1957	1965	1975	1979
Salt	10,000 tons	299	495	828	1,147	1,481	1,477
Sugar	10,000 tons	20	45	86	146	174	250
Cigarettes	10,000 boxes	160	265	446	478	992	1,303
Cans	10,000 tons		1.25	6.18	12.18	35.09	50.13
Leather	10,000 pieces		330	956	713	2,457	3,083
Leather shoes	10,000 pairs		1,200	2,529	1,808	6,646	11,608
Rubber shoes	100 million prs	0.3	0.6	1.3	2.5	3.6	3.6
Clothing	100 million units				3.85	6.73	7.44
Machine-made paper and cardboard	10,000 tons	11	37	91	173	341	493
Radios	10,000 sets	0.44	1.7	35.2	81.5	935.6	1,380.7
Tape recorders	10,000 sets						16.5
Television	10,000 sets				0.43	17.78	132.85
Cameras	10,000 units			0.01	1.72	18.49	23.81
Bicycles	10,000 units	1.4	8.0	80.6	183.8	623.2	1,009.5
Sewing machines	10,000 sets		6.6	27.8	123.8	356.7	586.8
Wristwatches	10,000 units			0.04	100.8	782.2	1,707.0

Note: Lumber indicates the quantity transported. Before 1961 it was the output of log. After 1962 it included small-sized lumber materials.

Agricultural chemical fertilizer is figured by the percentage of nitrogen, phosphorus, and potassium.

Power generating equipment includes 500-kw water turbogenerators, steam turbogenerators, and gas turbine generators.

Alternating motors refer to those having 0.5-kw of power or more.

Cotton yarn includes pure cotton yarn, cotton mixed yarn and cotton type pure fine yarn; it excludes cotton velvet, substitute fiber yarn, and handwoven yarn.

Cotton cloth includes pure cotton cloth, cotton mixed interwoven cloth, pure chemical fiber cotton cloth and cotton canvas cloth but excludes substitute fiber cloth, handwoven cotton cloth, or cord fabric.

Silk does not include hand-made silk reeling.

Gunnysacks include pure flax, flax fiber mix, pure chemical fibers, and those made with substitute fibers. They do not include hand-made gunnysacks or reprocessed gunnysacks.

Index of Output of Major Industrial Products

(Using 1952 as 100)

Items	1957	1965	1975	1979
Raw coal	198.5	351.5	730.3	962.1
Crude oil	331.8	2,570.5	17,513.6	24,125.0
Generated power	264.4	926.0	2,682.2	3,863.0
Of which: hydroelectricity	369.2	800.0	3,661.5	3,853.8
Finished steel	391.5	831.1	1,530.2	2,355.7
Steel	396.3	905.9	1,770.4	2,554.1
Pig iron	307.8	558.0	1,268.9	1,903.1
Machine-made coke	250.0	541.9	1,233.3	1,510.8
Lumber	248.8	355.2	413.0	485.6
Cement	239.9	571.3	1,617.5	2,583.9
Plate glass	216.9	322.5	682.2	1,093.9
Sulfuric acid	332.6	1,231.6	2,551.1	3,683.2
Soda ash	263.5	459.4	647.4	774.0
Caustic soda	250.6	703.8	1,631.6	2,311.4
Synthetic ammonia	402.6	3,905.3	15,992.1	35.478.9
Agricultural chemical fertilizer	387.2	4,425.6	13,453.8	27,317.9
Including: nitrogenous fertilizer	330.8	2,659.0	9,510.3	22,617.9
Insecticide	3,250.0	9,650.0	21,100.0	26,850.0
Plastics	650.0	4,852.0	16,500.0	39,650.0
Tires	209.5	552.4	1,666.7	2,783.3
Mining equipment	2,938.0	2,222.2	10,894.4	14,650.0
Metallurgical equipment	6,900.0	8,700.0	41,050.0	36,450.0
Chemical equipment	720.0	3,420.0	7,590.0	6,640.0
Power generating equipment	3,300.0	11,383.3	82,750.0	103,533.3
Alternating motors	228.1	632.8	4,373.4	5,567.2
Transformers	359.0	699.1	3,501.7	4,976.9
Pumps	364.3	1,107.1	8,485.7	8,971.4
Metal cutting machine tools	204.4	289.1	1,276.6	1,019.0
Forging equipment	263.6	681.8	4,063.6	3,272.7
Roller bearings	898.3	2,610.2	13,790.7	18,235.6
Internal combustion engines	1,725.0	6,975.0	58,700.0	72,700.0
Locomotives	835.0	730.0	2,630.0	2,865.0
Railway freight cars	125.9	50.0	270.7	275.9
Railway passenger cars	7,566.7	2,666.7	13,400.0	14,266.7
Steel boats for civil use	769.0	615.5	1,910.7	3,298.8
Cotton yarn	128.7	198.2	321.3	401.7
Cotton cloth	131.9	164.0	245.4	317.2
Towels	164.3	193.8	342.4	486.6
Socks	162.4	120.9	164.9	227.6
Knitting wool	285.0	550.0	1,330.0	2,220.0
Woolen goods	429.6	1,002.4	1,641.4	2,131.7
Blankets	120.2	337.5	715.5	962.3
Gunnysacks	123.9	186.6	285.1	513.4
Silk	176.8	162.5	412.5	530.4

[Continued on following page]

Items	1957	1965	1975	1979
Silk textiles	223.1	526.2	698.5	1,020.0
Light bulbs	265.4	738.5	2,000.0	3,269.2
Soap	271.1	324.7	629.9	776.3
Matches	113.7	132.5	179.7	207.7
Raw salt	167.3	231.7	299.2	298.4
Sugar	191.1	324.4	386.7	555.6
Cigarettes	168.3	180.4	374.3	491.7
Cans	494.4	974.4	2,807.2	4,010.4
Leather	289.7	216.1	744.5	934.2
Leather shoes	210.8	150.7	553.8	967.3
Rubber shoes	216.7	416.7	600.0	600.0
Machine-made papers and cardboards	245.9	467.6	921.6	1,332.4
Radios	2,070.6	4,794.1	55,035.3	81,217.6

Labor Productivity of All Personnel of Independent Accounting Industrial Enterprises Owned by the Whole People

Calculated According to 1970 Fixed Prices

Year	Labor productivity of all personnel (yuan/person, year)	Index % (Taking 1952 as 100)
1952	4,167	100
1957	6,336	152.1
1965	8,943	214.6
1975	9,994	239.8
1979	11,790	282.9

Major Financial Indexes of Independent Accounting Industrial Enterprises Owned by the Entire People

Item	Unit	1952	1957	1965	1975	1979
Original value of fixed assets	100 million yuan	149.2	336.6	1,040.0	2,428.3	3,466.7
Total funds	100 million yuan	147.1	331.8	1,037.3	2,569.0	3,487.6
Net value of fixed assets	100 million yuan	101.1	241.3	777.2	1,716.3	2,378.6
Circulating fund quota	100 million yuan	46.0	90.5	260.1	852.7	1,109.0
Profits, taxes	100 million yuan	37.4	115.1	309.2	582.7	864.4
Profits	100 million yuan	28.3	79.5	217.0	363.4	562.8
Taxes	100 million yuan	9.1	35.6	92.2	219.3	301.6
Profits realized per 100 yuan of original value of fixed assets	yuan	19.0	23.6	20.9	15.0	16.2
Profit realized per 100 yuan of fund	yuan	19.2	24.0	20.9	14.1	16.1
Profits and taxes realized per 100 yuan of funds	yuan	25.4	34.7	29.8	22.7	24.8
Profits realized per 100 yuan of GVIO	yuan	14.2	17.1	21.3	14.2	15.8
Output value realized per 100 yuan of original value of fixed assets	yuan	134	138	98	105	103
Circulating fund per 100 yuan of output value	yuan	23.1	19.4	25.5	33.4	31.0

Postal and Telecommunications Service

Year	Total amount of postal, telecommunications Svc (10,000 yuan)	Letters (10,000 units)	Number of publications issued (10,000 units)	Telegrams (10,000 units)	Long distance telephone (10,000 units)	Urban telephones (10,000 households)	Rural telephones (10,000 households)
1949	9,717	59,874		1,129	902	21.77	
1952	16,434	80,894	1,363	1,204	1,628	29.53	5.84
1957	29,368	164,054	3,264	1,533	2,090	46.45	20.00
1965	62,826	217,571	5,621	5,277	8,869	77.11	49.22
1975	95,757	273,379	7,823	11,234	15,151	103.28	65.92
1979	125,546	307,980	12,680	13,495	20,587	127.02	76.28

Length of Various Transportation Lines

Unit: 10,000 km

Year	Railway			Mileage of highways opened to traffic	Mileage of inland rivers opened to traffic	Mileage of civil aviation route		Mileage of petroleum pipeline
	"yingye" [business] mileage	Mileage opened to traffic	Total mileage of extension			Total	Including: International line	
1949	2.18	2.20	3.00	8.07	7.36			
1952	2.29	2.45	3.51	12.67	9.50	1.31	0.51	
1957	2.67	2.99	4.31	25.46	14.41	2.64	0.43	
1965	3.64	3.74	5.89	51.45	15.77	3.94	0.45	
1975	4.60	4.84	7.91	78.36	13.56	8.42	3.71	0.53
1979	4.98	5.15	8.68	87.58 *	10.78 *	16.00	5.13	0.91

Note: *Survey figures of department for end-October 1979.

Transport and Turnover Volumes of Goods

Year	Sum total	Railway	Highway	Water transport: Total	Water transport: Including: Ocean transport	Pipeline transport oil (gas) volume	Civil aviation
Transport volume (10,000 tons)							
1949	16,097.4	5,589	7,963	2,543			2.4
1952	31,516.2	13,217	13,158	5,141	14		0.2
1957	80,364.8	27,421	37,505	15,438	60		0.8
1965	120,340.7	48,358	48,987	22,993	246		2.7
1975	200,268.7	86,746	72,499	34,987	2,424	6,032	4.7
1979	245,630.0	109,495	81,556	43,229	4,249	11,342	8.0
Turnover volume (100 million ton kilometers)							
1949	255.4	184	8.1	63.1			0.2
1952	762.3	602	14.5	145.8	28		
1957	1,809.6	1,346	48.0	415.5	77		0.1
1965	3,461.3	2,696	95.1	670.2	237		0.3
1975	7,285.9	4,246	202.6	2,574.7	1,757	262	0.6
1979	10,897.7	5,580	268.3	4,564.2	3,174	476	1.2

Note: Passenger and freight transport volumes only include the portions completed by special transport tools of the communications (transport) system.
Railways do not include local railroads. The specifications are fewer than those cited in the results of the communique on the 1980 National Economic Plan.

Volume of Passenger Transport and Turnover Volume

	Passenger transport volume (10,000 persons)			Passenger turnover volume (100 million person kilometers)		
Year	Railway	Highway	Water transport	Railway	Highway	Water transport
1949	10,297	1,809	1,562	130	8.0	15.2
1952	16,352	4,559	3,605	201	22.6	24.5
1957	31,262	23,772	8,780	361	88.1	46.4
1965	40,708	43,693	11,369	478	168.2	47.4
1975	69,648	101,350	21,015	953	374.5	90.6
1979	85,611	178,618	24,360	1,214	603.3	114.0

Indexes of Goods Turnover Volume and Passenger Turnover Volume
(Taking 1952 as 100)

	Goods turnover volume			Passenger turnover volume		
Year	Railway	Highway	Water transport	Railway	Highway	Water transport
1952	100	100	100	100	100	100
1957	223.6	331.0	285.0	179.6	389.8	189.4
1965	447.8	655.9	459.7	237.8	744.2	193.5
1975	705.3	1,397.2	1,765.9	474.1	1,657.1	369.8
1979	928.2	1,850.3	3,130.5	604.0	2,669.5	465.3

Capital Construction Situation

Item	Unit	1950	1952	1957	1965	1975	1979
1. Newly increased fixed assets in capital construction	100 million yuan	10.09	31.14	129.22	159.93	250.53	418.27
2. Total investment in capital construction	"	11.34	43.56	138.29	170.89	391.86	499.88
a. Divided in accordance with the sources of capital funds:							
State investment	"	10.41	37.11	126.45	154.37	318.12	394.97
"Self-raised" investment**	"	0.93	6.45	11.84	16.52	73.74	104.91
b. Divided on the basis of investment expenditure:							
Construction installations	"	8.59	28.40	85.06	103.88	218.98	328.30
Equipment, tools, instruments	"	2.21	11.07	45.85	55.07	144.63	137.17
Others	"	0.54	4.09	7.38	11.94	28.25	34.41
c. Divided on the basis of the project's applications:							
Production construction	"	7.37	29.14	105.09	144.74	335.88	365.14
Nonproduction construction	"	3.97	14.42	33.20	26.15	55.98	134.74
Including: housing	"	1.25	4.48	12.82	9.43	22.94	73.79
d. Divided according to the national economic departments:							
Industries	"		16.89	72.40	88.96	231.03	256.85
Light industry	"		4.06	11.04	7.01	23.13	30.60
Heavy industry	"		12.83	61.36	81.95	207.90	226.25
Building construction industry	"		0.89	4.62	4.11	6.89	11.47
Transport, postal and telecommunications	"		7.61	20.69	30.51	68.67	64.09
Agriculture, forestry, water conservancy, meteorology	"		5.83	11.87	24.97	38.40	57.92
Commerce, food industry, service trade	"		1.20	3.72	4.63	12.01	20.57
Scientific research, culture & education, and public health	"		3.34	10.50	9.12	15.12	33.47
Urban public utilities	"		1.64	3.82	4.45	8.25	29.91
Geological prospecting	"		0.68	3.02	0.74	2.06	7.40
Others	"		5.48	7.65	3.40	9.43	18.20

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Item	Unit	1950	1952	1957	1965	1975	1979
3. Large and medium-sized construction items:							
Construction items	Individual		516*	992	1,261	1,539	1,610
Items completed and put into operation	Individual		38*	262	289	167	128
4. Building area of completed housing projects	10,000 sq meters		3,639*	6,802	4,704	7,751	12,000
Including: housing	"		1,342*	2,816	1,728	2,791	6,256

Note: This table does not include investments in hidden potentials tapping, innovation, and improvement projects that are not listed in the capital construction plan.
* designates the year 1953.

**[TN: Investment funds raised by one's own efforts]

Social Commodity Retail Sales

Unit: 100 million

Item	1952	1957	1965	1975	1979
Social commodity retail sales	265.0	461.0	657.3	1,246.1	1,752.5
Urban area	113.8	225.2	325.9	581.9	767.7
Rural area	151.2	235.8	331.4	664.2	984.8
1. Consumer goods retail sales	250.9	428.4	577.1	1,021.4	1,428.5
a. Divided on basis of urban and rural areas:					
Cities and towns	113.8	225.2	325.9	581.9	767.7
Rural areas	137.1	203.2	251.2	439.5	660.8
b. Divided in accordance with the consumers or buyers:					
Retail sales of consumer goods to the inhabitants	226.1	382.1	524.1	897.8	1,264.2
Retail sales of consumer goods to social groups	24.8	46.3	53.0	123.6	164.3
c. Divided according to category:					
Foods	136.5	227.8	314.5	530.8	717.5
Clothing	50.8	82.6	112.5	219.4	339.2
Daily necessities	39.5	65.3	68.6	126.5	185.0
Cultural and educational supplies	6.7	12.7	17.3	29.3	55.4
Books, newspapers and magazines	2.0	4.9	6.4	9.8	16.4
Chinese and western medicines and medical equipment and materials	6.8	16.7	27.8	57.1	58.5
Fuels	8.6	18.4	30.0	48.5	56.5
2. Retail sales of the means of agricultural production	14.1	32.6	80.2	224.7	324.0

Note: This table does not include the retail sales by peasants to the nonagricultural inhabitants. This also holds true in the subsequent tables.

Index of Social Commodity Retail Sale Volume

Item	Index (1952 being 100)				Average annual increase % for 1953-1979
	1957	1965	1975	1979	
Social commodity retail sale volume	174.0	248.0	470.2	661.3	7.2
Cities and towns	197.9	286.4	511.3	674.6	7.3
Rural areas	156.0	219.2	439.3	651.3	7.2
1. Consumer goods retail sale volume	170.7	230.0	407.1	569.4	6.7
a. Divided on the basis of urban and rural areas:					
Cities and towns	197.9	286.4	511.3	674.6	7.3
Rural areas	148.2	183.2	320.6	482.0	6.0
b. Divided on the basis of the consumers or buyers:					
Retail sales of consumer goods to the inhabitants	169.0	231.8	397.1	559.1	6.6
Retail sales of consumer goods to social groups	186.7	213.7	498.4	662.5	7.3
c. Divided according to the categories of commodities:					
Foods	166.9	230.4	388.9	525.6	6.3
Clothing	162.6	221.5	431.9	667.7	7.3
Daily necessities	165.3	173.7	320.3	468.4	5.9
Cultural and educational supplies	189.6	258.2	437.3	826.9	8.1
Books, newspapers and magazines	245.0	320.0	490.0	820.0	8.1
Chinese and western medicines and medical equipment and materials	245.6	408.8	839.7	860.3	8.3
Fuels	214.0	348.8	564.0	657.0	7.2
2. Retail sale volume of the means of agricultural production	231.2	568.8	1,593.6	2,297.9	12.3

Retail Sales of Social Consumer Goods

Names of items	Unit	1952	1957	1965	1975	1979
Food grain	10,000 tons	2,961.0	3,723.5	3,682.0	4,196.5	4,650.0
Edible vegetable oil	"	76.5	103.0	74.0	83.0	100.0
Pork	"	170.4	176.5	277.7	425.9	573.1
Eggs	"	13.2	25.9	33.9	29.9	60.9
Aqua-products	"	77.9	142.4	137.5	187.1	168.5
Sugar	"	47.1	87.9	112.2	199.4	333.0
Wine and liquors	"	64.6	86.7	93.7	199.5	289.2
Tea	"	3.7	6.1	4.3	9.6	13.9
Cloth	100 million meters	32.4	43.4	44.4	69.9	86.8
Woolen cloth	10,000 meters	362.6	709.4	2,444.0	5,679.0	10,599.0
Silks and satins	"	3,092.3	7,090.8	9,666.0	22,516.0	35,321.0
Knitted underwear	10,000	2,900.4	20,253.6	23,199.6	60,283.7	90,928.0
Leather shoes	10,000 pairs	1,356.7	1,942.1	1,422.0	5,916.0	12,628.0
Rubber shoes	"	6,465.1	11,673.7	18,136.0	34,619.0	36,208.0
Matches	10,000 [cases]	816.0	1,100.0	1,266.0	1,631.5	1,937.6
Soap	10,000 cases	630.0	1,165.0	1,357.0	3,224.1	3,676.0
Thermos bottles	10,000	840.0	2,770.8	3,277.0	4,594.6	9,112.0
Sewing machines	10,000	10.0	25.1	89.7	302.7	540.0
Wristwatches	10,000	38.5	107.6	189.1	819.9	1,944.4
Bicycles	10,000	33.5	84.7	176.2	561.4	954.5
Radio receivers	10,000	2.0	26.4	83.6	714.4	1,639.5
Machine-made papers	10,000 tons	21.9	33.4	24.1	37.2	46.2
Kerosene	"	19.3	47.5	69.8	102.2	95.0
Coal	"	2,361.1	5,413.4	7,500.0	9,350.0	10,600.0

Note: Food grain is trade food grain; edible vegetable oil include [reprocessed] oil; pork includes fresh and frozen pork and meat products; cloth includes chemical fiber cloth and dacron mixed cloth.

Index of the Retail Volume of Social Consumer Commodities
(Taking 1952 as 100)

Item	1957	1965	1975	1979
Grain	125.8	124.3	141.7	157.0
Edible vegetable oil	134.6	96.7	108.5	130.7
Pork	103.6	163.0	249.9	336.3
Fresh eggs	196.2	256.8	226.5	461.4
Aquatic products	182.8	176.5	240.2	216.3
Sugar	186.6	238.2	423.4	707.0
Wine	134.2	145.0	308.8	447.7
Tea leaves	164.9	116.2	259.5	375.7
Cloth	134.0	137.0	215.7	267.9
Wool fabric	195.6	674.0	1,566.2	2,923.1
Silk and satin	229.3	312.6	728.1	1,142.4
Undergarments	698.3	799.9	2,078.5	3,135.0
Leather shoes	143.1	104.8	436.1	930.8
Rubber shoes	180.6	280.5	535.5	560.1
Matches	134.8	155.1	199.9	237.5
Soap	184.9	215.4	511.8	583.5
Thermos	329.9	390.1	547.0	1,084.8
Sewing machines	251.0	897.0	3,027.0	5,400.0
Wristwatches	279.5	491.2	2,129.6	5,050.4
Bicycles	252.8	526.0	1,675.8	2,849.3
Radios	1,320.0	4,180.0	357.2-fold	819.8-fold
Machine-made paper	152.5	110.0	169.9	211.0
Kerosene	246.1	361.7	529.5	492.2
Coal	229.3	317.6	396.0	448.9

Total Import and Export Trade

	Absolute figures (RMB 100 million yuan)			Index (Take 1952 as 100)		
Year	Total import/export	Export	Import	Total import-export	Export	Import
1952	64.6	27.1	37.5	100	100	100
1957	104.5	54.5	50.0	161.8	201.1	133.3
1965	118.4	63.1	55.3	183.3	232.8	147.5
1975	290.4	143.0	147.4	449.5	527.7	393.1
1979	455.6	211.7	243.9	705.3	781.2	650.4

Note: All calculated on the rate of exchange between $US and RMB as stipulated by the China Bank for the indicated years.

Breakdown of Commodities

Year	Breakdown of exported goods in percentages (based on 100% of total exports)			Breakdown of imported goods in percentages (based on 100% of total imports)	
	Industrial and mining products	Agricultural by-products and processed goods	Farm by-products	Capital goods	Consumer goods
1952	17.9	22.8	59.3	89.4	10.6
1957	28.4	31.5	40.1	92.0	8.0
1965	30.9	36.0	33.1	66.5	33.5
1975	39.3	31.1	29.6	85.4	14.6
1979	44.0	32.9	23.1	81.3	18.7

General Price Index of Various Commodities
(Taking 1950 prices as 100)

Year	Price of retail goods total index	Cost of living for workers---total price index	Total index of purchase price of agricultural by-products (nong fuchanpin)	Total index of retail price of rural industrial products	Comprehensive comparative price index of exchange of industrial and agricultural commodities	
					Taking total index of purchase price of agricultural by-products as 100	Taking total index of retail price of rural industrial products as 100
1952	111.8	115.5	121.6	109.7	90.2	110.8
1957	121.3	126.6	146.2	112.1	76.7	130.4
1965	134.6	139.0	187.9	118.4	63.0	158.7
1975	131.9	139.5	208.7	109.6	52.5	190.4
1979	138.6	147.4	265.5	109.9	41.4	241.6

General Price Index (Calculated According to Market Quotations of State-Managed Commerce)
(Taking 1950 prices as 100)

Year	Index of retail market price			Price index of workers' cost of living according to market quotations	Market quotation index for purchasing agricultural by-products	Retail price index of rural industrial products	Comprehensive comparative price index of exchange of industrial and agricultural commodities	
	National	Urban	Rural				Taking index of market price for purchasing agricultural by-products	Taking index of retail price of rural industrial products as 100
1952	112.1	114.2	110.4	115.3	121.6	109.7	90.3	110.8
1957	121.4	124.1	118.9	126.1	146.2	112.1	76.7	130.4
1965	132.3	134.5	130.5	134.7	185.1	118.4	64.0	156.3
1975	128.4	133.7	125.1	133.3	201.3	109.6	54.4	183.7
1979	130.9	136.4	127.4	135.5	242.7	109.9	45.3	220.8

Classification Index of Retail Market Price of State-Managed Commerce
(Taking 1950 prices as 100)

Item	1952	1957	1965	1975	1979
Total index	112.1	121.4	132.3	128.4	130.9
I. Consumer goods	112.3	122.2	134.1	132.6	135.1
1. Edibles	110.9	128.8	148.6	153.7	158.4
Grains	112.1	120.4	131.2	145.0	147.2
Fresh vegetables	116.7	149.4	136.7	173.9	188.5
Non-staple food	110.3	138.8	168.4	167.6	175.0
Cigarette, wine items	111.8	127.0	152.3	151.3	152.5
Others	111.9	114.5	126.4	125.5	131.0
2. Clothing	111.9	111.7	113.6	112.7	112.3
3. Daily necessities	118.2	116.2	130.4	126.2	127.1
4. Cultural items	117.1	96.2	97.6	88.5	92.1
5. Medicines	122.9	114.8	99.3	63.5	65.4
6. Fuel	135.9	150.3	160.1	154.0	154.4
II. Means of agricultural production	108.2	110.8	114.7	100.0	100.5

Classification Index of Procurement List Prices of Agricultural Products and By-Products Under State-Run Commerce
(1950 price being 100)

Item	1952	1957	1965	1975	1979
Total index	121.6	146.2	185.1	201.3	242.7
1. Grain	121.4	141.4	190.9	222.8	271.3
2. Economic crops	113.0	126.4	152.8	165.1	200.4
a. Oils	108.2	167.9	246.7	307.8	398.1
b. Cotton	113.3	111.1	122.9	126.9	162.4
c. Hemp	131.0	139.9	170.3	184.3	197.0
d. Tobacco leaf	116.5	124.0	174.0	175.7	177.1
e. Sugar	87.2	102.9	135.3	151.3	184.7
f. Tea	154.7	241.6	304.1	323.6	365.1
3. Animal products	105.7	145.5	192.1	200.6	247.4
a. Meat	102.7	142.9	193.2	199.4	248.6
b. Eggs	104.7	152.5	188.5	213.6	261.5
c. Hides	136.8	150.2	163.1	179.5	204.0
d. Bristles	136.5	143.1	168.3	183.2	202.8
4. Other agricultural products and by-products	160.6	210.2	251.4	267.0	302.5
a. Lumber	115.1	105.9	141.7	171.0	199.3
b. Industrial paint	103.9	132.1	214.9	249.9	288.9
c. Cocoons and silk	115.9	122.0	163.8	176.4	214.0
d. Dried fruits	130.7	160.2	183.1	184.8	209.6
e. Dried cabbage and condiments	179.0	237.2	235.0	251.5	282.9
f. Medicinal herbs	136.7	222.3	297.2	263.1	276.1
g. Native by-products	177.4	234.3	306.0	328.7	362.3
h. Aqua-products	105.0	145.0	175.2	178.3	214.6

Total State Revenue and Expenditure

	Amount of money (100 million yuan)			Index % (taking 1952 as 100)	
Year	Gross income	Total expenditure	Balance	Gross income	Total expenditure
1952	183.72	175.99	7.73	100	100
1957	310.19	304.21	5.98	168.8	172.9
1965	473.32	466.33	6.99	257.6	265.0
1975	815.61	820.88	- 5.27	443.9	466.4
1979	1,103.27	1,273.94	-170.67	600.5	723.9

Urban and Rural Savings Deposits Throughout the Country

Year	Total (100 million yuan)	Urban savings deposits (100 million yuan)		Rural commune members' savings deposits (100 million yuan)	Amounts of savings per person (yuan)		
		Total	including time deposits		Total	Urban	Rural commune members
1952	8.6	8.6	4.8		1.5	12.0	
1957	35.2	27.9	19.6	7.3	5.4	28.0	1.3
1965	65.2	52.3	43.4	12.9	9.0	51.4	2.1
1975	149.6	114.6	94.5	35.0	16.3	102.6	4.3
1979	281.0	202.6	166.4	78.4	28.9	157.5	9.3

Average Yearly Consumption of Inhabitants

Year	Inhabitants' consumption level (yuan, on the basis of prices for that year)			Index (on the basis of comparable prices and taking 1952 as 100)		
	Inhabitants in the country	Peasants	Non-agricultural inhabitants	Inhabitants in the country	Peasants	Non-agricultural inhabitants
1952	76	62	148	100	100	100
1957	102	79	205	122.9	117.1	126.3
1965	125	100	237	126.4	116.0	136.5
1975	158	124	324	156.9	143.1	181.1
1979	197	152	406	184.9	165.2	214.5

Note: This table was computed on the basis of the total individual consumption from the use amount of the national revenue and the average population.

The Basic Living Conditions of Workers and Employees' Families

Item	Unit	1957	1964	4th quarter 1980
1. Average number of persons per family	person	4.37	5.30	4.30
2. Average number of persons employed per family	"	1.33	1.56	2.35
3. Average number of persons supported by one employed person (including the employed person himself)	"	3.29	3.40	1.83
4. Average income per person per month	yuan	21.13	20.29	42.80
5. Average living expense income per person per month	"	19.62	18.92	37.70

Note: 1. The 1957 data was adjusted on the basis of the survey data of 5,900 families of employees and workers with industrial enterprises owned by the whole people in 27 large- and medium-sized cities during the first half of the year and of 4,800 families of employees and workers with industrial enterprises owned by the whole people in 32 large- and medium-sized cities during the second half of the year.

2. The 1964 data was adjusted on the basis of the survey data of 3,537 families of employees and workers with industrial enterprises owned by the whole people, commercial establishments, cultural and educational (TN: the words public health were deleted) organizations, and government institutions in 40 large- and medium-sized cities.

3. The data for the 4th quarter of 1980 was adjusted in accordance with the survey data of 7,962 families of employees and workers with industrial enterprises owned by the whole people and capital construction, agricultural and forestry, communications, postal and telecommunications, commercial, urban public utility, scientific, cultural and educational, and financial units and government institutions and departments in 44 large- and medium-sized cities.

The scopes of the 3 years' investigations were different. For this reason, the figures cannot be compared entirely.

Average Consumption per Person of Commune Member Families

Item	Unit	Absolute number		Increases and decreases Comparing 1979 with 1978	
		1978	1979	Absolute number	%
Grains (unprocessed food grain)	Kg	248	257	9	3.6
Of which: *Wheat and rice					
*[This was deleted in the published version]					
Vegetables	"	137	131	-6	-4.4
Edible oils	"	2.05	2.38	0.33	16.1
Meats	"	5.91	6.51	0.60	10.2
Domestic fowls	"	0.25	0.32	0.07	28.0
Eggs	"	0.81	0.90	0.09	11.1
Fish and shrimps	"	0.71	0.70	-0.01	-1.4
Sugar	"	0.73	0.80	0.07	9.6
Wines and liquors	"	1.22	1.42	0.20	16.4
Cotton cloth (including finished garments)	Meter	5.63	5.20	-0.43	-7.6
Cotton	Kg	0.40	0.45	0.05	12.5
Chemical fiber cloth	Meter	0.41	0.73	0.32	78.0
Woolen fabrics	Meters/100 persons	2.33	5.67	3.34	143.3
Silk and satins	"	2.00	5.00	3.00	150.0
Down and down-filled jackets and trousers	Kg/100 persons	1.33	2.33	1.00	75.2
Rubber shoes and sports shoes	Pairs	0.32	0.44	0.12	37.5

Note: This table was based on the survey data of over 10,000 commune households in 23 provinces, municipalities and regions.

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END

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China Report

ECONOMIC AFFAIRS

No. 186

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NATIONAL POLICY AND ISSUES

VALUE OF CADRES' WEEKEND LABOR STRESSED

OW070502 Beijing XINHUA Domestic Service in Chinese 1210 GMT 6 Nov 81

[Text] Beijing, 6 Nov (XINHUA)--Both Renmin Ribao and Guangming Ribao today carry commentator's articles on reinstitution of the system of cadres' participation in labor and sanitary work on weekends by organizations directly under the central authorities. The articles point out: reinstitution of the system of cadres doing cleaning and sanitary work on weekends is a good beginning in improving the style of work by leading cadres at various levels. This has further strengthened the relations between the party and the masses and between the cadres and the masses and has encouraged people to change their mental outlook.

The Renmin Ribao commentator's article entitled "It Is Not a Trifle as Insignificant as a 'Seasame Seed' but a 'Breakthrough'" says: Leading comrades of the CCP Central Committee secretariat and many other departments have participated in labor as ordinary workers. This has strengthened the relations between the cadres and the masses, has promoted the development of work and has received favorable response from society. More and more people have come to understand the great significance of this sytem.

The article says: that cadres do cleaning and sanitary work on weekends is not a major matter, but its significance is not to be belittled. One of the great tasks now facing us is building a highly developed spiritual civilization while building a highly developed material civilization. Cadres should take the lead in doing cleaning and sanitary work in order to create a beautiful environment for work, study and life. Every Chinese with national self-respect strongly desires to create a "beautiful environment," which is a starting point for building prosperous, civilized, stable and beautiful modern cities as well as a good beginning in improving the work style of leading cadres at various levels.

The Guangmin Ribao commentator's article entitled "Make a Breakthrough at a Point to Promote Work in Other Areas" says: One must neither give mere lip service to bracing up to make China strong and prosperous nor brag or engage in empty talk in this regard. One must grasp some specific matters and work hard to solve them in a practical way in order to promote the development of work and to arouse the enthusiasm of the masses in building a modern, powerful socialist country. By grasping the matter of doing cleaning and sanitary work on weekends, the organizations directly under the central authorities have promoted the improvement of the style of leadership, have further strengthened the relations between the party and the masses and between the cadres and the masses and have strengthened people's sense of organization and discipline. In a word, this has promoted the change in people's mental outlook. Doing a good job in sanitation and strengthening our revolutionary spirit are indispensable for building a socialist spiritual civilization and are by no means a tirfle as insignificant as a "seasame seed."

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ECONOMIC MANAGEMENT

SYSTEM OF REMUNERATION ACCORDING TO OUTPUT IN INDUSTRY DETAILED

Xian SHAANXI RIBAO in Chinese 23 Sep 81 p 3

[Article: "Discussion of the System of Economic Responsibility Linking Production to Remuneration in Industrial Production"]

[Text] Guided by the spirit of the Third Plenary Session of the 11th Party Central Committee during the past several years cadres and the masses in numerous industrial enterprises everywhere in the country have emancipated their mentality to act courageously in establishing and perfection a system of economic responsibility in which production is linked to the calculation of remuneration as a method of reforming the management of enterprises. This has created some effective and workable forms of experience and has scored heartening achievements.

By the so-called system of economic responsibility linking production to the calculation of remuneration is meant a clear formulation of the authority responsibilities to be undertaken, and profits to be obtained individually by central government departments, by localities, by enterprises, and by individual workers, the "authority, responsibilities, and benefits" of all three being closely interwoven so that they take the lead in caring about production, actively reform administration and management, pay attention to economic results, better fulfill state plan quotas, and assure that all economic links in social reproduction are given expression.

Institution of an economic system of responsibility linking production to calculation of remuneration most certainly is not an expedient measure, but rather is a fundamental principle to be respected in economic management. Lenin said, "The fundamental principle of management is full responsibility of a specific individual for the specific work he manages." ("Collected Works of Lenin," Vol 36 p 554) Here Lenin made a system of responsibility the fundamental principle of management. This was because without a system of responsibility, there can be no discussion of management. So-called management is, in the final analysis, simply organization. Economic management of industrial enterprises means the means and methods whereby industrial enterprise's economic activities are organized. Management of modern industrial enterprises cannot be without a system of economic responsibility that links production to the compensation of remuneration. To negate systems of economic responsibility is, in fact, to negate economic management.

Institution of a system of economic responsibility linking production to the calculation of remuneration is also a requirement in socialist modern large-scale production. Generally speaking, in farily large scale common social endeavors, various forms of a system of responsibility, are necessary in order to coordinate various aspects of social reproduction. Furthermore, with advances in science and technology, the ever increasing degree of socialization of production, the ever increasing large scale, the ever finer division of labor, and the ever closer coordination of individual links, the more tight scientific management and strict systems of responsibility are needed. Under socialist conditions, in particular, with their socialization of production and public ownership of the means of production, individual components of the national economy form a unified whole. In the system of internal division of labor in industrial enterprises, the activities of laboratory, workshop, workshop section, team and group, as well as of every producer possess a high degree of uniformity and continuity. All economic activities, all production links, and all work positions play a role in the enterprises that is an inseparable, organic, integral part. In order to assure normal operation of all production activities in an enterprise, to save manpower, materials, and financial resources, to increase the earnings of the state, the enterprise, and staff and workers, a strict economic system of responsibility must be established from top to bottom.

In a socialist society, institution of a system of economic responsibility also meets the requirement of distributions according to work. Lenin capsulized the fundamental characteristic of a socialist economic system as being public ownership of the means of production, and distribution according to work. Public ownership and distribution according to work are closely interrelated; without public ownership, there can be no distribution according to work. Likewise, without distribution according to work, public ownership cannot be realized. However, experience in the building of socialism, has shown that institution of public ownership of the means of production is comparatively easy, but comprehensive implementation of distribution according to work poses numerous difficulties. In a culturally and economically backward socialist country, in particular, this is especially true. Following establishment of public ownership of the means of production, two possibilities still exist. One is institution of distribution according to work whereby public ownership and distribution according to work are mutually combined and mutually supportive. The other is the practice of egalitarianism and "eating out of a large common pot," whereby the system of ownership and distribution according to work are mutually separated and mutually opposed. But how can public ownership and distribution according to work be linked together? We have made many detours and suffered very great hardships in the past. The positive and negative experiences of the past more than 20 years tell us that institution by industrial enterprises of systems of economic responsibility linking production to the calculation of remuneration are an effective way to surmount egalitarianism, realize distribution according to work, and consolidate socialist public ownership.

Institution of systems of economic responsibility linking production to the calculation of remuneration in industry constitute a major reform in the industrial management system. Its ramifications are very broad, and the work is extremely complex. Right now it is necessary to give attention to solution of the following several problems:

1. Continued elimination of "leftist" influence.

As a result of "leftist" ideology's influence, for a long time the mentality of many cadres has been shackled and in a rut, not daring to innovate. Practice of a system of economic responsibility requires continued elimination of the influence of "leftist" ideology. Now is the time to take in hand the restructuring and building of leadership groups for concerted solution to cadre attitudes of "indolence, complacency, and fear." By "indolence" is meant not using one's brains to figure out ways of doing things, waiting for higher authority to make arrangements, relying on higher authority for instructions, and being accustomed to doing things by the book. By "complacency" is meant contentment with things the way they are, seeking only to get by, not desiring innovation, no sensitivity to new things, not giving support, not studying new problems, and not solving problems. By "fear" is meant fear of difficulties, fear of responsibilities, fear of taking risks, and fear of making mistakes. Leadership cadres in enterprises, in particular, should arouse their spirit and dare, in a seeking for truth in facts to bring order out of chaos, and dare to tackle problems. Unless they do, it will be hard to get on with the job, and once the job gets underway, it will be hard to keep up the momentum.

2. Need for clear assessment norms and for advanced and fair quotas.

A good job of managing the breaking down of norms and quotas is a prerequisite to advancement of a system of economic responsibility linking production to calculation of remuneration. Enterprises have to translate into norms matters such as quantity, quality, cost, profits, and such matters as safety, attendance, operations, and discipline, implementing these norms in workshops and among teams and groups, and individual workers. For everything there should be norms, and everybody should shoulder norms, making responsibility mean norms. Furthermore, on the basis of detailed data about fulfillment of various norms, evaluation and calculation of reward funds (or fluctuating wages) should be instituted so that assessment becomes data based on awards discriminated.

Currently, of most importance in strengthening fundamental work in enterprises is attention to fixed quota management work. Requiring attention first of all is labor quotas, materials consumption and energy consumption quotas. Quotas must be fairly arrived at and conscientiously put into effect. There must be strict statistical measurements, and the establishment and perfection of a system of original records and various regulations. Facts show that when there are clear assessment norms, their promotion is easy, and when there are advanced and fair quotas, economic results are remarkable.

3. Strengthening of economic accounting and doing a good job of analyzing economic activity.

Economic accounting should be made a fundamental system for management of socialist enterprises. Enterprises instituting a system of economic responsibility linking production to calculation of remuneration should set up and perfect a three tier accounting for the entire plant, each workshop, and each team and group (two tier accounting when three tiers do not exist). Furthermore, they should gradually move toward participation in comprehensive economic accounting by the entire plant (each individual field), the entire production process (from designing to development, to production, to products leaving the plant), and all personnel (from leaders to cadres to workers). The system of economic responsibility should be made a reality using the minimum expenditure of labor to achieve maximum economic results.

Institution of a system of economic responsibility linking production to calculation of remuneration also requires good analysis of the enterprise's various economic activities. A system for periodic analysis of economic activities for the entire plant and workshops must be established, monthly, quarterly, and annual analyses made of the fulfilment of individual economic quotas for an all around understanding of economic activities, and constant control over economic trends so that one has plans in mind and can propose measures for improvements and the orientation of efforts.

4. Need for strict enforcement of the law and clearly defined rewards and punishments.

Only through a combination of assessments and a system of rewards and punishments can a system of economic responsibility that links production to the calculation of remuneration be assured of implementation. The crux lies in handling matters in accordance with a system. In the process of execution, no matter whether a person is a leader or one of the masses, a cadre or a worker, he must be dealt with equally and without discrimination. Those deserving of rewards should be rewarded, and those deserving of punishments should be punished, a clear distinction existing between rewards and penalties. If consideration is given because of sensibilities or "relationships," instead of handling matters in accordance with regulations, sooner or later, the system will exist in name but not in fact and will drift into formalism.

Institution of a system of economic responsibility linking production to the calculation of remuneration must also be combined with economic legislation, the system of responsibility for industrial production using the form of economic legislation for consolidation and relative stability. For illegal conduct such as violation of financial and economic discipline, wildly jacking up costs, indiscriminately issuing bonuses, practicing fraud, evading taxes, and illegally raising prices, in addition to deprivation of a share in profits and bonuses, depending on the seriousness of the situation, such persons will be appropriately disciplined and punished.

9432
CSO: 4006/91

'RENMIN RIBAO' CITES CIRCULAR ON ENTERPRISE MANAGEMENT

OW070822 Beijing XINHUA in English 0745 GMT 7 Nov 81

[Text] Beijing, 7 November (XINHUA)--Industrial enterprises throughout China have again been urged to fulfill their state production quotas and strive for the highest standards of output and quality that have been attained in their provinces, autonomous regions and municipalities.

Enterprises must tap potential and improve economic results of production to increase state revenue, according to a circular issued by the state economic commission last month. The circular was approved by the state council.

The circular calls for continuous improvement of enterprise management, saying that this is an "important, pressing task" now confronting factories and mines throughout China.

Today's "PEOPLE'S DAILY" and other leading newspapers of Beijing feature a front-page story on the circular. The newspapers also list the six criteria proposed in the circular for judging the management of an enterprise.

In addition to fulfilling state quotas and attaining the best provincial technical and economic standards, the circular urges enterprises to imporve methods of economic accounting and perfect the job responsibility and overall quality control systems.

It says that in every enterprise, there must be a leading body that upholds the "four basic principles," namely, the Communist Party leadership, the dictatorship of the proletariat, the socialist road and Marxism-Leninism-Mao Zedong Thought. The members of this leading body must be relatively young and vigorous in work. The director and his deputies must be good at production and management.

The circular recommends that the director of an enterprise be given full responsibility for production and administrative work under the leadership of the factory party committee. There should also be the congress of workers' representatives working under the leadership of the party committee, through which workers participate in the management of the factory.

An enterprise will be regarded as good only when workers have become competent in their work, says the circular. Improvement of staff welfare along with improvement of production is the last criterion.

A lot has been done in the past few years to overcome chaos in enterprises to return them to normal, efficient working orders, the circular says.

Nevertheless, the circular notes, the results of the work for the entire country "cannot be overestimated," despite marked improvement in some enterprises.

People have failed to do a solid job in improving management in most cases, and management is still poor in some factories, it says.

The circular stresses: if these problems are not overcome, it will be impossible for China to attain a fair rate of economic growth in the near future to prepare the ground for still faster expansion.

CSO: 4020/28

ECONOMIC MANAGEMENT

INDUSTRIAL SYSTEMS OF RESPONSIBILITY CREDITED WITH INCREASING PROFITS

Guangzhou GUANGZHOU RIBAO in Chinese 3 Oct 81 p 1

[Article by Huang Lianyue [7806 6647 1878] and Mai Rongshen [7796 2837 8590]: "More Than Half the Industrial Plants and Enterprises in the City Promote Systems of Economic Responsibility; Has Played Role in Changing 'Eating Out of a Large Common Pot' Phenomenon and in Increasing Enterprise Economic Benefits"]

[Text] Statistics from units concerned as of the end of August show that of the 729 enterprises in the 10 industrial bureaus on Guangzhou's industrial front line, 453 plants and enterprises have promoted various forms of internal systems of economic responsibility. This amounts to 62.14 percent of all enterprises. This has played a very great role in changing the phenomenon within enterprises of "eating out of a large common pot," and has increased the economic effectiveness of enterprises.

The systems of responsibility that these enterprises have established internally are of various kinds, but may be characterized as follows:

First, level by level implementation within enterprises of "contracting." This has aroused the enthusiasm of staff and workers in enterprises, and production has risen tremendously. For example, after the polyester brightening workshop of the Jianhong Chemical Plant signed contracts for production, workers made concerted efforts, and worked hard and skillfully, changing the former "three step method" of brightening polyester to a "one step method." Monthly output rose from 5 tons to 15 tons. After the Guangzhou Light Bulb Plant instituted a system of economic responsibility last year, production rapidly expanded. Fluorescent light output for the year reached 1.9 million, which was a threefold increase over the previous year. Incandescent light bulb output increased to 18 million, an 80 percent increase over the previous year. Profits amounted to 3.29 million yuan. a 1.23 fold increase over the previous year.

Second, a concern about economic results from top to bottom. Some enterprises that had made only minuscule profits became "millionaires"; and some unprofitable enterprises cut losses or turned them into profits. Profits turned over to higher authority by some profitable enterprises increased. After profits were offset against losses in industries throughout the metallurgy system in 1979, annual losses averaged 10 million yuan. But in 1980 after the metallurgy bureau instituted various forms of economic contracting with subordinate enterprises, and contracting was carried out level by level within enterprises, both cadres and the masses alike gave extreme attention to economic results. Numerous shops that had long had losses turned losses into profits, and net profits of 19.43 million yuan were realized throughout the industry. During the first half of this year, profits of 10.63 million yuan were realized, double the amount for the same period last year. After some enterprises in the light industry system gradually instituted internal systems of economic responsibility, output shot up tremendously during the first half of this year, and profits of individual enterprises increased over the same period last year.

Third, gradual surmounting of egalitarianism in distributions within enterprises for an increase in worker enthusiasm for production. Beginning this year, the Guangzhou Sulfuric Acid Plant promoted a system of economic responsibility of contracting for output, calculation of remuneration being linked to output. Because distributions of reward funds was done rather fairly, worker enthusiasm for production was aroused. Between January and August of this year, the plant attained national advanced levels in all categories of economic and technical criteria and was designed an advanced enterprise by the Ministry of Chemical Industry.

Generally speaking results have been good from promotion of systems of responsibility within enterprises by plants and enterprises in Guangzhou. However, because not much time has elapsed and because of insufficient experience, some ways of doing things have not been completely perfected and further exploration and experience is necessary. Efforts also have to be made in getting plants and enterprises that have not yet instituted internal systems of economic responsibility to quickly and skillfully promote internal systems of economic responsibility.

9432
CSO: 4006/80

BRIEFS

HEILONGJIANG QUALITY CONTROL ORGANIZATION--Since 1980 Heilongjiang Province has restored and established at scientific research institutes, colleges and universities and large and medium-sized enterprises 300 organizations for product quality supervision and examination to examine product quality, help enterprises in improving quality and train quality control personnel. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 29 Oct 81 SK]

CSO: 4006/118

FINANCE AND BANKING

RURAL TAX COLLECTION PROBLEMS AIRED

Beijing CAIZHENG [FINANCE] in Chinese No 10, 5 Oct 81 p 33

[Article by Li Jiangqing [2651 3068 3237], Yanbei Tax Office, Jinshan County, Juizhou Province: "Difficulties in the Work of Us Rural Tax Collectors"]

When I read the article on tax collection work in issue number 10 of CAIZHENG [FINANCE], as a grassroots level tax collector I was very much inspired. I felt we are directly responsible for organizing collection of revenues, and that our duties in balancing fiscal revenues and expenditures and in making a contribution to meeting national economic readjustment are a major responsibility and a glorious task. However, at the present time rural grassroots level tax work also faces some really difficult problems, and I would like to tell of several difficulties below.

1. Some commune and brigade enterprises are currently commune and brigade enterprises only in name and are, in fact, contracted by a small number of people. Tax monies they should pay to the state are difficult to collect for long periods of time for payment into the national treasury. Because payment must be pressed for many times, and because the feelings of taxpaying comrades may be hurt, since all are local people, it is not possible to be as strict as one should, and this leads to procrastination and more procrastination in the payment of taxes due, with no means of solving the problem.

2. When tax collections come down to the grassroots level, they are "stymied." When "notices" from the Tax Bureau of the Ministry of Finance are issued to the grassroots, indoctrination can be organized in towns. But in rural areas, they are only pasted on walls, and the job is considered done. We are now in a frontline position in taking care of levies, and people frequently curse us, or sometimes even beat us. When such things happen, most people stand at the side and regard it as a joke. Even staff and employees of the state rarely come forward to say a few reasonable words. It is just as comrades say, when you do tax collection work you "offend a lot of people and have few friends."

Year in year out grassroots level tax collection personnel run hither and thither in rural villages, sometimes a single person being responsible for several communes, the number of households from which taxes are to be collected running into the tens of thousands. In order to collect a tenth of a yuan, they have to run back and forth many times. Yet, tax collectors face difficulties in food and a place to sleep. At the present time none of our grassroots level collection points has a house to live in or a messhall. When night comes, all we can do is depend on others to find a place to rest.

4. At the present time some tax collector comrades have a low cultural level, and some cannot even write their names very well. In tax collection work, with its strong policy emphasis, this is far from meeting work requirements.

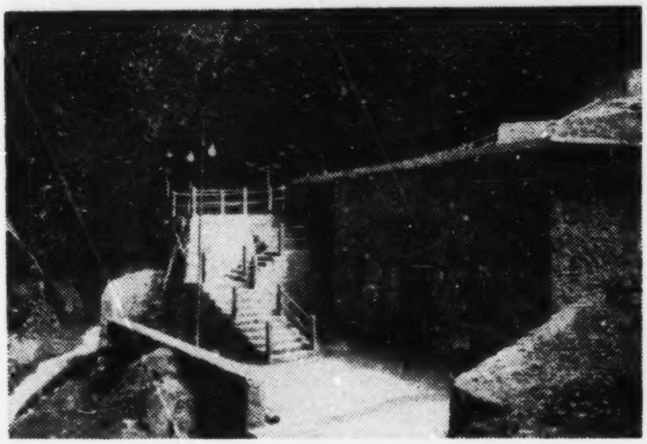
I think that in order to do a good job of rural grassroots tax work, serious attention must be given solution of the aforestated problems.

9432
CSO: 4006/80

GUIZHOU HYDROELECTRIC POWER PLANT IS MORE THAN 100 METERS UNDERGROUND

Beijing GUANGMING RIBAO in Chinese 28 Oct 81 p 1

[Photograph and caption]



In order to exploit underground water power resources, a 250-kilowatt underground power plant has been built in Zhijin County, Guizhou Province. This subterranean power plant is more than 100 meters beneath the surface. The plant's generator room is shown in the photograph.

CSO: 4006/72

MINERAL RESOURCES

BRIEFS

TECHNICAL TRANSFORMATION IN GOLD MINING--The reported has obtained the following from those concerned in the Ministry of Metallurgical Industry. A fine situation such as had not existed since the founding of the People's Republic has taken place in China's gold science and technology and production. Last year gold production exceeded the all-time record, and output again increased this year over last year. All state gold mine bases are giving great attention to reforms in technology and have adopted advanced techniques whereby production steadily rises. For example, last year the Honghuagou Gold Mine aroused the masses to reform the mining method, changing from the qiankongliu [3239 1313 3966] mining method to the filling method [0339 1050 3127], to reduce losses through dilution and increase the grade of ore produced for overfulfillment of annual output. New developments have also occurred in recent years in the collectively owned gold mining industry. In Liaoning, Nei Monggol, and Hebei, the masses have been aroused and given support in gold mining, and many places have instituted policies of "using gold to nurture agriculture." This has both aroused collective peasant enthusiasm for gold mining, and has resulted in the use of income derived from gold mining to support agriculture and commune and brigade enterprises. Following technological renovation, several tens of small mechanized mines have been opened, and initial changes have taken place in the technologically backward methods of collective peasant gold mines. Concurrent with the support given to gold mining have been commensurate attention to gold survey and prospecting work, and a group of mining areas with long range prospects and requiring further development have been found. [Text] [Beijing GUANGMING RIBAO in Chinese 27 Oct 81 p 1] 9432

CSO: 4006/80

LIAONING'S LIGHT INDUSTRY EXAMINED

HK200907 Beijing JINGJI GUANLI Chinese No 10, 15 Oct 81 pp 11-14

[Article by Shen Yue [3088 6390]: "Some Problems Regarding the Development of the Production of Daily Use Consumer Goods"]

[Text] The development of the production of daily-use consumer goods in a big way is an important facet of national economic readjustment as well as an important strategic principle for developing the economy. Liaoning Province has been turned into a heavy industrial base with the support of the whole nation. We must proceed from the needs of the country to organize well the production of heavy industry and serve even better economic construction of the whole country. But at the same time, it is imperative to develop the production of consumer goods in a big way so that the production of the means of production will be able to further conform with the production of the means of subsistence while the economic structure is further rationalized. Since 1979, the Liaoning Privincial Party Committee has decided to fully display the advantages of heavy industry in order to support the development of light industry. In 1980, the provincial light industrial output value was 14.76 billion yuan, 41 percent higher than 1978. The light industry of our province achieved a record growth rate in 1980, with an increase of 28 percent. This continued to develop in the first half of 1981, with an increase of 13 percent over the same period last year. The proportion of light industrial products in the gross industrial output value of the whole province has increased from 26.7 percent in 1978 to the present 36 percent. The output of major light industrial products has increased drastically. For example, the output of TV sets has increased by 110 percent, electric meters increased by 210 percent, washing machines increased by 640 percent, radio receivers and cameras increased by 60 and 70 percent respectively, tape recorders, electric fans, bicycles, clocks and watches increased by 18 to 42 percent and synthetic fibers increased by 58 percent, yet all these increases still failed to meet the growth of people's purchasing power. Therefore, it is necessary to further develop light industry in our province. To solve this problem, we consider it is imperative to do well in the following:

I. Handle Well the Five Relationships in Working Out an Overall Plan

Various departments in various places have, over the last 2 years, been very enthusiastic in developing the production of daily-use consumer goods and it must be affirmed that they have made considerable achievements. But following the development of the national economy and the improvement in the standard of living of the people in both rural and urban areas, the masses will surely demand more and better consumer goods. Therefore, it is imperative to further mobilize the initiative of various departments in all places in developing the production of daily-use consumer goods. But such initiative must be based on scientific market forecasting and a comprehensive balance. This initiative must be compatible with state planning;

it must in no way be the "initiative" that disregards objective conditions and departs from needs, abilities and planning and that is characterized by rushing headlong into mass action and manufacturing in a rough and sgoy shod way. Liaoning Province recently held a second meeting on light industry, in which an overall plan was worked out with regard to the 60 varieties of famous brand products and 10 major trades. Measures were also taken to realize a comprehensive balance, arrange rational locations for the production and selection or quality products. All these measures are aimed at developing even better the production of daily-use consumer goods.

In working out an overall plan, it is imperative to correctly handle the following five relationships.

First is the relationship between developing the roles of key cities and promoting other areas. Key cities have strong industrial foundations, more backbone enterprises, more famous brand products, fairly advanced technology and higher output level; all these advantages are the result of histroical conditions. Selecting quality products entails selecting well made quality products that have numerous varieties. Therefore it is only rational, and is also necessary, that more quality products be selected from key cities and other major cities with better industrial foundations. Developing the roles of key cities does not mean putting pressure on other areas; rather, it is used to promote other areas. Thus be proceeding from economic rationality, these measures will benefit all large, medium and small cities. All things being equal, it is imperative to select quality products from those areas which are weak in light industry. It is also necessary to organize key cities and other major cities to introduce technology and spread their products to other areas in a planned way. They also develop some paid technical cooperation and economic alliances.

Second is the relationship between developing the roles of the existing enterprises and expanding and building new enterprises. In developing the production of daily-use consumer goods, we must mainly rely on the existing enterprises by tapping their potential, carrying out innovation and transformation and by making full use of the surplus workshops, equipment, funds and technical force by reorganizing and cobmining them. In principle, we must no longer build new enterprises or add basic equipment. In the future, the funds for tapping potential, innovating and transforming and for various technical measures must mainly be used in upgrading quality, expanding varieties, developing new technology and saving energy. The projects for building and expanding enterprises must be approved by the province and the state.

Third is to handle well the relationship between the places that are producing raw materials and the processing enterprises, about 60 percent of the raw materials for the light industry in our province come from agriculture. Therefore, under the precondition of ensuring grain production tasks, are fulfilled, rural areas must work hard to produce the raw materials for light industry and establish various bases for raw materials, Various industrial departments must render tremendous support in establishing such basis. The regions that have been successful in establishing the bases for the production of agricultural and sideline product raw materials, under the prerequisites of fulfilling the state production tasks, and having state approval must be permitted to process part of the raw materials in accordance with a specified quality standard. Such a measure is in the interest of mobilizing the initiative of the raw materials producing regions and the processing enterprises.

Fourth is to handle well the relationship between selecting quality products and competition. Comprehensive balance and unified planning must be realized through the rational location of enterprises and the selection of quality products so as to overcome blindness and prevent the excessive building of factories and waste. It is prohibited for each to go his own way only without considering others. But planning for the selection of quality products does not mean suffocating competition since the blockading of products from another area is impermissible. Products should be permitted to circulate freely and competition should be encouraged. Some comrades have said: "The only criterion for selecting a quality product is the final appraisal of the consumers." This is quite true. The planning that results in producing a quality product does not mean "eating does it mean that everything will be allright. If their quality fails to meet requirements, then the products will be squeezed out of the market and their production will be halted. Those enterprises which presently have not worked out such planning but have mass production capacities and salable products should continue to exist and have their fate decided in competition. Of course, such enterprises must not rely on the state investment, subsidies and tax exemptions. The state finances and materials must be used in producing quality goods or this planning will be meaningless.

Fifth is to handle well the relationship between key products and ordinary products. We must see not only the "10 big things" but must also broaden our view to develop more production methods so as to meet the various needs of the masses with regard to daily-use consumer goods. We cannot just produce "favorite products." We must learn from Changzhou Municipality in producing special products to fill in gaps in the product structure and produce more products with special features. The 60 varieties of the key products represent our backbone products and we must stress the production of goods in key cities and of famous brand products. But such products are limited. Therefore, we must work hard to produce many varieites of goods that are needed by the masses such as foodstuffs, articles for daily use, for children and for tourists, and handicraft articles. It is also necessary to work out planning and make proper arrangements, according to specific conditions, with regard to the production of small commodities and hardware. When small commodities are able to win market positions because of their good quality, they will become big products.

II. Further Promote Reorganization and Alliance of Enterprises

The main question in developing the production of daily-use consumer goods is to make full use of the foundation of the existing enterprises and to do a good job in readjusting and uniting so as to improve the level of specialization in production and raise the competitive level of the products. Both the factories that are producing major machines and those producing basic and key parts must carry out reorganization and alliance under the principle of coordination in specialization and economic rationality so that they will be able to engage in socialized production. In this way, these enterprises will be able to form a "fist" to produce famous brand and quality products. The experiences gained by Shenyang, Dalian, Dandong and Anshan municipalities in carrying out industrial reorganization and alliance of enterprises fully shows that carrying out reorganization will result in different economic effects.

For example, the Dalian Sewing Machine General Factory carried out reorganization and alliance on 2 occasions over the past 2 years. The factory now only retains the three processes of electric welding, painting and assembling and the processing of the covers and bottom plates for sewing machines. The production of the other

42 parts are undertaken by 10 subsidiaries and associated units. This measure has considerably increased productivity, with yearly production jumping from 200,000, before the reorganization, to the present 350,000. The Dandong TV parts factory organized production according to the principle of specialization to produce one type of high-frequency tube instead of the former seven types. As a result, the output has increased every year and the cost for 1 such product has dropped from 45 yuan to 18 yuan and this has greatly improved their competitiveness.

It is imperative to stress the importance of voluntary participation in reorganizing, uniting and coordinating in specialization. But if an economic comparison has been made and the feasibility has been confirmed, steps must be taken when the objective is clear. If an enterprise with seasoned conditions refuses to take measures, it must be compelled to do so by administrative means. We must handle well the relationship between leading roles and supporting roles. It is quite possible that a city or an enterprise can play a leading role in producing some products and a supporting role in producing some other products. If the supporting products are accepted by the masses as "fist" products, then these products will eventually become leading products. With regard to strengthening the comprehensive balance, the provincial party committee has decreed that the enterprises that are producing the products, which are under the control of the state and the province, must get the approval of the province before they readjust the orientation of their production and change their relationships with subordinate units. So far this year, in order to support the development of light industry, 51 enterprises that did not have production tasks allocated for the near future and did not have a long-term orientation have been transferred into the light industrial system. It is still necessary, in the future, to do a good job in readjusting the structure of industrial organizations so that Liaoning Province will be able to improve the standard of industrial specialization while the light industry will be able to mass produce quality products at low costs.

III. The Key Is to Improve the Quality of Products

The key that decides whether production of daily-use consumer goods can be developed rests on whether we are able to improve the quality of the products and produce a greater variety of famous brand products. First of all, it is necessary to heighten the ideological level and shift our work from increasing quantity and building new enterprises to improving quality and adding more varieties. From an economic view, quality products are vital and competitive and, consequently, they can be mass produced. If there is no quality, there will be no quantity. The output of those products of low quality may increase for a short time, but under acute competition at home and abroad, they will eventually be squeezed out. We must keep in mind that quality comes frist and when there are contradictions between quantity, output value and quality, these contradictions must be resolved on the basis of maintaining quality.

There must also be a drastic change in our work. The work to improve the quality of products must first of all be done well and as part of our economic work. In grasping production we must first of all grasp quality. We have decided to carry out large-scale inspection of the quality of products across the province. With the advanced level of Shanghai and other places as examples, each product, each part and process of the 60 key products will be analyzed and efforts will be made to find the factors that affect quality. We must expose contradictions, find the differences and reasons and work out measures. The problems that are found in the factories themselves, must at once be resolved by the factories through the mobilization of the masses. The problems that have to be resolved by municipalities and areas must be reported to the appropraite departments concerned who will study and solve them. The problems that cannot be resolved by municipalities and areas must quickly be reported to the relevant provincial departments. We must spare no efforts in steadily improving quality. All related bureaus, companies and enterprises must organize teams for specialized production and appoint persons to be responsible for this task. All areas, bureaus and enterprises must inspect quality once every month, test and check once every quarter, compare and appraise every 6 months and make a general comparison and appraisal each year. The enterprises that fail to meet requirements must take measures to adjust themselves within a specific period. If they fail to reach the target after a long period, they must suspend production for reform and their production plan must be abolished. It is necessary to create an atmosphere where everybody is concerned with, and pays attention to, quality.

Another step is to strengthen measures. First, in improving quality, we must first of all grasp well the quality of basic parts and key parts to ensure that the products are of high waulity. For example, if we fail to improve the quality of bicycle gears, TV tubes and screens, pedals for sewing machines, magnetic recording heads for recorders, camera shutters, timers and bearings for washing machines, miniature electric motors and components for electronics products and fail to organize the finishing works in textile industry, the quality of the related products can in no way be improved. Second, implement the principle of good prices for good quality products and low prices for low quality products as an economic lever to improve the quality of products. Third, improve quality through reorganization, alliance and specialization. Only when we are able to realize mass production with specialization in the manufacture of one particular product will we be able to raise the quality, concentrate our efforts in making specialized equipment and study specialized technology. The high-frequency television tubes produced by the Dandong TV parts factory were rated in the front rank on two occasions during national quality comparison and appraisal due to the essential measures taken by the factory in improving quality. Fourth, the funds and various loans for tapping potential, technical innovation and transformation must mainly be used in producing famous brand products and improving quality. No investments, loans and tax concessions will be available for the products that are not up to standards. Fifth, the quality of products must be tested by consumers. In this respect, the method that is employed by our provincial textile bureau is very good. It carried out production on the basis of market demand and this measure has played a big role in improving quality, adding varieties and unifying production and sales. Sixth, fully develop the roles of specialized scientific research work and the scientific research organizations set up by factories in order to closely combine research work with production. Without advanced technology there will be no advanced products. Seventh, exercise overall control over quality. The workers at each production post and in each production process must be organized so that they will be able to guarantee the quality of products through the quality of their work. Eighth, do a good job in market forecasting and in rendering technical service to customers and also investigate their needs. When work is being done to improve quality, it is also necessary to constantly develop new varieties so that we will be able to turn out quality daily-use consumer goods that are low prices, in many varieties and new designs, and are in demand.

IV. Further Develop the Advantages of Liaoning's Heavy Industry to Support Light Industry

Although we stressed the importance of developing the production of daily-use consumer goods, this does not mean we should neglect heavy industry. Heavy industrial departments must transform and readjust their production for the "four services" (to serve people's livelihood, national defense construction, technical innovation of the national economy and expansion of exports). Over the past 2 years, the cities of Dalian and Shenyang made considerable achievements and accumulated some experience in carrying out the activities of heavy industry helping light industry and light industry promoting heavy industry. We must continue to follow this road in developing the production of daily-use consumer goods and displaying the advantages of heavy industry so that we will be able to make new contributions to the light industry in our province and even that of the whole country.

How should we further develop the advantages of heavy industry in order to develop the production of daily-use consumer goods? We must mainly continue to organize heavy industry to provide various technical services and tools for light industry. The textile industry and the electronics industry and step up technical innovation of light industrial enterprises; to provide, in large quantities, good quality raw materials that are demanded by light industry, the textile industry and the electronics industry; render technical support to light industry and the textile industry so as to improve its technical level; organize heavy industrial enterprises, that have acquired certain conditions, to directly produce the daily-use consumer goods that require similar processing technology and raw materials; transfer some of the heavy industrial enterprises (that have no production tasks in the near future and no long-term orientation) to the electronics industrial system and organize heavy industrial enterprises to coordinate in making complete sets of equipment. Practice has proved that these measures are important in fully developing the advantages of heavy industry, making use of the existing industrial foundation and stepping up the development of light industry. They are also important in opening up the industrial service sectors, promoting the relationship among industries and in closely combining and coordinating the development of light industry and heavy industry.

We have set down the following policies to assist heavy industry in helping light industry. 1. The principle of the "six preferences" that has been introduced to light industrial enterpirses must also be applied to the daily-use consumer goods that are directly produced by heavy industrial enterprises and that have been included in the production planning at various levels. With regard to the supply of energy, preference must also be given to the heavy industrial enterprises that are supplying raw materials and technical equipment to light industrial enterprises. 2. In carrying out the activities of heavy industry helping light industry, the principle of mutual benefit must be followed. Neither egalitarianism, nor the indiscriminate transfer of resources nor unrewarded support are permitted. In this way, the light industrial, departments that are being supported, will be economically viable while the heavy industrial enterpirses will have a set income and in this way, both light industrial and heavy industrial enterprises will have economic interests. 3. The light industrial enterprises that are given advanced technical support by heavy industrial enterprises and that have consequently made considerable profit, have to pay a certain amount for this, or the method of compensated technical transfer may be implemented. 4. Good ideological work must be carried out with regard to the technicians and management staff who have been transferred from heavy industrial enterprises to light industrial departments. Their living conditions must be arranged well and their salaries and welfare must remain unchanged so that they will be able to work with their minds at ease.

The experiences gained over the past 2 years by Liaoning Province in launching the activities of heavy industry helping light industry and light industry promoting heavy industry show that such activities are in the interest of accelerating the development of light industry; they are also in the interest of promoting the readjustment and reform of heavy industry and of developing heavy industrial production. Thus, there are bright prospects for Liaoning Province in developing the advantages of heavy industry.

CSO: 4006/118

BRIEFS

JILIN MUNICIPAL INDUSTRIAL PRODUCTION--Siping Municipality, Jilin Province, achieved good results in its January-October industrial production. Industrial output value in the period is expected to increase by 6.8 percent over that of the corresponding 1980 period. It has overfulfilled by 15 percent its annual profit plan by earning 9 million yuan. The municipality is striving to make its annual industrial output value exceed 800 million yuan. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 29 Oct 81 SK]

CSO: 4006/118

DOMESTIC TRADE

SHANGHAI'S COOPERATION AGREEMENTS CALLED SUCCESSFUL

OW111256 Beijing XINHUA in English 1232 GMT 11 Nov 81

[Text] Beijing, 11 November (XINHUA)--Economic and technical cooperation between Shanghai-based enterprises and the rest of China has, in the past year, proven successful, according to a "PEOPLE'S DAILY" report.

Joint operation, compensatory trade and technology exchange contracts have been signed with other regions for timepiece manufacture, handicrafts, paper, textiles, silk, glass and other commodities, the paper said.

Joint-operation agreements require Shanghai to supply technology and equipment to the factory buildings, raw materials and labor of the other firm. Products and profits are divided by negotiated percentages.

The Echeng Clock Factory in Hubei, as the result of a joint-operation contract, increased its 1980 output from 10,000 to 30,000, and projects this year's production at 60,000, the paper said.

Compensatory-trade agreements require Shanghai to provide funds, technology and equipment, while others repay the investment with raw materials and semifinished products.

After 14 such agreements with Zhejiang and Hunan Provinces and the Guangzi Zhuang autonomous region, the Shanghai Municipal Bureau of [word indistinct] has been able to ensure 45 percent of its annual paper needs, 66 percent of its silk textile requirements and all of its silk, the paper said.

Technical-cooperation agreements require Shanghai to provide technology and managerial expertise.

The Shijiazhuang Quartz-Glass Factory in Hebei Province, after losing money for 10 years, signed a technical-cooperation agreement with the Shanghai No 1 thermosbottle factory for modernization and worker training. The Hebei Factory began to show a profit one year later, according to the paper.

A Shanghai Company has also been established to provide technical consultation to enterpirses across China, the "PEOPLE'S DAILY" said.

CSO: 4020/28

BRIEFS

JILIN WORKERS' LIVELIHOOD MEETING--On 21 and 22 October the Jilin Provincial Government held a meeting on investigations into the workers' livelihood. Dong Xin, deputy provincial governor, spoke at the meeting. He urged party committees and governments at all levels to show concern for the masses' livelihood, pay attention to their difficulties and gradually solve them. He said that although the provincial party committee and government had done a great amount of work to solve the people's employment and housing problems since the third plenary session of the Party Central Committee, many difficulties still remain. He urged cadres to rely on the masses to properly solve their problems and proceed from reality in conducting investigations on the masses' livelihood. [SK250226 Changchun Jilin Provincial Service in Mandarin 1100 GMT 22 Oct 81]

CSO: 4006/118

UPPER-REACH RIVER PILOTS, ENGINEERS TRAINED

OW130340 Beijing XINHUA in English 0240 GMT 13 Nov 81

[Text] Chongqing, 13 November (XINHUA)--Nearly 250 navigation technicians--captains, pilots and chief engineers--have been trained for navigation on the upper reaches of the Yangtze by the Chongqing branch of the Yangtze River navigation administration in the past few years, according to administration authorities.

The technicians sail a 1,000-kilometer section of the narrow gorge zone between the city of Yibin in Sichuan and Yichang in Hubei on the upper reaches of the Yangtze. The gorge zone has swift currents and submerged reefs, the authorities said.

Methods for preparing the technicians include a crew training school in which veteran captains, pilots and chief engineers give lectures. Materials edited by these veterans include information on geography, climate and river bed conditions of the gorge navigation channel and navigation and pilot techniques for the low, middle and high water seasons.

Master-apprentice contracts have been signed between captains and trainee-turned mates on ships and, through two years of training, more than 40 of the mates have qualified as pilots and engineers, the administration said.

Many of the pilots, first mates, chief engineers and newly appointed captains are experienced workers, the administration said.

According to Duan Shurong, chief captain of the Chongqing branch of the Yangtze River navigation administration, to be a skilled captain or a chief engineer requires a dozen to 20 years' experience for navigation on the upper reaches of the river, while six or seven years' experience is enough for the navigation on the lower reaches.

With the ever-increased number of boats on the Yangtze in recent years, there are 7,000 crew members as compared with 3,000 a few years ago, including 1,100 technicians that have been trained in various navigation fields. In addition, Sichuan Provincial Steamer Company also has trained several hundred navigation technicians in the past several years, the administration said.

CSO: 4020/28

BRIEFS

HEILONGJIANG HARBIN-DAQING HIGHWAY--Reconstruction of the (Wanbao) to Zhaodong section of the highway linking Harbin with Daqing Municipalities, a key highway project of Heilongjiang Province, was recently completed after 1 year's work and opened to traffic. Before reconstruction, this section of highway was of low standard and could not meet the needs of transportation in the western areas of Heilongjiang. It is asphalt-surfaced, enabling vehicles to be drive at 70 kilometers per hour. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 27 Oct 81 SK]

HEILONGJIANG FEEDER RAILWAY--A new feeder railway was added to the railway line that starts from Nenjiang, cuts through the Da Xingan mountain range and ends at Xilinji. On 5 November, the 58.1-km feeder line, located on the north of Yilehuli mountain and connecting Tahe County and Shibazhan, was opened to traffic. This feeder line was constructed by a certain unit under the PLA Railway Corps in three months. [SK102255 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 9 Nov 81]

CSO: 4006/118

GENERAL

DEVELOPMENT OF COLLECTIVE ECONOMY IN CITIES, TOWNS

Kunming YUNNAN RIBAO in Chinese 18 Sep 81 p 2 & 19 Sep 81 p 2

[Article: "Questions and Answers on Development of Collective Economy in Cities and Towns"]

[Text] Recently the provincial party committee and government put out the "Decision on Several Questions in the Development of the Urban Collective Economy" with the aim of encouraging development of collective economy in cities and towns. A number of readers have wirtten us, asking information about the main content and basic spirit of the decision. The following are answers to the questions raised by our readers.

Q. What are the guiding thoughts and principles of operation underlying the development of the urban collective economy in cities and towns?

A. The urban collectively-owned economy is an important form of socialist economy owned by the public. Vigorous development of the collective economy in cities and towns is a long-term policy to be pursued in the course of the Four Modernizations of the country. During the period of national economic readjustment, it is imperative to take effective measures to ensure greater growth of the collective economy in cities and towns of our province. In the process of its development, the collective enterprises in cities and towns should develop in the socialist direction and follow these principles: getting organized on a voluntary basis, raising their own funds under state support, participating in labor, jointly owning the means of production, practicing business accounting, assuming sole responsibility for their own profits and losses, distributing according to work, and putting management on a democratic basis.

Q. Can the leading organs at various levels practice unified business accounting and assume responsibility for the profits and losses of collective enterprises and make unified transfer and distribution of the financial resources and manpower of collective enterprises?

A. The collective enterprises in cities and towns are owned by the working masses of the enterprise collectively, and all their property (including funds, plant buildings, raw and processed materials, and products) and personnel are protected by state laws. The leading organs at various levels must respect their proprietory ownership and right to self-management. They may not distribute or transfer such property without compensation and may not repeat the former practice of arbitrarily changing the relations of production and encroaching upon the collective interests of "upgrading," "transfer to the lower level" and "transition to a higher level of ownership." The practice of assuming responsibility of the profits and losses of all enterprises is a wrong one of "eating from the same big pot." All collective units (including cooperative teams) must practice independent business accounting and assume sole responsibility for their own profits and losses. All those enterprises that have let the state assume responsibility for their profits and losses or formed larger accounting units must change back. Economic combination of collective enterprises with other economic organizations must be based on the principle of free will, equality and mutual benefit and without changing the ownership, the relations of subordination and the financial relations. Except taxes, collective enterprise funds and relevant fees to be paid by the collective enterprises according to regulations, no manpower and material and financial levies may be apportioned to collective enterprises by any unit or individual in any name; collective enterprises have the right to reject these levies.

Q. What are the provisions and requirements to be met by those who form collective units and join collective units in cities and towns?

A. All persons waiting for employment in cities and towns, who are entitled to grain rations and are registered in census records may get organized on a voluntary basis. After approval by the industrial and commercial administration they will be issued licenses to start business. Or else, through the recommendation by the labor department they may be employed selectively by existing enterprises and the length of their service shall count from the day they join the collective enterprise. If later they switch to enterprises owned by the whole people or other collective enterprises, the length of their service shall also count from the day they first joined the collective enterprise. The workers of collective enterprises in cities and towns should be treated in the same way as the workers of state-operated enterprises and may not be discriminated against in social and political activities such as joining the Party and the League, joining trade unions, electing the advanced. College graduates and the workers of state organs, state-operated enterprises and institutions may also be transferred and assigned to collective enterprises according to the requirements of collective enterprises or their personal wishes; they will enjoy political treatment and receive the same wages as they do in state-operated units and receive collective welfare benefits and awards granted by their enterprises. Their transfer to or from other enterprises will not be subject to restriction by the system of ownership.

Q. How are funds for collective enterprises raised?

A. The funds of collective enterprises should be raised mainly by enterprises themselves and supplemented with state aid. The funds may be raised in several ways. Funds may be brought into the collective enterprise by the workers themselves. Funds from different sources may be pooled. Bonuses paid to the workers may be combined with dividends on share capital. Idle funds in society may be absorbed. Part of the local financial revenues earmarked for the purpose of tapping potential and carrying out innovations and transformations may be appropriately used to support collective enterprises that produce goods which are in short supply. Part of the funds earmarked for the placement of educated youths and the unemployed may be used to help collective farms, stock farms and industrial-commercial enterprise whose main body consists of educated youths. In the case of fixed assets bought with self-raised funds, depreciation funds may be kept entirely by the enterprises concerned.

Q. What are the obligations of collective enterprises in cities and towns to the state?

A. They ought to observe state laws as well as party and government policies and decrees, pay taxes and relevant fees according to schedule, and accept the supervision and care of the departments concerned. They should conscientiously act according to the provisions of the people's government.

Q. What is the special consideration given in terms of taxation to the newly established collective enterprises in cities and towns which arranged placement for more unemployed youths?

A. Except those making cigarettes and wines, all the newly established collective enterprises shall be exempt from industrial and commercial taxes for one year from the month they start business. Those collective enterprises newly established for the placement of unemployed youths and the existing collective enterprises which arranged placement for unemployed youths exceeding 60 percent of their work force shall be exempt from industrial and commercial taxes for two years. In the case of enterprises of this type, income from labor service, repair service and business service may also be exempted from industrial and commercial taxes for two years from the day of business (or from the month in which their business is started).

Q. What is the special consideration given in terms of taxation to the collective enterprises in frontier prefectures and counties?

A. Beginning January 1, 1981, handicraft, transportation, building construction, and repair cooperative enterprises in 35 frontier counties shall be exempted from income tax for two years. In the Nujiang and Diqing Prefectures, industrial and commercial taxes on logging, wine-making, commodity retail, service trade, transportation, and provisional undertakings will be reserved and other taxes shall be exempted for two years.

Q. Is there any consideration given in terms of taxation to the newly increased profits made by collective enterprises in cities and towns?

A. As from 1980, the profit realized in 1979 is taken as the base figure and the part of profits realized in subsequent years that is in excess of the base figure shall be given a 50 percent deduction in income tax payable.

Q. What are the provisions for cooperative undertaking funds delivered to the state?

A. Under the influence of the leftist deviation in the past, it was stipulated that collective enterprises must deliver excessive cooperative undertaking funds to the state. On two occasions, the provincial government made provisions to deduct cooperative undertaking funds. Provisions are now made that as from 1980, enterprises at the county level and above shall pay 15 percent of their after-tax profits as cooperative undertaking funds and town and neighborhood enterprises shall pay 10 percent of their after-tax profits. When profit rates are too high or too low, the amount turned over to the state may be slightly adjusted by the provisional department in charge. Enterprises newly established since 1979 are exempted from payment for two years.

Q. What is meant by "double 50-percent reductions"?

A. "Double 50-percent reductions" means that the base number of the annual after-tax profits retained shall remain unchanged for several years and that the income tax on the portion of profits increased each year is reduced 50 percent and 50 percent of the cooperative undertaking funds are turned over. How the income tax is reduced 50 percent in our province has been explained in the preceding paragraph. The proportion of cooperative undertaking funds now delivered to the state is actually based on a 50 percent reduction of quota and is in the greater interests of enterprises than the 50 percent reduction in the increased portion of profits. The proportion cannot be lowered further.

Q. How should the profits retained by collective enterprises in cities and towns for their use be distributed?

A. In the case of profits retained by enterprises for their use, the portions for enlargement of production, collective welfare and bonsues to individuals should be arranged in such a way that funds are not excessively accumulated, nor are all profits distributed and used. In general, the following proportions may be taken as the guide: 60-65 percent for accumulation, 25-30 percent for public welfare fund, and 10-15 percent for labor bonuses. Labor bonuses may not exceed two months' average wages. Those enterprises that lose money will not grant labor bonuses.

Q. What are the provisions made for the wage and welfare systems of collective enterprises in cities and towns?

A. Collective enterprises in cities and towns should adhere to the principle of distribution according to work and oppose egalitarianism. Their wage and welfare benefits may be equivalent to or higher or lower than state-operated enterprises in the same trade, depending on the state of their operations. Wages may assume the forms of piece wages, floating wages, wages based on percentage profits, time wages, and bonuses. Other forms of distribution according to work may also be adopted. The forms adopted shall be decided by the enterprises themselves.

Provisions for such matters as retirement, resigning from office, resigning for recuperation, labor protection, grants to only children, pensions for the dead, etc. may be made by enterprises themselves according to their business conditions and with reference to the standards of state-operated enterprises and the relevant documents. Labor safety devices shall be supplied according to the standards of equivalent state-operated enterprises in the same trade and of the same type.

Concerning workers' grain ration standards, where supply, production and sale are normal and the types of work are permanent, grain should be supplied according to the standard of state-operated enterprises in the same trade and of the same type. Where the types of work are not permanent, 7 jin of grain per capita shall be supplied as subsidy to the enterprise each month, and the unit concerned shall make assessment and distribute supplies to its workers.

Q. What are the provisions for production, supply and marketing activities of collective enterprises in cities and towns?

A. The production activities of collective enterprises must serve as a market regulator under the guidance of state plans. Except in the case of products that must be brought into the plans at various levels, enterprises shall sign contracts with the demand side and make their own decisions in operation.

As to the raw and processed materials, fuels and supplementary materials required by collective industry and commerce enterprises, catering and service trades, they should be supplied and priced without discrimination in the same way as they are supplied to state-operated units. Their former processing relations with commerce and foreign trade departments should in general be changed into purchase-sale relations. Provisions for price reductions and compensations for goods returned should be granted to collective enterprises by state-operated commercial enterprises in light of the measures applicable to supply-marketing cooperatives.

Except in the case of products which are purchased and chosen by the commerce and commodity departments according to plans, enterprises may sell their products according to state provisions. The products sold by the enterprises themselves should be priced according to the provisions made by governments at various levels. Products whose prices are not subject to control by the administrative departments may be sold at floating prices. Prices of products sold to other provinces by the enterprises may be determined by supply and demand sides through consultations. Food products made of materials obtained through negotiated purchase may be sold at negotiated prices.

Q. How to provide plant sites required to develop collective enterprise in cities and towns?

A. Plant sites for collective enterprise should be discussed, studied and planned by the city planning department in cities and towns together with the local labor department, housing administrative department, public security department and industrial-commercial administration. Provided plant sites are selected in such a way that they facilitate economic development, meet the requirements of city planning and environmental protection and do not affect the appearance of the city and do not obstruct traffic, the matter should be given positive support and settled quickly. For example, the housing administrative department should assist in exchanging the lodgings and public houses on the street for shopping fronts or lease them out to collective enterprises for use. The department may also mark out a sector to restore the traditional stall market and small commodity market. It may temporarily lease out to collective enterprises the sites within the "red line" where construction work is not expected to start within a short period of time.

Q. What is the highest power organization of collective enterprises in cities and towns?

A. The collective enterprises in cities and towns should be democratically managed according to the principle of democratic centralism. The highest power organization of a collective enterprise is the workers' general meeting, and its executive organization is the management committee elected by workers' congress. The workers' congress and the management committee have the authority to reward, penalize and dismiss workers, to recall or remove incompetent managerial personnel, to employ managerial personnel and technical personnel. Important problems of production, construction, operation, management, and welfare benefits should be decided by the workers' general meeting through democratic discussion. Economic democracy should be promoted and accounts kept open. The responsible person of the enterprise should periodically report to the workers' general meeting on his work and accept mass supervision.

Q. How to go a step further and strengthen the leadership over the collective economy in cities and towns?

A. The provincial committee and government want party committees and governments at all levels to strengthen their leadership over the collective economy in cities and towns, to place it on the order of the day and to discuss and check it several times a year. The government at various levels should each assign a responsible comrade to take charge of this work. The provincial departments and bureaus of commerce and light industry which control a larger number of collective enterprises should set up special organizations to control collective enterprises. Ideological and political work should be strengthened. The influence of leftist ideology should be stamped out further, party policies concerning the development of collective economy should be propagated, and ideological, epistemological and practical problems should be promptly solved.

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INSPECTION OF MARKET PRICES IN YUNNAN WINS INITIAL SUCCESS

Kunming YUNNAN RIBAO in Chinese 29 Sep 81 p 1

[Article by Shen Zhengcai [3088 2973 2088]: "Inspection of Market Prices Throughout Province Wins Preliminary Success; Maintains Economic Order; Assures People's Welfare]

[Text] In accordance with stipulations in pertinent documents from the State Council and the Provincial Government, inspection of prices in markets has been launched in one place after another throughout the province. Preliminary successes have been scored as of the present.

Working from inspections conducted last winter and this spring, in late June this year the Provincial People's Government again issued the "Notice on Further Strengthening of Market Controls and Continuation of Attention to Inspection of Market prices and Attacks Against Smuggling and Trafficing in Narcotics and Speculative and Profiteering Activities." At the same time, the Provincial Government assigned cadres for the organization of four work teams to go into southern, western, and northeastern Yunnan and the Kunming area to provide support to counties there in the launching of inspection work.

Judging from this phase of the inspection, all the markets in the province are booming economically, and the heartening situation of basically stable prices vigorously promotes economic readjustment and reform. Throughout this year, all jurisdictions have strenghtened leadership, and have scrutinized illegal speculation and profiteering activities, delivering deserved blows to some serious law offenders, and assuring the normal order of city and country markets. In the realm of the prices of goods, they conducted all around investigation of more than 10,000 different commodity prices for which the state has set the retail price. More than 2,000 of those commodity prices that were mistaken or omitted, they corrected. In cases where people had taken it upon themselves to raise prices and had taken more money from the masses than they should have, refunds were arranged. When refunds could not be made, the funds were paid into the local treasury. When price did not match quality, second quality being illegally represented as first quality, short weights or measurements given, or adulteration practiced, indoctrination and penalties were given on a case by case basis. More than 30 negotiated price commodities were withdrawn from the negotiated price category, and the price of more than 50 negotiated price commodities was lowered by between 4 to 20 percent. However, some problems meriting attention currently still exist. One is that some places and some units concerned do not have sufficient understanding of this work. They do not give careful attention to it;

do not handle cases vigorously, and do not act strictly, or else they pay attention only to economic penalties ignoring legal and disciplinary punishements. Second is that in a small number of units and in society, illegal elements from inside and outside collude. They use bank accounts to corner the market on goods and commodities currently in great demand in markets, gaining illegal earnings. Third is a mixing up of list and negotiated prices for commodities to raise prices covertly to the determiment of the welfare of the masses. In this regard, all jurisdictions and all units are continuing to launch price inspections and market restructuring in advance of the national anniversary and in accordance with a notice from the provincial government. Their goal is to rapidly correct the erroneous way of doing things of "government issuing many orders without any coordination," and to put a further stop to various evil tendencies to assure stability of market prices, the better to serve economic readjustment.

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ECONOMIST EXPLAINS FINANCIAL DEFICITS

HK250818 Shanghai SHIJIE JINGJI DAOBAO in Chinese No 55, 19 Oct 81 p 6

[Reply to reader's letter: "The Essential Differences Between Financial Deficits and Methods of Solving Them in China and in the Capitalist Countries"]

[Text] Ni Jingdong, a reader in the main factory of the Baoshan Iron and Steel Company asks: What are the essential differences between financial deficits and the methods of solving them in the capitalist countries? The amounts, in absolute terms, of the finanical deficits in Western capitalist countries are much larger than those in our country, while it seems that their economic situation is not as harsh as ours. Why is this?

We referred this question to Yuan Enzhen of the Institute of Financial Science under the Ministry of Finance and of the Economic Institute under the Shanghai Academy of Social Sciences, whose reply is as follows:

The basic concept of a financial deficit remains the same, regardless of what society we are talking about. However, when it comes to the cause of a financial deficit, this will vary greatly from one social system to another. In a capitalist soicety, financial deficits have their roots in the anarchical state of production and the frequent economic crises. Therefore, their existence is inevitable. A planned economy is a characteristic of socialist societies, and thus, the existence, in a socialist society, of financial deficits is not inevitable.

The financial deficits that our country have suffered from in recent years were the result of serious miscalculations in planning caused by "leftist" errors and were reflections, in state finances, of serious disproportions within the national economy.

Financial deficits in capitalist countries are both inevitable and also a means by which capitalists reconcile contradictions and ward off crises. They also form an important part of Keynesian economic theory. America has, since the time of President Roosevelt, been implementing long-term deficit financing in order to stimulate production and consumption, and economic recovery and development through increases in government expenditure. In the 35 years since the end of World War II, America has had 27 deficit budgets. Among the other capitalist countries, quite a few are also, at present, implementing deficit financing. Although deficit budgets do go some way toward alleviating capitalist economic contradictions and crises, they rely on the issuing of money which in turn causes monetary inflation and price rises, causing the broad laboring masses to suffer.

Can socialist countries rely on deficit budgets to "stimulate" the economy? Of course not. First, even in capitalist countries, deficit budgets are a last resort. Second, deficit budgets result in monetary inflation and price rises. Obviously, socialist countries can never adopt this financial policy as it harms the interests of the broad masses. Third, if deficit budgets are incapable of having a definite alleviating effect on contradictions and crises even in capitalist countries, they will, in socialist China, merely bring about a further increase in disproportions. This is because, in capitalist societies, overproduction is a characteristic of disproportions and crises and deficit budgets and increases in expenditure are favorable to the elimination of overproduction. Disproportions in our country manifest themselves largely in underproduction, so that the purchasing power of our society exceeds the amount of commodities in supply, and thus a financial deficit will only further sharpen the contradictions.

Generally speaking, financial deficits should not appear in a socialist society and deficit budgets are even more out of place. Even in the case of the financial deficits that occurred a few years ago, all we could do was reduce capital construction, readjust proportions, cut down expenses and develop production in an effort to balance revenue and expenditure. This is what we are doing today and, moreover, we have been extremely successful. Financial balance is a major prerequisite for the healthy development of the socialist economy.

CSO: 4006/138

HEILONGJIANG FINANCE DIRECTOR INTERVIEWED

SK120835 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 11 Nov 81

[Excerpt] According to Heilongjiang Ribao, fostering a comprehensive financial ideology and correctly managing and utilizing funds not covered by the budget is a key link in enlivening finance work. This was noted by Comrade (Zhang Luopu), director of the Provincial Finance Department, to our reporter while discussing ways to earn, save and use money. After he analyzed our province's economic work and revenue and expenditures in the first 10 months of 1981, he said to our reporters: Owing to the reform of the economic management system and the financial system, the relationship of financial distributions has changed. Now the wealth of society, localities and the masses has increased, but state finances are still in a difficult situation. This new situation has created a favorable condition for developing financial work. However, to keep abreast of this new situation, financial departments should eliminate a simplistic point of view and establish a comprehensive ideology which will increase society's wealth. All the money of the central authorities, localities, departments and enterprises belongs to the state. The only difference is which unit these funds belong to while they are budgeted. It is a good thing that departments and enterprises have much money. This shows that the wealth of society as a whole has increased, and economic work has enlivened. This is a favorable condition in developing financial work.

However, in distributing this increased wealth, the state should get a larger share than departments and enterprises, and enterprises should get more than individuals. It is necessary to uphold the principle of providing advantages to the state, enterprises and individuals while giving most to the state.

He said: In developing financial work, we must abide by the general goal of enlivening the economy and promoting production. As we solve financial difficulties, the focus must be on promoting production. We should never rashly change our policies. We should not return to the old path. Increasing production and economizing will build wealth. We should promote production and raise economic results. Our province's industrial output value and the utilization of funds are lower than in other provinces and municipalities. In expanding our prodution, priority should be given to tapping our potential and converting to intensive management. Financial departments should concentrate on tapping the potential of existing enterprises and raising economic results to increase production through tapping potential, renovation and reform and increase incomes through better economic measures.

Now that the wealth of departments and enterprises has increased, their funds have scattered and state revenue has not increased accordingly, how can we ensure the development of the national economy? Comrade (Zhang Luopu) commented on provincial funds not covered by the budget. He said: Funds not covered by the budget account for twice as much money as funds within the budget and will be increased gradually. We should raise construction funds from money outside the budget, rationally manage and scientifically utilize funds not covered by the budget and bring the funds of departments and enterprises into line with the state plan to ease the financial pinch. This is an urgent and important task in developing our financial work under the new situation.

CSO: 4006/126

FINANCE AND BANKING

HIGHER SAVINGS DEPOSITS REPORTED IN SHANDONG CITIES, TOWNS

Jinan DAZHONG RIBAO in Chinese 1 Oct 81 p 2

[Article by Wang Jincheng [3769 6651 6135] and Wang Xiuying [3769 4423 5391]: "Savings Deposits in Cities and Towns of Our Province Increased by a Wide Margin--Savings Deposits in Cities Increased by 730 Million Yuan Since Third Plenary Session, With Higher Growth Rate Than in Previous 29 Years"]

[Text] Since the Third Plenary Session of the 11th CCP Central Committee, savings deposits in the cities and towns of our province have increased by a wide margin. In the two years and 10 months from 1979 to the middle of September this year, the total balance of savings deposits in these cities and towns increased by more than 730 million yuan. The rate of growth during this period exceeded that of the previous 29 years, from 1949 to 1978. Even within this year, the balance has been increased by 249 million yuan. By now, the total amount of savings deposits has reached 1.4 billion yuan. The state's savings deposits plan for this province was fulfilled 100 days ahead of schedule.

The large-scale increase in savings deposits shows the fairly great improvement of people's living conditions. Since the Third Plenary Session, the state has adopted a series of measures--such as readjustment of wages for some workers and the system ofrewards for enterprises and workers--to develop production and improve people's livelihood. The workers' income has continued to increase and their living conditions have continued to improve. This has served as a material foundation for the growth of people's savings deposits. By now, each worker has an average annual income of 275 yuan, or 134 yuan more than in 1978.

The large-scale increase in savings deposits also reflects the high prestige enjoyed by the Renminbi. The implementation of the policy of economic readjustment by enterprises has resulted in a vigorous development in the production of consumer goods of daily use and the increase of commodities in short supply. It has also helped in the large-scale withdrawal of currency, leaving a little more than enough for circulation. With the stability of commodity prices and peace of mind, many people have deposited their money in the bank. At present, the total amount of savings deposits in cities and towns accounts for one-fourth of the sources of funds for the People's Bank, and has become an important monetary force in support of production and construction.

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CSO: 4006/47

FINANCE AND BANKING

BRIEFS

TIANJIN SAVING DEPOSITS--In the first 10 months, of this year, the Tianjin urban people's saving deposits reached over 818.8 million yuan and registered an increase of over 128 million yuan. Per household deposit was 940 yuan. According to statistics compiled by the Municipal Agricultural Bank at the end of October, peasants' saving deposits at various credit cooperatives reached 130,035,000 yuan. Their deposits during this period surpassed the figure of the corresponding 1980 period by over 45,944,000 yuan, or 55 percent. The deposit per rural household was 61.14 yuan, a 57.22 yuan increase over the corresponding 1980 period. [SK102253 Tianjin City Serivce in Mandarin 0030 GMT 10 Nov 81]

HUNAN FINANCIAL CIRCULAR--The Hunan Provincial Financial Bureau recently issued a circular demanding that financial and taxation bureaus in various prefectures and counties continue to check tax evasion and enforce financial discipline. The circular demanded that the following tasks be carried out: 1) sum up experience gained in launching previous inspections; 2) grasp the checking of key enterprises and deal with old and severe problems; 3) simultaneously grasp storage work and taxation work; 4) strictly control all kinds of expenditure and forbid indiscriminate distribution of bonuses. In conclusion, the circular demanded that leaders at all levels take the lead in checking tax evasion and economizing on expenses in order to do a good job in accomplishing the financial tasks. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 5 Nov 81 HK]

NEI MONGGOL TAXES--By mid October, Nei Monggol region had collected 480 million yuan of industrial and commercial taxes, 84.32 percent of the annual plan--an increase of 6.87 percent over that of the corresponding 1980 period. Based on an investigation conducted between May and September, 34 million yuan of taxes has been evaded, and 18.53 million yuan has been collected. Taxes collected from light and textile departments amounted to 116 million yuan this year, 23.65 million yuan more than in the corresponding 1980 period. [SK301144 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 29 Oct 81]

YUNNAN PROVINCIAL REVENUE--From January to September this year, Yunnan Province fulfilled 87.5 percent of its quota for revenue for this year. The amount of revenue in this period was 16.5 percent more than in the corresponding period of last year. Seven prefectures and autonomous prefectures, including Yuxi, Chuxiong, Zhaotong, Baoshan, Dehong, Nujiang and Deqen, fulfilled or overfulfilled their quotas for revenue for this year 3 months ahead of schedule. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 15 Oct 81 HK]

GUIZHOU INDUSTRIAL, COMMERCIAL TAXES--From January to the end of September, Guizhou Provincial fulfilled 80.95 percent of the quotas for industrial and commercial taxes for this year, and the amount of taxes was 9.57 percent more than in the corresponding period of last year. In the province, Qiandongnan autonomous prefecture and 18 counties, including Jinping, Huangping, Congjiang, Jianhe, Rongjiang, Leishan, Leishan, Taijiang, Fuquan, Guiding, Libo, Kaiyang, Xifeng, Xiuwen, Meitan, Jinsha, Bijie, Qianxi and Puan, and 150 revenue offices and groups overfulfilled the quotas for industrial and commercial taxes for this year. [HK260803 Guiyang Guizhou Provincial Service in Mandarin 2315 GMT 8 Oct 81]

GUANGDONG REVENUE--From January to September this year, Guangdong Province fulfilled 80.06 percent of its revenue quota for this year. Its revenue was 13.33 percent higher than in the corresponding period last year which was an increase of 264.6 million yuan. By the end of September, Shenzhen, Zhuhai, Huidong, Nanxiong, Lianshan and 74 revenue departments had fulfilled their revenue quotas for this year ahead of schedule. The income from tax levied on sugar was 28.22 million yuan and that from tax levied on cigarettes was 11.8 million yuan more than in the same period of last year. [HK041527 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 25 Oct 81]

CSO: 4006/125

BRIEFS

HEILONGJIANG GOLD OUTPUT--The Heihe Gold Mining Administrative Bureau, Heilongjiang Province, has overfulfilled its annual gold production plan. By 16 November, the bureau surpassed its annual plan by 227 liang. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 16 Nov 81 SK]

SHANDONG GOLD PRODUCTION--Gold production has developed steadily in Zhaoyuan County, Shandong Province. In the first 9 months of this year, the county produced 49,600 liang of gold, an increase of 2 percent over the corresponding 1980 period, and gained 4.769 million yuan of profits, an increase of 41.9 percent over the corresponding 1980 period. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Oct 81 SK]

RARE EARTH RESERVES--Beijing, 16 Nov (XINHUA)--China has 36 million tons of industrially workable rare earth reserves, ranking first of all countries in the world, according to a national conference on wider application of rare earths now being held in the Chinese capital. The reserves are calculated in terms of rare earth oxides. Minerals containing all the 17 kinds of known rare earth elements have been located in China, in 19 provinces and regions, including Nei Monggol, Jiangxi, Guangdong and Hunan. The content of europium oxide and samarium oxide found in Ores in Baiyunebo near Baotou City in Nei Monggol proves to be fairly high. The content of yttrium oxide found in rare earth oxides in Jiangxi Province is as high as 50 to 60 percent. China's annual production capacity of rare earths ranks second in the world, next only to that of the United States. The exports of rare earth products this year are expected to be 50 times that of 1978. Key rare earth extraction and smelting enterprises set up in China include the Baotou Iron and Steel Company, the Shanghai Yaolong Chemical Plant and the No 1 Smelting Plant of Gansu Province. [Beijing XINHUA in English 1251 GMT 16 Nov 81 OW]

CSO: 4020/30

COUNTRY REPORTED PRODUCING MORE, BETTER PHARMACEUTICALS

OW191125 Beijing XINHUA Domestic Service in Chinese 0735 GMT 19 Nov 81

[Excerpts] Beijing, 19 Nov (XINHUA)--XINHUA reporters learned from the national discussion meeting of pharmaceutical administration directors that the chaotic situation in pharmaceutical production caused by the 10 calamitous years has basically altered. The total output value of the country's pharmaceutical industry from January through October this year increased by 12.3 percent over the same period last year; total sales of traditional Chinese and Western medicines and medical apparatus and instruments increased by 7.4 percent over the same period; and the composition of pharmaceutical commodities in stock has been rationalized.

Since the State Council issued the "Decision on Strengthening Pharmaceutical Administration," the people's governments of Shanxi, Sichuan, Ningxia, Nei Monggol, Henan, Liaoning, Guangxi, Yunna, Jiangxi, Hunan, Gansu and Anhui provinces and autonomous regions have issued special circulars, and other provinces, municipalities and autonomous regions have also done a lot of work in implementing the "Decision," working out relevant regulations or adopting various specific plans and measures.

In accordance with the guidelines of the "Decision," localities have reorganized pharmaceutical enterprises; 447 below-standard pharmaceutical plants have been closed down, have ceased production, been integrated with other enterprises or converted to producing other products; and a number of illegal units producing and selling false or inferior medicines have been tracked down.

To guarantee and upgrade product quality, localities have, in accordance wih the demands of the "Decision," initially improved quality control organizations at various levels, established testing and inspection systems and product quality standards and given comprehensive quality control training to more than 200,000 workers and staff members. As a result, the quality of pharmaceutical products is being gradually upgraded.

CSO: 4006/132

READJUSTING, RESTRUCTURING OF MACHINE-BUILDING INDUSTRY VIEWED

HK231525 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 10, 20 Oct 81 pp 22-27, 61

[Article by Fan Muhan [5400 1970 7281]: "A Discussion on the Present Task of Readjusting and Restructuring the Machine-Building Industry"]

[Text] The machine-building industry is one of the focal points for readjustment of the national economy. It supplies technological production equipment, means of consumption and instruments for scientific research for economic development and people's livelihood. It also accounts for quite a large portion of the capital construction investments. Consequently, the readjustment of the machine-building industry constitutes an important link in the implementation of the readjustment of the national economy as a whole. The results of each readjustment will have a notable impact on the readjustment of the national economy as a whole.

The task of readjustment of the machine-building industry is determined by the task of readjustment of the national economy. Generally speaking, during the period of national economic readjustment the machine-building industry undergoes readjustment in three aspects.

First, Readjustment of the Service Orientation of the Machine-Building Industry

First of all, it is very obvious that the most conspicuous change in national economic planning during the period of readjustment is the adjusting of the proportions of consumption and accumulation, the proportion of accumulation being reduced to less than 30 percent of the national income. As a consequence of this change in proportions, the scale of capital construction has been curtailed, and investment in such construction has been reduced to about 30 billion yuan. At the same time, defense and administrative expenses have been cut, as has the purchasing power of the institutions experiencing cuts. This has had a direct impact on the product make-up of the machine-building industry, which needs readjustment correspondingly, because the need for its products for expanded reproduction and military equipment has been reduced, with about half of its existing capacity left idle. On the other hand, as prices of farm products have been raised, which in turn increases the wages and the cost of living subsidies and greatly enhances purchasing power, the markets have suffered from shortages. For this reason, it has become an important task to mobilize and divert the production capacity of the machine-building industry to the market economy by producing more daily-use electrical and mechanical products.

Of course, it should be said that the production of daily-use electrical and mechanical products is a part of the machinery industry. However, due to the fact that the machinery industry was regarded in the past simply as an industry for the production of the means of production alone, supplying technological production equipment to the various sectors of the national economy, the task of producing the means of consumption has been excluded from this industry. Consequently, the production of daily-use electrical and mechanical products has been left to the light industry sector. This has led to the setting up of special factories by the light industry sector for the production of these products, which could have been produced by the numerous enterprises of the machinery industry. This is the reason why the growth rate of this part of the consumer goods sector has been so greatly retarded, giving rise to the shortage of supplies in the markets over the years. Our people's republic was founded 30 years ago, and yet a peasant or a city worker (either a factory or an office worker) has to produce a coupon to buy a bicycle. This is a good indication of the extent of the shortages. Therefore, the orientation of the machinery industry should be readjusted so that it will undertake the task of producing daily-use electrical and mechanical products and restore one of its original functions.

The second thing to do is to expand exports and open up markets abroad. Over the past 30 years, the machine-building industry has generally been providing services to the domestic market. We did have some foreign aid programs as well as a certain amount of machinery exports, but these constituted only about 2 percent of the total value of our exports. This percentage is of course far too low. In the long run, in order to realize modernization we must increase our exports by degrees. In this way, advanced technologies and the needed raw materials and implements can be imported with the foreign exchange earned. Relying simply on exporting agricultural products, agricultural household sideline products, mineral and handicraft articles will not be sufficient. The proportion of machinery products in exports must also be increased. This constitutes a formidable and strategic task for the machine-building industry of our country, namely the necessity for increasing exports and the alteration of the composition of our export products. In this case, is the machine-building industry of our country qualified for such a task? The answer is in the affirmative. In the first place, with the experience of more than 30 years of construction work, the machine-building industry has not only laid a solid foundation in terms of material requirements but has also trained a strong contingent of technicians. It is capable of producing products equal in quality to those of the 1960's and 1970's. In the second place, during the years of high accumulation rate in our country, investments in capital construction were relatively large, and the task of supplying equipment was a difficult one, leaving little room for exporting machinery products. In the case of the readjustment period, inasmuch as there is insufficient demand in the domestic market, it is feasible to organize a considerable amount of production capacity to supply goods for export. For a quite long time in the past, as we adopted the closed-door policy, little thought was given to the task of exporting machinery products so as to get a larger share of the international market, and there was even a lack of knowledgeability about international conditions and trends. As a result, technology exchange was very much limited. For this reason, the expansion of the electrical machinery export trade of our country is a formidable test for the technical standards of our machine-building industry as well as an effective stimulus for the industry.

The third thing to do is to undertake technological reform in industry and communications. In the past 30 years, it was not the first 5-year plan alone which witnessed the construction of a large number of large-scale projects for the purpose of developing industry and communications. New projects were also undertaken to expand the reproduction capacity in the subsequent 5-year plans. This is what Marx called the extension method of expanding the reproduction capacity. In the readjustment period, there will still be new capital construction projects, such as the development of new coal mines and oil fields. However, as far as the industry as a whole is concerned, the emphasis will be shifted to the technological reform of the existing enterprises. The reason is that more than half of our industries were constructed in the 1950's, both the technology and production equipment of which are backward and are due for renewal and replacement. Moreover, a considerable number of medium- and small-sized enterprises were constructed under the guideline of combining the indigenous and foreign methods, requiring comparatively little investment and equipped with simple and crude installations. Therefore, in the process of production there have been consistently poor efficiency, excessive consumption (energy in particular), poor economic results and great financial losses in these enterprises. Technological reforms must be undertaken in a planned way step-by-step in order to change their backwardness. With the completion of the technological transformation, the existing enterprises will not only be able to reduce consumption and enhance efficiency but also expand their reproduction capacity in general. This is called the intension method with regard to the new construction projects. The adoption of the intension method in the technological transformation of the existing enterprises naturally elicits extensive requirements for the machine-building industry: the supply of assembly lines and whole sets of equipment commensurate with a certain level of production technology, the replacement of certain individual pieces of equipment by more efficient and new equipment in accordance with production requirements, or the conversion of central control and command centers for production processes as required by production and so on. It is no easy task to accomplish this in comparison with equipping a newly constructed enterprise with complete sets of installations. Involved in this is a tremendous amount of research and designing, a large number of engineering technicians and studies and the formulation of the most economical program to achieve this technological transformation. When all these are done, we can proceed with the supply of suitable sets of equipment.

The fourth thing to do is to strengthen scientific research (including advanced military equipment) and to supply the necessary means for research and instruments for measuring and testing. Perhaps this is no new task for the machine-building industry, but it is a formidable task. It should be realized that our electronics technology and various instruments and meters do comprise a weak link. In comparison with the internationally advanced standard, this weak link represents an important aspect of the discrepancy existing in our electrical machinery products. Without new efforts in this field, it is impossible to improve the up-to-date nature of product composition or to guarantee the realiability and stability of product quality. Without these, it would be impossible to continue the improvement and supply of new products of an advanced nature and good quality and to make our machinery products competitive in the international market. Of course, in addition to these, we should also see the importance of the means of research provided by the machine-building industry. In the modern era, no scientific experiments can be conducted with only a few pieces of simple experimental tools. More often than not, only a whole set of complicated experimental equipment is required. At present, without the help of mechanical instruments (including electronics instruments) and repeated experiments, no achievement in the field of applied sciences can be realized. Therefore, in the process of readjustment the machine-building industry of our country must, in compliance with the requirements for improving scientific research, provide timely supply of means for doing research and instruments for measuring and testing so that we can reap fruitful results in the field of applied science.

Second, Readjustment of the Production Organization (Including Labor Organization) of the Machine-Building Industry, or the Transformation of the Existing Enterprises According to Specialization

At the very beginning of the first 5-year plan, attention was paid to the principle of specialization in production regarding the construction and development of the machine-building industry. This meant the adoption of specialized production as the form of production organization in relation to the specified production target of a machine-building plant, or the specification of the products to be produced by this plant (whether to use assembled products or parts and which specific parts to use) and the necessary technology required for fulfilling the given production task. Unfortunately, in the past 30 years we did not do well in following this principle, and we caught the common disease of taking the road of "all-purpose production" either consciously or unconsciously. Many factories turned out to be the often-mentioned "small but complete" and "large and complete" factories.

This all-purpose production organization causes difficulties in our work on all fronts and losses with respect to economic efficiency.

(1) It ties up an undue amount of state investment, causing duplicate equipment to be idle. The spare parts and technological cooperation that could have been available in the society were used or undertaken repetitively in the all-purpose production factories, resulting in a low utilization rate for the equipment and low output value per 10,000 yuan of the total fixed assets. In spite of the fact that we do not yet have precise statistics, estimates from sample investigations tell us that even if we assume one work shift a day the utilization rate of equipment is only about 50 percent.

(2) It makes the remodeling and redesigning of the product quite difficult. In the large all-purpose factories, practically all of the spare parts are made by the factories themselves. Consequently, more often than not the improvement of product structure as well as the production of new products has to be achieved in the workshops of the factories themselves, giving rise to much difficulty and taking a long time. This is one important reason why the improvement of products cannot be carried out frequently nor the remodeling and redesigning of the products.

(3) It is difficult to raise the level of production management as well as that of technological management. The reason is that in a factory, even if both the factory director and the chief engineer are very talented economists and technicians, very often it is impossible for them to guarantee product quality and to improve economic efficiency in the process of the manufacture of so many spare parts and in technological processing.

Very obviously, these three reasons account for the defects of the all-purpose production organization. They are also the main causes for the slow pace in the development of the machine-building industry of our country in terms of the economics of technology and insignificant achievements. Since this situation is already known to us, we must make efforts to improve it. Its existence and continuation should not be allowed. Yet, why is that problems which were singled out for attention during the first 5-year plan have been left dangling without a solution? A serious discussion on this matter is imperative.

First of all, in theory we denied that the means of production under the socialist system could be commodities; hence the denial of the machine-building industry's right to allocate the electrical machinery products that it produces. The production and circulation process of these products were to be realized through state planning. Thus the enterprises became purely processing factories without having to know who the customers were and what comments they made. In other words, economic methods were totally replaced by administrative methods in the form of state intervention.

It is exactly for this reason that the existing system, procedures and methods of planning and management have taken shape. Such a highly centralized management method is bound to lead to rigidity and triviality. To a certain extent it restricts rather than promotes the development and improvement of the machine-building industry itself as well as the services rendered by this industry to the society in all respects. Let us take an example to demonstrate the harmfulness involved. Let us assume that enterprise A and enterprise B belong to the same local community. A's products have to be matched with those of B to form complete sets of products. However, due to the fact that A cannot approach B to place its order directly, nor does B have the right to dispose of its own products, both A and B have to go to the authority concerned with their respective production plans in hand to apply for permission to proceed with the plan and to secure production targets. The next step is to go to the distribution authority of the state to hand in their plan application in order to get the allotment directive. Finally, A gets from B what it needs to make complete sets of products. The leading authorities of the state did repeatedly mention that cooperative relations should be established, but they could find no new solutions. To finalize, one has to wait for the contract conference to bring the buyers and sellers together. Because machine-building factories, regardless of what they produce (or what technological processing they engage in), are without exception the basic-level units under the control of state planning, and because all economic activities of the factories have to be listed in the state plans, projects listed in the state plans cannot secure whole sets of equipment on the agreed delivery date, thus prolonging the construction cycle. In addition, enterprises under the state plans cannot fulfill their production targets because of failure to get the needed products to match what they produce to form complete sets of products. This again encourages those who are in charge of these enterprises to undertake production in their own enterprises, as very often they can find no one to cooperate with them. There were two upsurges in the history of the development of the machine-building industry of our country: one in the "great leap forward" year of 1958 and another in 1969, year of the "Great Cultural Revolution." Both of the upsurges occurred in periods when the state had no economic contract statute, when production cooperation among enterprises was to be arranged by the leading authorities and was frequently interrupted, and when there was no sure supply of complete sets of products.

Also note worthy is the fact that the tax structure adopted by the state is unfavorable to specialized production by the machine-building industry. The same tax rate is levied on products made for the purpose of forming complete sets of products, whether they are for social sales (for maintenance, export etc.) or whether they are meant to be used in the course of producing end products. This causes the prices of such products to be on the high and does not demonstrate the superiority of specialized production. The higher the degree of specialization found in the main engine factory (the general assembly factory), the higher the prices of its final production. On account of this economic factor relating to state tax plicy, very often the main engine plants are encouraged to stop their cooperative relations and take up the production themselves. Apart from spare parts, the production of semi-finished products are notable in this respect, as every factory has its own iron casting, steel casting, forging, and other surface treatment workshops, giving rise to superfluous and duplicative production.

Furthermore, subjectively, the thinking of small handicraft industry very often still persists, which is a hindrance to the popularization and maintenance of specialized production. As this kind of thinking has no place in the organization and management of large-scale production and always strives to finish more work in relation to a product within the confines of its own enterprise, and aided by various objective reasons and the lack of guarantee for cooperation, people are made to think that it is better to have fewer cooperative connections and safer to produce within the confines of their own factory.

In short, the all-purpose production organization yields poor economic results--a low utilization rate of equipment in particular--which gives rise to a considerable portion of the fixed assets being left idle. This situation must be changed as soon as possible through resolute readjustment.

Third, Readjustment in Regard to the Allocation of Productive Forces

There were two adjustments of the geographical distribution of the machine-building industry in history. The first one was during the first 5-year plan with the location of some of the important machine-building projects in the interior of our country. The second one was made during the third 5-year plan, during which the guideline of carrying out construction on three fronts was formulated. According to this guideline, many projects were added to produce parts for making complete sets and to carry out cooperation, with the previously constructed major machine-building projects as centers. By and large, construction projects were undertaken to provide the interior of our country with independent industrial bases. These heavy industry bases, the result of great efforts of construction since the founding of the people's republic, do make their own contributions with respect to strengthening our national defense and developing our heavy industry. The fact that what is produced along the seacoasts can also be produced in the interior of our country is in itself an achievementin ameliorating industrial production distribution. Unfortunately, due to Lin Biao's interferences the principle of overall dispersal and localized concentration was discarded. At the same time, no consideration was given to the various conditions of industrial construction. Instead a very harmful policy of building small factories "in mountainous areas, in scattered places and in caves" was implemented, causing great economic losses and numerous difficulties to production activities in the following years. While we criticize the crimes committed by Lin Biao, positive policies should be adopted to readjust the projects on the three construction fronts step-by-step so as to improve and consolidate them and to revive the economic viability of our inland industry which possesses superb cadres and workers and the best of equipment.

Of course, in regard to the allocation of productive forces, attention should also be paid to the development of light industries in the interior of our country, a shortcoming of the past to be overcome. It is common knowledge that industries are more advanced along the seacoasts in our country, and their products are of better quality. In spite of the impracticality of the simple proposition of getting the interior light industries to catch up with the well-known brand-name products produced in the coastal areas in a short period of time, consideration has to be given to the problem of transportation. In other words, it is undesirable to devote all our efforts to persistently develop the light industries of the coastal areas and then organize sales to the interior part in immense quantities. This may likewise give rise to new economic irrationality due to lack of careful thinking and to poor distribution.

Are the conditions of the interior of our country adequate for the development of the machine-building industry? Insofar as the electrical machinery products are concerned, raw materials are available for local supply. If products can also be marketed locally, it should be said that this is rational economically. Therefore, at least a positive response should be given in making our plans, if production of suitable products is organized in accordance with the requirements of the interior markets. Special attention should be paid to the planning of production of daily-use electrical and mechanical products. Factories should be made to produce the parts in accordance with the principle of specialized production, and utilization should be made mainly of the existing technology (similar technology) of the enterprises. Finally, the general assembly work should also be carried out among the existing enterprises. No emphasis should be given to setting up new specialized plants. In this way, savings can be made in state investments as well as in time, while full play can be given to the production capacity of the existing enterprises in the production of more daily-use electrical and mechanical products. In the interior of our country, such machine-building enterprises are quite large in number. To organize them and divert their production to daily-use electrical and mechanical products is not only in conformity with the guideline in readjusting the machine-building industry but is also a main aspect of the current readjustment of the allocation of productive forces.

The above-mentioned three readjustments of the machine-building industry are related. Overall consideration should be given in the process of readjustment in order to get better results. Meanwhile, it should also be noted that the task of readjusting the machine-building industry is closely related to that of the readjustment of the national economy as a whole. Consequently, every part of its readjustment must accurately manifest the requirements of the readjustment of the national economy.

The task of readjustment of the machine-building industry is a strenuous one. It may take several years, perhaps even a longer period of time. The accomplishment of these readjustment tasks are inseparable from the necessary reforms of the machine-building industry. In other words, readjustment and the necessary reforms must be concurrent. It is inconceivable to undertake readjustment in the first

5 years and then carry out reforms in the next 5 years. Readjustment and reform are complementary. When we say that reform is subordinate to readjustment, while readjustment stimulates reform, we mean to avoid overanxiousness in carrying out reforms. It is unrealistic and impractical to attempt overall reform and implement it at present. However, we must also realize that amidst readjustment there must be the necessary reforms, without which the task of readjustment cannot be carried out. Let us look into the reforms that must be carried out during the readjustment period.

First, the Reform of the Management of the Machine-Building Industry

The industrial management system being practiced in our country exercises its control over the enterprises by trades (departments) and geographical districts. Our country has over 400,000 enterprises, which are classified into various categories and divisions and are under the jurisdiction of 40-odd departments as well as the administrative organs of the 29 provinces and municipalities. Despite the fact that the enterprises are in principle the state's economic units at the basic level and have an independent economic accounting system, without exception, the government organs of all levels may intervene in their economic activities. In this respect they are not actually independently operated units. In fact, the enterprises do not have the right to operate independently with respect to their production activities. The actual operational authority is in the hands of the government organs which are in charge of the enterprises. The enterprises do no more than fulfill the tasks assigned by the government organs according to a schedule just as factories do in manufacturing goods by order. Inasmuch as these enterprises do not have opertional authority in the process of socialized production and circulation, they can in no way assume any responsibility in respect to their economic activities. Those in charge of the enterprises assume responsibility only for administration (fulfilling tasks according to schedule) and nothing in regard to operations.

The divorce of production from circulation and of the administration from operations of the enterprises imposes very serious passive effects on the industrial economic activities of our country. A system comprising a whole set of purely administrative methods in control of industrial activities has been formulated. In order to manage such a large number of industrial enterprises many organs have been set up, and a large number of personnel have been employed. What is more serious is that the procedures are cumbersome and numerous, the administrative elements overlap, and efficiency is low. This of course does not fit the requirements of socialized large production. From the standpoint of operations and management, the industrial productive forces are held back. The economic efficiency of the fixed assets of our industry is so low mainly because the shortcomings of our existing industrial management system.

The question of enterprise autonomy has already been brought up in the readjustment period. In brief, autonomy means independent operational authority and actually being the economic units of the state at the basic level. In this way, through painstaking operations and management the enterprises give full play to their roles, satisfy the needs of society and create more accumulation for the state. This reform is bound to be implemented, and only by carrying out this reform can we realize the goal which we have been discussing for years, namely to manage our industry by economic methods.

In the management of the machine-building industry, there is another urgent problem, namely getting rid of the barriers between departments and geographical regions so that national planning and arrangements may be made for the production activities of the machine-building industry.

Strictly speaking, the development of the machine-building industry of our country started only after liberation of the whole country. Before liberation, there were only a few repair and spare parts factories. During the past 30 years, there have been two important changes in the development of the management system. The first change occurred in the period of the "great leap forward," when the guideline of giving play to two initiatives was formulated. It was emphasized that enterprises were to be the concern of the lower-level authorities; the various departments of the central government should take no charge of, or less charge of, the affairs of the enterprises and leave them to the care of the provinces (or municipalities) to which the enterprises belonged. However, as the implementation of the guideline was enforced, it was not the provinces (or municipalities) alone which shared the management of the enterprises with the central government, but the prefectures and smaller municipalities also shared with the provinces (or municipalities), and the counties and districts shared with the perfectures and smaller municipalities. This was the first major decentralization of management of the machine-building industry. The outcome of this was that the various departments of the central government, the provinces (or municipalities), the prefectures, the smaller municipalities, the counties and the districts all have their own machine-building industries. As the machine-building industry is basically a horizontal industry--every mechanical and electrical product requires extensive cooperation among many enterprises in order to finalize the assembling of the end product--eventually, this leads to the situation of mediocrity in the industry as a whole. Numerous enterprises undertaking duplicate production were constructed as enterprises strived to produce complete sets of equipment, leaving the rectification of the administrative management of the machine-building industry untouched. The result was excessive decentralization. The result was excessive decentralization. The second change occurred during the latter part of the cultural revolution. The dual system of the machine-building industry was emphasized under the guideline of giving play to two incentives. In this system, the machine-building industry was responsible for the production of general machinery, while the production of the special purpose machinery was left to the respective government ministries. For example, coal machinery was to be produced by the Ministry of Coal Industry, oil-producing equipment by the Ministry of Petroleum Industry, to the point that large construction machinery was produced by the various construction departments and fire-fighting equipment was produced by the Ministry of Public Security. What resulted from this was another case of excessive decentralization, giving rise to even more serious duplication and waste, and causing many enterprises to operate below capacity year-round with their fixed assets left seriously idle. This is a kind of blind order due to lack of knowledge and of realization that while different machines for different uses have different requirements, they, including electronic equipment have much in common structually and technologically. The result of this can only be excessive dispersal of the limited funds at the disposal of the state and the rise of numerous duplicative enterprises. A typical example of this is our automobile industry. The annual volume of this industry is very small, but there are as many as 100-odd automobile plants. We must change this situation. It is imperative that the management system of the machine-building industry be reformed during the readjustment period. Otherwise, under the limitation of the departmental and local ownership systems, it will be impossible to carry out effective readjustment of the machine-building industry on a nationwide basis.

At the very beginning of the economic readjustment period, the state machine-building industry commission was set up by the State Council. In theory, it appears that one more unit is added to the hierarchy of government organization, but this is quite necessary for the adjustment and reform of the machine-building industry. The reason is that only through such an organization can the productive capacity of the machine-building industry of the various departments and districts be brought under unified control so that overall planning and arrangements can be made and the task of readjustment be effectively achieved.

Second, Reform of the Organizational Structure of the Machine-Building Industry

The development of the machine-building industry has brought into being a strong base comprising approximately 100,000 enterprises with 12 million staff and workers and more than 2 million machine tools. Of these enterprises, only 6,000-odd enterprises are large and medium-sized, but all of them are economic units of the state as well as the planning units of the state at the basic level. This poses a problem for the state in planning and management, because the services covered by the machine-building industry are very extensive and the production of a product requires much cooperation among the enterprises. This is the reason why the State Council has indicated that the road of unification should be taken whereby the related enterprises can be organized into corporations (also called integrated enterprises) in accordance with internal relationships. These corporations are economic units as well as the planning units of the state at the basic level. Being able to unify the process of production and distribution, they become independent legal persons, not only beneficial to the planning and management of the state, but also to the enlivening of the initiative of the enterprises. This changes their status as appendages of government organs. Instead, they become independently operated economic groups.

The Shanghai Shipbuilding Corporation has already been set up in the readjustment period as an organization embracing the shipyards and plants producing parts to fill the gaps in completing sets of equipments in the neighboring areas of the district, so that the restrictions resulting from barriers between departments and districts can be removed and independent operations ensured. This is the practical road for the machine-building industry to take in readjusting the organization and structure of the enterprises involved.

Here it can be seen that without the reform of the management system of the machine-building industry it would be impossible to break through the barriers between the departments and districts in order to carry out reforms of the organization and structure of the enterprises. Again, without carrying out such a reform, the tasks concerning product composition (service orientation) and production organization (specialization) will not be successfully accomplished. Of course, aside from the reform of management system, there are also certain auxiliary reforms regarding management and methodology, which are also very important. These should be treated in another article, as the machine-building industry during the readjustment period and to demonstrate the necessity of concurrently carrying out certain reforms. Concerning the relationship between readjustment and reform, while this relationship can be summarized by the statement that reform is subordinate to readjustment and stimulates readjustment, it should be added that readjustment and the necessary reforms must be carried out concurrently and that reform must be carried out in accordance with the requirements of readjustment.

In the process of reform, great resistance to reforming the management system, has been evident. It is true that the enterprises are entities under whole-people ownership system with the relationship of subordination originating from authority being delegated by the state to the government organs concerned. Therefore, there should not be obstacles to the reform of the management system under the socialist system, since there is only one criterion for making reforms namely the reform must be stimulative and conducive to the development of productive forces. Basically the life and death struggle under the capitalist system no longer exists. Yet, we should not underestimate the influence of private ownership over the past several thousand years over people's mind. Such a mentality very often inherits the ideology of the small producers, which admires and seeks the rosy prospects of self-sufficiency, always longing for an independent setup despite its unfavorable effect on socialist large-scale industry. In such a frame of mind, one would feel a sense of loss at the very mention of reform and would always look for reasons to defend the old system. All these are reasons for the resistance to reform, which should not be taken lightly. One interpretation puts readjustment first and reform second. This is a wrong formulation. Setting the two apart as being totally unrelated is actually an appeasement to the resistance against reform. We should persist in the guideline formulated by the 3d plenary session of the 11th CCP Central Committee, namely to carry out readjustment, restructuring, reorganization and upgrading in the national economy. The machine-building industry should implement this eight-character policy in an all-round way. We should first have a thorough discussion to make clear the overall readjustment task of the machine-building industry, and then studies should also be made with regard to reform. The two must be carried out simultaneously so that the successful accomplishment of the readjustment tasks can be guaranteed and accelerated.

CSO: 4006/138

INDUSTRY

BRIEFS

SICHUAN METALLURGICAL INDUSTRY BOOSTED--Since last July the metallurgical production has been developing well and the monthly total output value exceeded 200 million yuan in 3 months successively from July to September. By the end of September, 83 percent of the planned output value had been fulfilled and it has been forecast that the quota will be overfulfilled by 9 percent. [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 31 Oct 81 HK]

CSO: 4006/127

DOMESTIC TRADE

FUJIAN HOLDS FINANCE, TRADE CONFERENCE

OW170615 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 16 Nov 81

[Text] The recent provincial conference on finance and trade work called on the commercial supply and marketing departments at all levels to strengthen their leadership and make good arrangements for rural markets, which serve 85 percent of the population. The conference held by the Fujian Provincial People's Government specifically studied how to clear the channels for commodity circulation in order to facilitate the supply of industrial products to rural areas.

The conference demanded: It is necessary to continue the principle of two priorities. In the supply of those industrial products which both urban and rural areas need, priority should be given to rural areas. Commodities in general should be supplied to rural areas on a priority basis to satisfy the needs of the rural market. We should strive to sell more commodities in rural areas in order to withdraw more currency from circulation. Eighty percent of the increased portion of the annual output of the commodities which are in short supply, such as bicycles and sewing machines, should go to the rural areas, and 20 percent should be sold in urban areas. The deficit in commodity supply to rural areas for the first 9 months of this year should be made up. Unhealthy tendencies such as unauthorized retention or distribution of commodities and "opening the back door" must be resolutely stopped. We should make sure that the commodities are supplied to the peasants. A portion of the commodities in short supply should be set aside to reward the collectives and peasants making great contributions through the sale more agricultural and sideline products.

The conference also demanded: The wholesale commercial enterprises should support and direct the supply and marketing cooperatives to promote sales of industrial products. They should open their stock and give the supply and marketing cooperatives a choice, rather than compel the cooperatives to buy a certain percent of unmarketable goods as a condition for the deal. The supply and marketing cooperatives should improve the sale of industrial products for daily use, prevent the tendency of paying more attention to major commodities and less attention to small goods and increase the variety of goods on sale as much as possible. The agricultural banks at all levels should extend loans to support the supply and marketing cooperatives if they are short of capital. The commercial supply and marketing departments should hold commodity fairs of various forms to make the supply of industrial products to rural areas more active. At the same time they should ask licensed pedlars to sell goods in the countryside. Commodities sold by the industrial department itself should also be geared to the need of the rural areas.

The conference, which closed today, also urged the county and municipal people's governments to set specific requirements for the supply and marketing cooperatives to sell the building material the rural areas urgently need, such as cement, rolled steel and glass, in order to satisfy the needs of the rural areas.

CSO: 4006/127

BRIEFS

TIANJIN COMMENTARY: ILLEGAL MARKET ACTIVITIES--According to departments concerned, there have recently been lawless persons around farm and sideline produce markets and stations frequently forcing farmers to sell their farm and sideline produce at lower prices and then reselling the goods at higher prices. This is illegal and rude. There have also been a few individually-owned stores violating regulations on food sanitation to sell unsanitary foods. This must not be tolerated. We must resolutely stop this and strengthen the management of markets. We must understand that forcing farmers to sell their goods at lower prices and reselling the goods at higher prices is illegal. They have nothing to do with the transportation links needed by farmers after they deliver their goods to urban areas. They are not only harmful to the markets but also directly impinge on farmers' and consumers' interests. We must deal with such activities according to law to protect legal deals and consumer interests. Food sanitation has a vital bearing on the people's health. Foods must be produced and sold in strict accordance with the regulations for food sanitation. Any violation of these regulations is considered illegal. Therefore, we must check these illegal activities and punish those who have bad consequences to safeguard the order of markets and protect the people's health. [Station commentary: "Strengthen Market Management, Protect Legal Deals and Attack Illegal Activities"] [Text] [SK130908 Tianjin City Service in Mandarin 1430 GMT 12 Nov 81]

SHANDONG MARKET PAPER--In order to expand reports on market activities, the propaganda department of the Shandong Provincial CCP Committee recently approved the renaming of Luwu Shichang Bao [Luwu market paper] as Shandong Shichang Bao [Shandong market paper], effective 1 January 1982. The paper will carry reports on market trends, Shandong's products, landscapes in Shandong, information on commodities, etc. Subscriptions for the paper can be made through post offices througout the country. [SK050138 Jinan Shandong Provincial Service in Mandarin 2300 GMT 2 Nov 81]

NEI MONGGOL ABSORBS SHANGHAI INVESTMENT--At the North China economic and technological cooperation conference held in Hohhot not long ago, the Nei Monggol autonomous region made a package deal with Shanghai municipality on economic and technological cooperation. Shanghai has invested 10 million yuan on highway construction in forest areas and comprehensive utilization of timber. The region will recompense Shanghai with timber and timber products. Shanghai also promised to offer bicycle electroplating and lacquering techniques and help the region develop production of quality candies, cold drinks and meat products. [SK192244 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 16 Nov 81]

JILIN UNDERGROUND MARKET--An underground market, the first of its kind in Changchun, Jilin Province, has opened business on 24 October. This market is 1,600 meters long and 6.4 meters wide and 24 state-, and collective-and individual-run units, including two department stores, are doing business there. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 24 Oct 81 SK]

PRICE RISE RUMOR DENIED--According to our sources, a rumor has recently been spread in society that the market prices of sugar, wool fabric, cotton cloth, coal and matches will be raised. Thus, many people are vying with each other to purchase such commodities. In this regard, Comrade (Liu Bixian), director of the provincial commercial department, has said in an interview with our reporter: it is still our principle to stabilize the prices of goods proceeding from the overall situation of stability and unity and taking into account the interests of the state, collectives and the masses. Sugar, wool fabric, cotton cloth, coal and matches are daily necessities of the people and, therefore, the prices of such goods must be stabilized. It is merely a rumor that there will be price rises for such goods. For the past many years, the state has adopted a policy of price subsidies for daily necessities such as coal, vegetables and meat. The vegetable and meat subsidies alone granted to the people by our province total 26 million yuan each year. In future, the state will continue to adopt a policy of subsidies to stabilize the prices of daily necessities. Departments concerned should extensively propagate and explain to the people the pricing policy of the party and government, and the masses should not believe and spread such rumors. [Text] [SK191004 Larzlow Gansu Provincial Service in Mandarin 1125 GMT 18 Nov 81]

CSO: 4006/124

CONFERENCE MAPS OUT FOREIGN TRADE STRATEGY

HK210142 Beijing CHINA DAILY in English 21 Nov 81 p 1

[Text] China must set up more factories and workshops devoted solely to the production of export commodities in order to expand her foreign trade, the national foreign trade planning conference says. This is part of a comprehensive strategy mapped out by the conference for development of foreign trade in 1982.

Other measures include:

--Expanding production of commodities which are in high demand on the world market.

--Improving salesmanship and eliminating red tape and bureaucracy.

--Strengthening management and cost accounting, and improving performance levels in fulfilling contracts.

--Carrying out reforms of the foreign trade system by implementing centralized guidelines, but allowing for some autonomy and initiative at lower levels.

Factories which produce export commodities should be located in coastal areas--the cities of Shanghai and Tianjin, and the provinces of Guangdong, Shandong, Liaoning and Jiangsu--because these regions are more advanced in industry, technology, management techniques, and communications facilities, the conference said.

These factories will mainly produce consumer goods and textiles. They will also process imported raw materials.

To meet the demands of the world market, agricultural and sideline product bases will also be established. For example, rabbit fur and pear export bases will be set up in the areas which produce these commodities.

It is estimated that in the next 4 years, the amount of purchases made at these bases and tories will increase an average 7.8 percent per year.

As an incentive, factories which produce high quality commodities will receive favored treatment in prices, taxes, and credits from the state. These products will also be given priority in export.

The conference said existing bases and factories which are devoted to export products should be further consolidated. Cold storage, processing, and transport facilities in these areas must be improved, the conference said.

The present emphasis should be on areas that raise pigs, oxen, ducks, rabbits, and martens for export, it said.

CSO: 4020/34

'FUJIAN RIBAO'ON BUILDING OF XIAMEN ECONOMIC ZONE

OW181413 Fuzhou FUJIAN RIBAO in Chinese 10 Nov 81 p 2

[Article by Chen Mingge: "Accelerate Construction of Ximen Special Economic Zone"]

[Excerpts] After a year's active preparations, the consturction Xiamen special economic zone has entered a new stage. This article contains my personal opinions of how to accelerate the special economic zone's construction.

Work started recently on the first-stage construction of the Huli processing district of the Xiamen special economic zone. To guarantee the speed and quality of the capital construction so that the special economic zone can provide the material conditions for businessmen to invest and build factories within a relatively short period of time. We must adopt new management procedures. Now that the overall plan has been submitted and approved, the question is whether it is possible to adopt a competitive, or open-bidding, system for plans on small sections and individual projects which can be designed separately. This method is obviously better than having the "sole organization" do all the planning. In organizing the construction forces, we also should consider combining state arrangement with open-bidding. With the designs and plans selected by the special economic zone, a number of building construction firms can be invited to submit bids, and contracts should be awarded firms offering the best terms.

While moving on with the capital construction in accordance with the overall plan, we must also study and formulate a plan for the special zone's economic development. It has now been clearly defined that Xiamen special economic zone should be built into a special zone which concentrates mainly on processing for export and at the same time attracts tourists and other trades. At present, we should develop mainly labor-intensive industries which cause little pollution and consume less water and power. Later on we should develop step by step technological-intensive industries. This consideration is based on our present conditions. We should also welcome businessmen to invest in electronics industry (including household electric appliances), light and textile industry, precision instruments and meters, clothing, leather products, toys, furniture, precision machinery, plastic products, jewelry, food industry, printing industry and so forth.

To insure smooth progress of the construction of the special economic zone, we must establish a highly efficient administrative organization for the special zone. Its structure must be simple; it must have sufficient powers; there must be fewer administrative levels; cadres must be small in number but highly trained; and there must be a clearly defined responsibility system to mete our rewards and punishments fairly and strictly.

CSO: 4006/126

DISCIPLINE INSPECTION COMMISSION ON KICKBACKS

OW102022 Hangzhou Zhejiang Provincial Service in Mandarin 1040 GMT 10 Nov 81

[Text] The discipline inspection commission of the Zhejiang Provincial CCP Committee recently issued a circular commending a number of comrades for observing discipline and saving foreign exchange during their study and business tours in foreign countries, Hong Kong and Macao. The circular also criticized a small number of comrades for their improper practices.

From last year to the end of April this year, departments under the Zhejiang Provincial Government dispatched 19 delegations consisting of over 100 persons to foreign countries, Hong Kong and Macao. The Provincial Discipline Inspection Commission, after investigating 14 of the 19 delegations, discovered that a delegation of the Silk Import-Export Company under the Zhejiang Provincial No 1 Light Industry Department, while on a visit to Japan, paid attention to saving transport and food expenses. Its cost of living only accounted for 39 percent of the amount stipulated by the state. A delegation of the Provincial Travel and Tourism Bureau and the China Travel and Tourism Bureau, while on an inspection tour in Hong Kong, strictly observed the central authorities' regulation prohibiting the acceptance and presentation of gifts. Comrades (Ding Siqi) and (Fen Zhufang), of the Zhejiang Provincial Publishing Bureau, spent most of the time in studies during their more than 1 month of technical training in Japan. They spent only half a day for sightseeing. In its circular the provincial discipline inspection commission commended these good people and good practices.

The circular also criticized the bad practices of a number of people who, while on inspection or business tours in foreign countries, tried to establish a relationship with foreigners, squandered foreign exchange to buy luxurious products and accepted kickbacks and gifts from foreign businessmen. They even tried to smuggle luxurious commodities into the country. In this connection, the circular made the following four stipulations:

1. The implementation of the central authorities' regulation on prohibiting the acceptance and presentation of gifts by anyone who is on inspection or business tours outside the country must be reemphasized. Gifts accepted after the issuance of the central authorities' relevant document must be reported to the general office of the provincial people's government for handling according to the regulation.

2. Establishing private relationships with foreign businessmen, presenting and accepting gifts in a concealed manner, accepting kickbacks from foreign businessmen and buying luxurious commodities are a disguised form of giving and accepting bribes. Gifts and kickbacks given by foreign businessmen must be turned in to the state.

3. Bringing commodities or products into the country without paying taxes is a disguised form of smuggling. Owners of these commodities or products must pay the tax.

4. The units to which the personnel who have violated customs regulations and discipline belong should conduct criticism and self-criticism. Disciplinary action should be taken against those whose cases are serious and who adopt a bad attitude toward their mistakes.

CSO: 4006/125

BRIEFS

SHANGHAI SHIPBUILDING INDUSTRY--Since last year, foreign firms have signed contracts with various shipyards in Shanghai for building 55 ships with a total tonnage of more than 500,000 dun. The total value of those contracts exceeds 400 million dollars. [OW271337 Shanghai Jiefang Ribao in Chinese 18 Oct 81 p 1]

FUJIAN FOREIGN TRADE--Fujian Province has transacted business with 124 foreign countries and places abroad. The total amount of this province's exports in 1980 was 47 percent more than in 1979. The total amount of exports from January to September this year was slightly more than in the corresponding period last year. Except for rice and granulated sugar which were not exported this year, the total amount of exports from January to September this year was actually about 10 percent more than in the same period of last year. This province's trade with Hong Kong, Macao, the United States, Japan, EEC, the Gulf petroleum-producing countries and Southeast Asia has thrived. The total amount of this province's exports to the United States in 1979 was some $7 million and in 1980 was some 21 million. Over the past 2 years, some 90 products of the province have been added to the list of exported products. The amount of light industrial and textile products, handicrafts and minerals exported has accounted for 75 percent of the total amount of exports. In the past, no textile products were exported but the amount of textile products exported in 1980 was valued at approximately $3 million. The amount of textile products exported from January to September this year was 65 percent more than in the corresponding period last year. [Beijing Zhongguo Xinwen She in Chinese 24 Oct 81 HK]

RARE EARTH EXPORTS INCREASED--Beijing, 19 November (XINHUA)--China this year has signed contracts with foreign dealers for exporting rare earths and rare earth products worth 16 million U.S. dollars, four times that of 1980, according to the national conference on wide application of rare earths which closed here today. Of the exported rare earths, the biggest export item is rare earth chlorides. Other include rare earth oxides, rare earth fluorides and rare earth concentrates. In recent years, China also has begun to export various kinds of color glassware, sanitary ceramics and glazed tiles, with rare earth content, rare earth-magnesium nodular iron castings, and opitcal lenses polished with rare earth polish powder. At the conference, participants discussed policies for developing China's rare earth industry and measures for the wide application of rare earth products. The conference decided to adopt new techniques and expand the export of rare earths and their products. [Text] [OW190904 Beijing XINHUA in English 0811 GMT 19 Nov 81]

SHANTOU PREFECTURE'S FOREIGN COUNTRACTS--Guangzhou, 19 Nov (XINHUA)--Shantou Prefecture in Guangdong Province has boosted its economy and expanded exports through imports of capital and equipment, and doing processing and assembling work for Hong Kong and foreign firms, according to prefecture authorities. Since 1979, they said, the prefecture has signed 1,248 contracts with Hong Kong and foreign firms. In the first 9 months of this year, income from these businesses was 10 million U.S. dollars, double the 1980 figure for the same period. Approximately 560 enterprises have been established using foreign investment and doing processing work for Hong Kong and overseas firms. They mainly cover the fields of garments, woollen knitwear, imitation leather, paper crafts and tourism. [Text] [OW190915 Beijing XINHUA in English 0738 GMT 19 Nov 81]

GUANGZHOU DUTIES ON COMMODITIES--To restrict the importing of commodities, such as TV sets, the Guangzhou municipal customs recently received a notice from the general customs administration that effective from 1 November 1981, the duties on some imported commodities will be revised. After the revision, the duties on TV sets will increase by 5 times, on tape recorders the duty will be doubled and on pocket electronic calculators the duty will be approximately doubled, as compared with the original duties. [Guangzhou Guangdong Provincial Service in Mandarin 2300 GMT 31 Oct 81 HK]

HUNAN CONTRACTS WITH PAKISTAN--On 3 October, at the Hunan Provincial machinery, electrical appliances, light industrial and textile products and new daily-use machines fair, the Provincial Machinery and Equipment Import and Export Company signed three contracts with Pakistan I firms. The total number of diesel engines involved in the export contracts was 560, the value of which is $150,000. The foreign firms were interested in the No 2105 diesel engine manufactured by Hunan Motor Plant and in the diesel engines manufactured by Xiangtang Diesel Engine Plant. After their visit to these two plants, they signed these contracts. [HK291017 Changsha Hunan Provincial Service in Mandarin 2300 GMT 12 Oct 81]

JILIN FOREIGN TRADE--Jilin Province has successfully advanced foreign trade transactions. By 20 September, the province's import-export volume had reached 173.5 million dollars. The export volume was 101.6 million dollars, more than a 100 percent increase over the corresponding 1980 period. The import volume was 11.9 million dollars, more than a 200 percent increase over the corresponding 1980 period. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 28 Oct 81 SK]

CSO: 4006/124

PLA RAILWAY CORPS COMMENDS ADVANCED PERSONNEL

OW210401 Beijing Domestic Service in Mandarin 1200 GMT 20 Nov 81

[Text] The leading organ of the PLA railway corps held an award presentation meeting on the afternoon of 18 November to commend advanced units and individuals who had made remarkable achievements in repairing the flood-damaged Baoji-Chengdu railway.

When the Baoji-Chengdu railway was damaged by the recent flood, some 2,000 fighters and commanders of a certain unit under the PLA railway corps were ordered to take part in the repair of the most seriously damaged and most difficult to repair middle section of the railway. After 14 days and nights of arduous work and by overcoming various unexpected difficulties, they completed the repair work 22 days ahead of schedule, thereby achieving remarkable success in reopening the whole section of the Baoji-Chengdu railway to traffic.

Some 260 personnel of this unit rendered outstanding service in the repair work and some 1,440 personnel were cited for meritorious service. Commander (Jiang Beiyin) of this unit won a second class merit citation for leading his men in the work and for his outstanding leadership.

Speaking at the award presentation meeting, Commander Chen Zaidao and second political commissar Kuang Fuzhao of the PLA railway corps called on all ranks of commanders and fighters of the railway corps to learn from this unit the spirit of arduous struggle and earnest and down-to-earth work, to carry forward the fine tradition of always paying attention to the interest of the people and to make new contributions to the four modernizations.

CSO: 4006/138

HISTORICAL ATTITUDE TOWARD CAPITALISM, BOURGEOISIE REVIEWED

Beijing ZHONGGUO CAIMAO BAO in Chinese 15 Sep 81 p 3

[Article by Sun Qimeng [1327 6386 1322]: "Theories and Policies on National Capitalist Inudstry and Commerce and National Bourgeoisie According to Mao Zedong Thought"]

[Text] When China was ushered into the age of socialist revolution, the CCP and the Chinese people immediately faced a brand new historical task, namely, the replacement of the system of capitalist ownership by that of socialist ownership and the elimination of the national bourgeoisie. This was an arduous and complex task, but it had to be accomplished, because there could be no socialism to speak of if this task were left unaccomplished.

The facts show that our party led the Chinese people in the accomplishment of this gigantic historical task, and the manner of accomplishment was very remarkable. The "Historical Resolution" realistically says: "During the period of transition, our party creatively charted a course for socialist transformation that suited China's specific conditions. In dealing with capitalist industry and commerce, we devised a whole series of transitional forms of state capitalism from lower to higher levels, such as the placing of state orders with private enterprises for the processing of materials or the manufacture of goods, state monopoly of the purchase and marketing of the products of private enterprises, the marketing of the products of private enterprises, the marketing of products of state-owned enterprises by private shops, and joint state-private ownership of individual enterprises or enterprises of a whole trade, and we eventually realized the peaceful redemption of the bourgeoisie, a possibility envisaged by Marx and Lenin."

How was the task of eliminating the national bourgeoisie carried out? These were the facts for all to see: By 1956, the system of private ownership had been in the main replaced by that of socialist public ownership of the means of production; and, by 1966, fixed interest, a vestige of capitalist exploitation, had been abolished. In these concrete conditions, capitalists as a class ceased to exist in our country, and the vast majority of those who were able to work were transformed into laborers living on the fruits of their own labor. They even became a force contributing to the success of the state and socialist construction.

Despite certain mistakes in the course of this great, unusual social change, there was no shooting or bloodshed of any kind. On the whole, there was a fairly normal production and social order. Isn't this like a miracle? There were many causes of this miracle, but the most important one was that the party Central Committee, headed by Comrade Mao Zedong, had worked out a whole set of theories and policies based on the basic tenets of Marxism-Leninism and consistent with conditions in China, for the gradual elimination of national capitalism and the national bourgeoisie. These theories and policies constituted an important component of Mao Zedong Thought, and this component vividly showed the brilliant success of the application and development of Marxism-Leninism in China. All these were facts. Judging from the way former industrial and commercial workers recently studied the "Historical Resolution," we can see that the problem concerning the historical position of Mao Zedong Thought has been fairly satisfactorily solved, simply because irrefutable facts have enlightened even these people.

Difficulty may not be known to people who have not experienced it. If we review the past, there were at least five very difficult problems in the arduous revolutionary task, as mentioned above. First, during the period of socialist revolution, could the concept of dividing the bourgeoisie in our country into big bourgeoisie and national bourgeoisie remain valid? Second, did the national bourgeoisie in that historical period have a dual nature? If so, what were its main features? Third, would it be possible to transform national bourgeois elements into laborers living on the fruits of their own labor? Fourth, what policies should be adopted to substitute the system of socialist ownership for that of capitalist ownership? Fifth, what policy should be adopted in the elimination of national bourgeoisie?

On the first problem. It is the nature of all bourgeoisie to exploit the working class for profit. In old semicolonial and semifeudal China, such a class could be divided into two different types, namely, the big bourgeoisie of a compradore character and the national bourgeoisie. There was a controversy in the party over this concept, but Comrade Mao Zedong's scientific class analysis enabled him to triumph over his opponents. The victory of the new democratic revolution further proved that Comrade Mao Zedong's scientific theory was beyond dispute. Now the question is: In the period of socialist revolution, when the contradiction between the working class and the national bourgeoisie had become the principal contradiction in the country, in such circumstances was this concept already outdated or was it still valid? To this very sensitive question, Comrade Mao Zedong supplied an unequivocal answer on the eve of the founding of the People's Republic in his assertion that the national bourgeoisie was different from the compradore bourgeoisie, and that the former came under the category of people in a state under the people's democratic dictatorship. Later, the theories and policies dealing with the difference between the national bourgeoisie and the compradore bourgeoisie were treated as historical experiences of the party. In his book "On the Correct Handling of Contradictions Among the People," Comrade Mao Zedong also gave a very clear-cut exposition of these theories and policies. With the position of the national bourgeoisie--as a class to be eliminated--in our socialist revolution determined and confirmed in theory and policy, the other problems could be easily solved.

On the second problem. During the period of new democratic revolution, the national bourgeoisie did have a dual nature, as clearly proved not only in theory but also in historical experience. How was this nature manifested under conditions of the socialist revolution? On the eve of the founding of the People's Republic, Comrade Mao Zedong pointed out that, in that period, the national bourgeoisie had its importance, on the one hand, and its weaknesses because of its social and economic position, on the other. Later, he also concretely analyzed the dual nature of the national bourgeoisie and clearly pointed out: "In the period of socialist revolution, it exploits the working class for profit, on the one hand, and supports the constitution and willingly accepts socialist transformation, on the other." It was this dual nature which differentiated the national bourgeoisie from the compradore bourgeoisie as a particularity of contradiction. When the qualitative difference in the particularlity of contradiction is grasped, we can adopt different policies to solve contradictions of different natures.

On the third problem. Since exploiters and laborers are irreconciliable enemies, can national bourgeois elements be truly transformed into laborers living on the fruits of their own labor? To people accustomed to a metaphysical point of view, this type of transformation would be impossible. Even many of our comrades were not optimistic or positive about such a transformation, thinking that only a small number of advanced elements could be transformed. Comrade Mao Zedong repeatedly pointed out that people can be transformed. On the eve of the founding of the People's Republic, he proposed that, during the nationalization of private enterprises, we should carry out further education and transformation of the national bourgeois elements. Soon after the establishment of joint state-private ownership of enterprises of a whole trade, he again clearly pointed out that the bourgeois elements had already become managers of the enterprises under joint state-private ownership, and were in the process of being transformed from exploiters into laborers living on the fruits of their own labor. He also cited the abolition of fixed interest as a sign of the removal of the bourgeois label or the transformation of exploiters into laborers. He summarized the direction of this transformation in the phrase "abolition of class but survival of individuals." When the national bourgeoisie had been abolished as a class, what social status would the members of this class acquire in the socialist society? They continued to exist in our socialist country as socialist laborers, and to actively participate in socialist construction with good results. This was how things changed.

On the fourth problem. Based on our investigations and analyses of national capitalist industry and commerce and the above theories, our party and government adopted the method of peaceful transformation instead of violent methods for the solution of the problem of the capitalist private ownership of the means of production. To put it simply, only two methods were used: First, redemption and then payment of a fixed interest. Fixed interest was on the one hand, a token of separation of the capitalists from the means of production they formerly possessed. In essence, it represented a further step forward in the transformation of capitalist ownership of the means of production. The other method was the adoption of a national capitalist policy and then the transformation of joint state-private enterprises into state enterprises. All these became historical events in our country.

On the fifth problem. In view of the dual nature of the national bourgeoisie, the party, generally speaking, adopted the policy of unity (but not all unity) and struggle (but not all struggle), or what was called the policy of "unity, criticism and education." Generally, this type of criticism and education was integrated with the socialist transformation of national capitalist industry and commerce, and was called a "dual transformation," meaning the transformation of capitalists into laborers hand in hand with the transformation of capitalist enterprises into socialist enterprises. In carrying out this transformation, the party gave full play to the roles of the democratic groups (China's National Construction Association), the mass organizations formed by the industrialists and merchants themselves (the Industrial-Commercial Federation), and the backbone elements among them, in an effort to change the criticism and education of the national bourgeoisie by the working class into self-criticism and self-education by the national bourgeois people themselves. This method was highly successful, and the cause of success was that, in carrying out ideological education, we firmly upheld the basic tenets of dialectical materialism and proceeded from objective realities instead of subjective assessment, so that political and ideological work and encouragement for them to serve socialism became harmoniously integrated instead of being separated and set against each other. Experience has shown that the success of failure of political and ideological work depends on whether or not we can uphold the guiding thought of correctly distinguishing the contradiction between the enemy and ourselves from the contradiction in resolving contradictions in ideology among the people; and whether we can adhere to the basic method of unity-criticism-unity. We can say that such an experience is still useful today.

9411
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'DAZHONG RIBAO' ON SYSTEM OF ECONOMIC RESPONSIBILITY

Jinan DAZHONG RIBAO in Chinese 4 Oct 80 p 1, 3

[Editorial: "Continue the Vigorous Promotion and Perfection of the System of Economic Responsibility in Industry"]

[Text] Since the system of economic responsibility was adopted on the industrial-communications front in our province, both the production by enterprises and the spiritual outlook of the workers have undergone a remarkable change and a new atmosphere rarely seen in recent years now prevails. The morale of cadres has been heightened, the enthusiasm of workers has been further aroused, and the management of enterprises has been further improved, resulting in a general increase in both production and income. Compared with the first four months, the total industrial output value in the province in the period from May to August increased by 0.2 percent, and the profits handed over to the state increased by 43.9 percent. How can the system of economic responsibility have played such an important role? Essentially, the close combination of authority, responsibility and benefits under the system of economic responsibility has formed a direct link between the distribution of enterprise profits and the result of business management, and between the workers' economic gains and their labor expended. This system has changed the time-honored practice of "eating out of the same pot" and equalitarianism in industrial management and the separation between authority, responsibility and benefits, and has thus greatly aroused the enthusiasm of the enterprises and the broad masses of workers and staff members. As a result, the enterprises have improved their management and given full play to the innate forces of production. The tremendous role played by the system of economic responsibility can never be overestimated. It signifies an important reform in the system of management. Its orientation is correct and its significance profound and far-reaching. We must continue to promote and perfect this system with great efforts and be determined to carry this reform through to the end.

The adoption of the system of economic responsibility involves many problems relating to policies and the overall situation. Since we are inexperienced in this respect, we must be very careful in studying the new situation and in guarding against the emergence of new problems so that the system of economic responsibility can continue its improvement and healthy development.

The enterprises practicing the system of economic responsibility should pay great attention to the close combination of production and social needs, and organize their production according to social needs and state planning. The purpose of the system of economic responsibility is to fully arouse the enthusiasm of the broad masses of workers and staff members, to tap the potential of enterprises, to increase economic benefits, and to produce more goods to meet social needs. In production, therefore, they should make every effort to complete their profit plans and to make maximum economic gains with regular and proper methods. At the same time, they should produce readily marketable goods of fine quality to meet social needs. If they produce purely for profit and pay no attention to the quality and variety of the products or to social needs, they will bring about new waste and unjustifiable loss to the society. To promote the close integration of production by the enterprises and the needs of the society, contracts for the supply of goods should include not only the profit index but also stipulations on the quantity, quality and variety of products. There should also be an overall evaluation of the enterprise's performance, and if it fails to measure up to the terms of the contract, its share of the profits should be appropriately reduced. By this means, we will guard against a dislocation between production and social needs resulting from reluctance on the part of the enterprise to produce anything that is not highly profitable. It can also help guard against sloppy work on the part of the enterprises, paying no attention to quality and ignoring the inconvenience thus caused to the customers. The inclusion of various main indexes in the contract serves the purpose of prompting the enterprises to the overall fulfillment of state plans. For the production of commodities that can bring little or no profit, appropriate allowances should be made for the enterprises concerned in the profit tax so as to arouse their enthusiasm for the production of less profitable items.

The enterprises practicing the system of economic responsibility should attach great importance to the improvement of the quality of their products. They should carry out conscientious education among their workers and staff members in "the primary importance of quality," and cultivate their sense of responsibility to the customers. In the case of enterprises paying piecework wages or above-quota piecework wages, the unit price should be determined on the basis of quality of the goods produced, according to the principle of more pay for high quality and less pay for low quality. The differences in piecework wages should be suitably enlarged so that the workers producing fine quality goods will receive better pay. The enterprises adopting the system of rewards should treat the quality of products as an important criterion for the evaluation of work, and there should be rewards for fine quality and punishment for inferior quality. These measures will encourage the workers to strive for good quality instead of quantity at the expense of quality.

The enterprises practicing the system of economic responsibility should carefully handle the relationship among the state, the enterprise and the workers. This is an important indication of the success or failure of the system of economic responsibility. At present, some enterprises are overstressing the interests of one or two parties and neglecting those of the third party. This is incorrect. They should carry out widespread and serious education among the workers and staff members on the need for the interests of all three parties to be considered. Everyone should be aware of the present financial difficulties of the state and the need to complete the major task of handing over state profits. The share for workers and staff members cannot be raised excessively; otherwise, it will add to the state's financial difficulties and to the pressure on supplies on the market. These enterprises must consider various aspects and on the basis of developing their production, steadily increase the income of their workers and staff members every year. This is consistent with the interests of the state as well as with the long-range benefits of the workers and staff members. This reason should be repeatedly and clearly explained to the workers and staff members. The correct handling of relationships among the three parties essentially means the increase of the enterprise's share of profits and the increased income of workers and staff members, provided the increase of state revenues is assured. The share of profits for the state should be larger than those of the enterprise and the workers, and the increase in wages should be commensurate with the increase in profits and the rise in labor productivity. An important point to note in the handling of relationships among the three parties is that the per unit production cost and the wage component in the production cost must be lowered instead of being raised. Specifically, there should be a rational base figure for contracted work and a rational ratio for profit sharing, in addition to an average advanced quota and a rational wage rate for piecework. These criteria have a direct bearing on the benefits of all three parties and must therefore be carefully followed. The enterprises paying piecework wages or above-quota piecework wages as a rule cannot appropriate any bonus fund, while those practicing the reward system should strictly control the rewards within set limits. At the same time, they must strictly enforce financial and economic discipline through constant inspections and supervision. Any violation of established policies, such as increase of prices in disguise, indiscriminate payment of subsidies, increase in production costs at will, withholding of state profits, tax evasions and so forth must be promptly exposed and rectified, and serious violations should be severely dealt with. In short, there should be more active leadership and strengthened supervision in order to insure the correct handling of the interests of all three parties and to guard against any discrepancy.

In popularizing the system of economic responsibility in the industrial-communications sector at present, great attention should be paid to the system of responsibility within each enterprise. For enterprises, workshops, work teams or even individuals whose output can be accounted for independently, the systems of piecework wages, above-quota piecework or small collective piecework wages should be adopted as soon as possible. If conditions are not yet favorable for these systems, great efforts should be made to create the required conditions for them to be enforced. The leading cadres of enterprises should also practice the system of economic responsibility. First, a system of job responsibility should be set up so that every leading cadre will clearly know his own responsibility. The system of job responsibility should be linked with the system of distribution according to work, and there should be both reward and punishment. The departments in charge of enterprises should likewise set up their own system of economic responsibility, which should clearly spell out the main responsibility of these departments in charge, namely, to help the enterprises solve the problems of coordination between production and marketing and other key problems in production, and to provide the necessary conditions for the enterprises to complete their production tasks. These departments in charge should also sign economic contracts with the enterprises and scrupulously observe these contracts. Those who have helped the enterprises increase production and income should be rewarded; if the reverse is the case, they should be held economically liable according to the contract terms.

Contracted work forthcoming on the industrial-communications front of the province should be quickly attended to. In principle, the base figures in this year's contracts should be used for those of the coming year, but allowances should be made for increases in production. For the enterprises that are expected to increase their profits, a certain percentage can be added to the base figures used in this year's contracts. The sharing of profits can also be correspondingly readjusted. As to those enterprises whose production tasks are expected to undergo a drastic change next year, readjustments should be made on the merits of each case. As a general rule, the contracted work for the next year should not be based on the tasks actually completed so far this year; otherwise, it may dampen the enthusiasm of the enterprises and the workers in the task of increasing both output and income in the last quarter of this year and in the coming year.

The adoption of the system of economic responsibility marks a breakthrough in the consolidation of enterprises and the improvement of enterprise management. After the adoption of this system, we must be careful in directing the enterprises' innate motive forces toward the consolidation of the enterprises, the improvement of their management and the increase of their economic benefits. There is now great waste among the enterprises. In some enterprises, "gold is littered everywhere." Therefore, one of the urgent tasks for the industrial-communications front is to consolidate the enterprises, eliminate the waste, and tap the potential of these enterprises. We should increase our efforts in streamlining and setting up leading bodies for the enterprises, in perfecting their leadership system, and in strengthening their basic work. We should also strengthen labor discipline, continue to learn from the experiences of Shanghai, and improve the management of enterprises. The provincial and various local authorities should work out their plans for consolidating the enterprises, with particular emphasis on streamlining those enterprises having high output value and earning high profits and those incurring losses. We should consolidate a number of backbone enterprises this year. A list should be compiled of the enterprises to be consolidated, and this work should be divided up and assigned to different leading cadres. Examination and evaluation of the results should be based on the six criteria for the consolidation of enterprises. Consolidation will help further strengthen the leading bodies, markedly raise the management and technical standards, and achieve better economic results in production.

9411
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PROBLEMS OF ECONOMIC RESPONSIBILITY SYSTEM DISCUSSED

Jinan DAZHONG RIBAO in Chinese 5 Oct 81 p 3

[Article by Lian Yanguang [6647 1693 1639] of Jinan Municipal Social Science Research Institute: "Discussion on Several Problems of the System of Economic Responsibility"]

[Text] The system of economic responsibility in various forms has now been popularized with great success on the industrial-communications and the finance and trade fronts throughout the country. As proved in practice, this is an effective measure to tap the potential of enterprises and to arouse the enthusiasm of workers, as well as the only way to improve the operation of socialist enterprises. Since we have not had much experience in the responsibility system, however, there are still many problems in our work which should be continually studied, changed, and gradually improved in practice. Our views on various problems in the practice of the system of economic responsibility are as follows:

Working out a rational and advanced index. Practice of the system of economic responsibility is a fairly good way to implement the principle "to each according to his work." However, we must work out an index which is both rational and advanced. The system of economic responsibility can take different forms in different trades, but all forms have a common characteristic, namely, distribution according to work by "linking output with remuneration." What base should be set for contracted work? What ratio should be used for sharing profits? What criteria should be adopted for evaluating the result of labor? What should be the per-unit price of piecework? In short, to what "output" should "remuneration" be linked? There should be some scientific data for working out a rational and advanced index. We must have such an index before we can successfully link output with remuneration in an enterprise, harmonize the relationships between various types of work and between various sequences of operation so that all workers will work in unity and strive to overfulfill the quota set for the enterprise. Only thus can we command an overall view of different enterprises, evaluate the business performance of each enterprise with fairness, handle the relationship between the advanced and the backward enterprises, and spur on the latter to catch up with the former. Only thus can we satisfactorily handle the relationships between the interests of the state, the enterprise and the workers, and enable the enterprises to retain more profits and the workers to receive more income, with increased state revenues as a precondition.

To work out a rational and advanced index for an enterprise, we should first form the concept of distribution according to work, or calculation of the result of labor according to the socially necessary time expended, and, based on this concept, use the average advanced standard of other enterprises of the same trade, same type and same grade as a reference in working out the index of this particular enterprise. Second, we should note the historical background and the present situation of the enterprise, such as the method used by the enterprise to fulfill its task the previous year, the average figure and the progressive rate of increase in the three preceding years, and the highest standard it has ever attained, before working out the index for the current year. Third, we have to analyze the changes in market conditions in the current year and other objective elemtns, and then work out separate estimates for different trades and enterprises under different conditions. Fourth, the set index cannot remain unchanged despite the continued development of productive forces and changes in the market. While preserving a relative stability, we should revise the index from time to time in order that this index can be rational and advanced.

For some time, some units worked out their index without scientific data or taking the amount of socially necessary labor into account. Thus the index turned out to be either too high or too low. If it is too high and exceeds the capacity of the available socially necessary labor, below-average enterprises and workers cannot hope to overfulfill their tasks, and their enthusiasm will be dampened. If it is too low, or below the demand of the amount of socially necessary labor, the below-average enterprises and workers can easily obtain above-quota "remuneration," thus causing an imperceptible increase in the wage component of the per-unit production cost. This is the main trend at present. Besides hindering the tapping of potential among the enterprises and dampening the workers' enthusiasm, it also produces adverse effects on the relationship among enterprises because of the protection of the backward at the expense of the advanced ones. At the same time, it is detrimental to state interests and must therefore be overcome.

Strengthening supervision. The purpose of the system of economic responsibility is to further arouse the enthusiasm of enterprises and workers, to increase production, and to promote commodity circulation in order to better meet the requirements of consumption. However, because of inadequate enterprise management and insufficient supervision from the departments concerned, some problems deserving our attention have emerged. Some enterprises are so concerned with profit and personal gain that they never bothered about the renovation or replacement of their equipment even though it is due. They may even do sloppy work with inferior materials, produce substandard goods, add impurities, use short weight and short measures as a means of cheating, or raise the selling prices at will. This is detrimental to the interests of the state and the customers, and is a deviation from the purpose of the system of economic responsibility and from the orientation of the socialist business operation. It clearly shows the necessity of strengthened supervision. Since the adoption of the system of economic responsibility, the enterprises have acquired certain autonomy under flexible policies and have brought vitality to the economy. Along with the increasing flexibility of policies, there should also be stricter supervision in order that such flexibility does not lead to chaos.

To strengthen supervision, we should first set up and perfect a system of rules and regulations and the criteria for examination. The first requirement is to work out a comprehensive index system for an overall examination of the results of production by the enterprises and workers and the conditions of work so as to preclude the undesirable practice of using only one or two indexes as the basis for an overall judgment. The society demands the services of the enterprises and workers in terms not only of quantity but also of quality in production. It also demands good products as well as low prices; and expanded production as well as lower production cost and reduced operating expenses. Therefore, there should be a comprehensive index system before there can be an overall evaluation of the performances of the enterprises and workers, which can in turn be used as the basis to decide on the ratio of profit retention and the remuneration of workers. The second requirement is to set up a system of punishment. If any loss is incurred because of poor quality, the producer has to compensate for the loss. Should there be any complaint from customers, the producer must apologize and forfeit its bonus. Cheating on the quantity or increasing prices at will should also be punished. In short, anything harmful to the interests of the customers should have a direct bearing on the economic benefits of the producer.

Second, the masses should be encouraged to exercise their supervision. Through workers' congresses, the workers should be mobilized to participate in management, to exercise their supervision, to uncover and solve problems, and to pursue the political and economic liability of the culprits. It is also possible to let the customers exercise their supervision by installing boxes for exposure letters and providing customers' comment books so that they can expose and criticize those whose behavior is against mass interests.

Third, the industrial and commercial administrative organs should be given full play. A supervisory organ should be set up with the industrial and commercial administrative organs as the core, to be supplemented by workers' representatives or the responsible persons of the enterprises. The masses should be encouraged to carry out constant checks on the quality of products, the accuracy of the means of measurement, and the attitude toward customers. We must be sure that the supervision and expression of opinions by the masses can produce the desired result.

Strengthening ideological education. The purpose of socialist production is to better satisfy the constantly increasing material and cultural needs of the whole society, while the system of economic responsibility is precisely a means to serve the purpose of socialist production. From the standpoint of relationship between the state and the enterprise, we can see that in practicing the system of economic responsibility, it is necessary to recognize the enterprise as a relatively independent economic unit to be provided with certain decision-making power, so that the enterprise, after fulfilling its obligations to the state, can organize the production and circulation of goods to the best of its ability and according to social needs. The enterprise should also actively serve the purpose of socialist production and consciously streamline the relationships among the state, the collective and the workers.

Since the adoption of the system of economic responsibility, however, some enterprises and individuals have been so preoccupied with "money" that they could not correctly exercise the decision-making power given them by the state. Disregarding the planning and arrangement of the state and the needs of the broad masses, they produce only goods of high value which can bring greater profits, resulting in the serious reduction of small commodities, accessories and spare parts and a shortage of these products compared to the demand. In circulation, some commercial departments are dealing in whatever can bring greater profits regardless of the demand of the masses. They are not interested in transactions over such small commodities as sundry goods, small metal wares, and small indigenous products needed by the masses. In distribution, they only try to increase the individual gains and the enterprises' shares of profits regardless of state revenues. All these practices show the urgent need for ideological and political work. The view that everything will be fine as soon as the system of economic responsibility is enforced, and that the strengthening of ideological and political work is unnecessary is impractical. There should be an organic combination of economic means, administrative supervision, and ideological education.

The workers should be educated to set right the relationships among the state, the collective and the workers. In production, circulation and distribution, first consideration should be given to state planning and state interests. Provided the increase of state revenues is assured, the enterprises can retain more profits and the individuals can earn more money. The enterprises should be concerned with the overall situation, take a long-range view, and consider the viewpoint of the masses. They should give more thought to the state and the customers, because the state must be wealthy and production must be developed before the interests of the workers can be safeguarded. We should encourage greater contributions to the state; commend the advanced collectives and activists who work hard and are devoted to public interests; and criticize those units and individuals whose "public spirit" is confined to only small sectors of the public and who substitute selfishness for public spirit. All these measures must be taken to promote the socialist cause.

9411
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GENERAL

JIANGSU HOLDS FINANCE, TRADE WORK MEETING

OW181056 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Nov 81

[Excerpts] According to a report by our station reporter (Tang Shengpei), the Provincial People's Government held a financial and trade work meeting in Nanjing from 12 to 16 November. Attending the meeting were responsible comrades in charge of financial and trade work in the various prefectures and municipalities and responsible persons of the departments concerned. Presiding over the meeting was Liu Hegeng, member of the standing committee of the Provincial Party Committee and vice governor. Speaking at the meeting was Zhou Yifeng, member of the standing committee of the Provincial Party Committee and vice governor.

The meeting focused its discussions on doing a good job in vegetable production and marketing work and solving well urban people's vegetable problems. The meeting put forward some practical and effective measures.

The vegetable problem is a major event in the lives of the urban people, involving thousands of households. The Provincial Party Committee and the Provincial Government have attached great importance to this matter, and the various prefectures and municipalities have done a great deal of work in this regard. However, the vegetable problem has not as yet been solved well.

The meeting called for a conscientious job in grasping the vegetable production and supply work for this winter and next spring, especially the supply work on the two major festive occasions, namely, New Year's Day and the Spring Festival.

The meeting also studied financial problems and called on all localities to practically strengthen their leadership over financial work and actively support the work of the financial and tax departments. The meeting urged all leading comrades to go deep into the grassroots levels in person to carry out investigations, study, inspection and supervision and do a good job in ideological and educational work.

The meeting called for vigorous efforts to settle overdue taxes and profits, collect and deposit all of this year's taxes and profits that should be turned over to the state before the end of the year and hit the targets for struggle handed down by the Provincial Government.

CSO: 4006/125

LIANG XIANG ON GUANGDONG SPECIAL ECONOMIC ZONE

HK161432 Hong Kong TA KUNG PAO in Chinese 13 Nov 81 pp 1, 2

[Text] Guangzhou, 12 Nov--In his report "On the Work of the Special Economic Zones and the Drafting of Several Provisional Regulations" given at the 13th session of the Standing Committee of the provincial people's congress convened in Guangzhou this afternoon, Liang Xiang, provincial vice governor, mayor of Shenzhen and first secretary of the Shenzhen Municipal CCP Committee, said: "At present, a prominent trend in our import work is that some foreign firms have been getting more and more interested in investing in reclaiming land. For example, Howell Holdings of Hong Kong is ready to make an investment of HK$2 billion in a joint operation with us to jointly reclaim 30 square kilometers of land in Fujian and turning it into a new industrial city with commercial and business centers, residential quarters, cultural, educational, public health and municipal administration facilities, and a railway, highway and sea transportation network. According to the initial plan for building the new urban areas, the projects in the first stage inlcude the building of an electric train station in the central district, the Huanggang-Lemazhou highway and bridges, a gasworks, a transformer substation, a waterworks, a shallow-water pier and an office building for the special zone's government. The contract for this joint reclamation will be signed very soon. The Ta Pao [1129 1405] Company of Hong Kong is also planning to make an investment of HK$1.3 billion in jointly reclaiming 6 square kilometers of land in Chegongmiao and making it an industrial area. Details of this agreement are now under discussion. For another example, the Lien Cheng [5114 1004] Enterprises Corporation of Hong Kong has signed a contract with us for jointly developing 6 square kilometers of land near the Houhai Gulf, including the construction of several universities and the opening up of 260,000 square meters of land in Wenjindu to turn it into a light and electronics industrial base.

The investment in these two projects is planned to be HK$2.4 billion.

Fleeing From Our Country Has Basically Ceased

Liang Xiang said: "Over the past 2 years, since the establishment of the special economic zones, the industrial and agricultural production in Shenzhen has been greatly developed and the people's income has increased. This has resulted in reassuring the public and stabilizing the border situation. In 1980, the total industrial and agricultural output values respectively increased by 75 and 116 percent over the previous year. The local revenue and the municipal's income from foreign exchange have respectively increased by 54 and 32 percent over the previous year. The collective distribution to rural communes and brigades was 440 yuan per capita, which was an increase of 39.2 percent over the previous year. Now the phenomenon of fleeing from our country has basically ceased. Moreover, we are glad to see that some people who had fled, have returned. Practice has shown that the decision of the central authorities to establish special economic zones as an experiment, is entirely correct. To do a good job in this respect will not only end the importation of advanced technology and equipment by using foreign funds, the study of applicable management experience and the accumulation of more foreign exchange for the four modernizations, but will also have far-reaching influence on the stabilization of Hong Kong and Macao and the return of Taiwan to the embrace of the motherland. This is more important. Now every step of advance in the development of Shenzhen special economic zone will evoke strong responses in the industrial and commercial circles in Hong Kong, Macao and Taiwan and will be noticed by the world media. This has proved, in another way, the importance and necessity of building our economic zones."

Liang Xiang also pointed out that the construction of the special economic zones "has been undertaken with insufficient ideological and organizational preparations and insufficient legal and financial preparations." Therefore, there are many difficulties that we are required to overcome through great efforts.

Liang Xiang said: "Our tentative plan is that through our efforts in the next 2 years, 1982 and 1983, a sound basis will be built for the development of the special zones."

He also said: "We have submitted to this session of the Standing Committee of the provincial people's congress, five regulations for discussion and approval. They are: provisional regulations on labor and wages management in Guangdong's special economic zones (draft), 'provisional regulations on management of personnel who enter or leave Guangdong's special economic zones (draft),' 'provisional regulations on enterprise registration in Guangdong's special economic zones (draft),' 'provisional regulations on land in Shenzhen's special economic zones (draft),' and 'provisional regulations on administration in Shenzhen's special economic zones (draft).'"

The 13th session of the Standing Committee of Guangdong's Provincial People's Congress has been held in Guangzhou since 12 November.

The session is being presided over by Li Jianzhen, chairman of the Standing Committee. Vice Chairmen Zhong Ming, Qu Mengjue, Luo Ming, Yi Meihou and Luo Xiongcai, members of the Standing Committee from Hong Kong and Macao Sun Chengzeng, Ma Tingdong and others are present.

Topics for discussion at this session area: 1. To listen to a report of the provincial government on the special economic zones and to discuss and approve the provincial government's five regulations for the special economic zones; 2. To listen to a report of the provincial government on urban sanitation work and to discuss and approve the provincial government's "Provisional Sanitation Regulations for Guangdong's Urban Areas"; 3. To decide the date for the convention of the fourth session of the fifth provincial people's congress; and 4. To approve some appointments and dismissals.

CSO: 4006/137

REGULATIONS FOR SPECIAL ECONOMIC ZONES APPROVED

HK181007 Hong Kong WEN WEI PO in Chinese 18 Nov 81 p 1

[Dispatch: "Guangdong People's Congress Standing Committee Approves Five Regulations for the Special Economic Zones in the Province"]

[Text] Guangzhou, 17 Nov--The 13th session of the Standing Committee of Guangdong Provincial People's Congress approved today five regulations for the special economic zones. The five regulations will be reported to the NPC Standing Committee for rectification and promulgation. The session also examined and approved the "regulations regarding the management of sanitation" and "decisions on extending the time limit for handling cases," elected delegates to the Fifth NPC in a by-election, as well as approved appointments and removals.

The five special regulations for the special economic zones examined and approved by the session were "temporary provisions on management of enterprises, labor and wages in the special economic zones of Guangdong Province," "temporary provisions on management of personnel entering and leaving the special economic zones of Guangdong Province," "temporary provisions on management of enterprise registration in the special economic zones of Guangdong Province," "temporary provisions on management of land in Shenzhen special economic zone" and "temporary provisions on administrative management in Shenzhen special economic zone." The first three regulations will be applicable in the various special zones of the province, that is, Shenzhen, Zhuhai and Shantou; the last two regulations will be applicable in Shenzhen alone, while the two special zones of Zhuhai and Shenzhen will draw up their own relevant regulations in the light of the principles of the two temporary provisions, which will be put into effect after approval from the provincial people's government. These special regulations were drawn up by the provincial special zones management committee after the promulgation of "Regulations on Special Economic Zones in Guangdong Province." The drafts of these regulations were examined and revised at the working conference on Guangdong and Fujian provinces and special economic zones. Recently, the Standing Committee of the provincial people's congress sent an inspection team to Shenzhen special economic zone to conduct on-the-spot investigation and study and revise the special regulations; prior to the session held for the examination and approval of these regulations, the legal commission of the Standing Committee of the provincial people's congress held a special meeting to further revise the five regulations.

The reporter learned from the parties concerned that, besides the five special regulations examined and approved by the Standing Committee of the provincial people's congress, the drafts of other special regulations drawn up will be reported for approval to the departments concerned separately according to their natures and the demands of legislative procedure.

During the session, Deputy Governor Liang Xiang gave an account of the condition of Guangdong Province's special economic zones to the Standing Committee of the provincial people's congress, and gave some explanations on the five regulations. All Standing Committee members attending the session held serious discussions on the five regulations.

The session which was presided over by Li Jianzhen, chairman of the Standing Committee, was held in Guangzhou from 12 to 17 November.

CSO: 4006/137

HONG KONG COMPANY, SHENZHEN TO DEVELOP NEW TOWN

HK250116 Hong Kong STANDARD in English 25 Nov 81 p 1

[Text] A new town five times the size of Kowloon will be built in Shenzhen under a contract signed by Hopewell China Development and the Development Corporation of the Shenzhen Special Economic Zone (DCSSEZ) yesterday.

The agreement calls for an initial investment of HK$2 billion over 30 years, with the financial resources and technological know-how provided by Hopewell and land provided by Shenzhen.

Hopewell's executive director David Wong said that as the project progressed, total investment could reach as high as HK$10 billion during the 30-year period.

"This goes to show, as far as we are concerned, that the year 1997 is not a problem," he added.

A total area of 30 square kilometres will be developed in two stages into the "central district" of Shenzhen.

During the first phase of development, infrastructures such as electricity supply, communications facilities and highways will be constructed.

And in the second stage, industrial enterprises built in the area will be serviced by a network of commercial, residential, cultural and educational facilities.

Mr Wong said Hopewell will be inviting contractors to participate in the project. Other investors could also join by purchasing land from the Shenzhen Special Economic Zone new town development, a joint-venture company set up under the contract.

Mr Wong said profits from the undertaking will be divided three ways: DCSSEZ taking 50 percent, Hopewell 30 percent and the remaining 20 percent to the reinvested.

Detailed plans of the new town are still under consideration and would be ready in 3 months, Mr Wong added.

CSO: 4020/36

BETTER STEEL BOOSTS PROFITS DESPITE OUTPUT DROP

HK190150 Hong Kong TA KUNG PAO in English 19-25 Nov 81 p 3

[By TA KUNG PAO's Beijing correspondent]

[Text] Output of China's iron and steelworks will generally decrease this year over last year as a result of economic readjustment, yet income of many steelworks will likely increase, industry sources in China say.

The Capital Iron and Steelworks Co. is a case in point: Its steel output has reportedly dropped 5.85 percent in the first three quarters of this year over same period last year with iron output down 9.94 percent. Profit for this period, however, increased by 3.94 percent despite a decrease of 4.03 percent in total output value.

Sources attribute this to reorientation of China's steel industry which has over the past 3 years steered away from 'output for output's sake' toward serving light industrial needs and producing quality steel exports. Better management and strict energy conservation also contributed to lower production costs.

Statistics show that 77 percent of the 1978 profit growth of metallurgical industry under Shanghai was gained through output increase and the remaining 23 percent from decrease in production costs. Last year, only 47 percent of the profit growth was gained through output increase and a hefty 53 percent was gained through lower production costs.

To achieve stricter control of energy consumption in China's iron and steel industry, small uneconomical mills have been shut down and fuel-saving technology introduced to the bigger operations. In 1978, China's blast furnaces consumed a total of 73.80 million tons of standard coal equivalent or 13.04 percent of that year's national energy consumption. Last year, steel output increased by 5.34 million tons over 1978, but total energy consumption by the industry dropped to 70.90 million tons of standard coal equivalent. This took up only 11.43 percent of 1980's overall energy consumption.

China's steel industry had, until readjustment, geared itself to needs of heavy industry at the expense of light industrial growth. Consequently much needed steel for consumer goods such as strip steel for bicycles and sheet steel for durable goods were in serious short supply and had to be imported.

Recent changes in the commodity structure of steel products has begun to ease the shortage. Figures show that production of much-needed rolled steel, steel wires, sheet steel and welded steel pipes totaled 15.51 million tons (57 percent share of the year's total steel output) last year as compared to only 9.74 million tons (44 percent share of the year's total steel output) in 1978.

Industry sources report that the quality of Chinese ship plate, used in building ocean-going vessels for export, has improved. A third of the output, the bulk of which is made in Shanghai and Wuhan, reportedly is approved by the Lloyd's Register of Shipping.

In high-speed tool steel, China is also forfeiting quantity for quality. This year's output at 16,000 tons takes a substantial drop from 1978's 27,000 tons. In 1978, however, China had to import an additional 10,000 tons of tool steel because of the poor quality of her own output whereas this year's high-grade output will spare China of import needs. Half of this year's tool steel output could, moreover, be used for the manufacturing of cutting and drilling tools for export.

CSO: 4020/32

BRIEFS

CURRENCY BONDS ISSUANCE IN JAPAN--The China International Trust and Investment Corporation held its third board meeting in Beijing yesterday. It has been only 2 years since the corporation was established in October the year before last, but its business has developed very quickly. Not only this, but the corporation has also announced its intention to set up more offices abroad and to issue a 10 billion yen private bond issue in Japan at the end of this year or the early part of next year. This can be described as a bold and correct measure which merits attention. In the 2 years since the establishment of the corporation, the cooperation between China and foreign countries, the setting up of offices abroad and the forthcoming issuance of foreign currency bonds for the first time, have demonstrated China's steady progress in its open-door policy following the smashing of the "gang of four." ["Political Talk" column by Shih Chun-yu [4254 0689 3768]] [Excerpt] [HK250558 Hong Kong TA KUNG PAO in Chinese 23 Nov 81 p 2]

CSO: 4020/34

'CHINA POST' URGES DEVELOPING TAIWAN-ASEAN TRADE

OW120909 Taipei CHINA POST in English 9 Nov 81 p 4

[Editorial: "ASEAN and Taiwan"]

[Text] During the past decade, Association of Southeast Asian Nations (ASEAN), composed of Indonesia, Malaysia, the Philippines, Singapore and Thailand, has made significant if halting progress. In the years ahead the five member states are bound to attain many of their goals.

Chief of these is the creation of a free trade area among themselves. A customs union could come after this. This--in the view of some overly optimistic observers --why not a common market in the pattern of Europe's EEC?

These goals may eventually be attained. Meanwhile, what of ASEAN's relations with countries in their neighborhood?

Taiwan comes to mind. This country is at the doorstep of the ASEAN region, just an hour's flight from the Philippines. Whatever affects ASEAN would inevitably affect Taiwan.

ASEAN as of now is looking toward broadening its membership. Burma, Sarawak and Sri Lanka are said eager to join and are being considered. Others may follow.

Taiwan may not be a member nor would it seek admission into ASEAN. However, the regional bloc does not operate only among its members, but has been formed precisely to trade as a unit with other countries outside the bloc.

Taiwan, being in the periphery of the bloc, could and should be an active trading partner of ASEAN. To be sure, this country produces roughly similar commodities as the ASEAN countries have to offer. But there are goods that Taiwan can produce and export that command a good market among the bloc countries, and vice versa. This could make trading between Taiwan and the ASEAN members a profitable and desirable proposition.

Something should be done to exploit this situation. No matter how long it takes, any step in this direction should benefit this country and ASEAN as well.

CSO: 4020/35 END

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No. 188

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'JINGJI YANJIU' ON DEVELOPING ECONOMIC SCIENCE

HK200951 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 81 pp 3-15

[Article by Yu Guangyuan [0060 0342 6678]: "Develop Economic Science to Promote Socialist Modernization"--Report delivered at the first annual meeting of the Chinese Economic Integrated Federation on 3 September 1981]

[Text] 1. Review of the Development of Economic Science Since the Founding of the PRC

Since the founding of the PRC, economic science has undergone the following stages of development.

First, before the "great cultural revolution," under the guidance of Marxism, economic science made considerable achievements through studying and summing up the experiences and lessons of the socialist transformation and socialist construction and exploring new problems that had arisen in practical economic life. At the same time, in the socialist part of the study of political economics, there emerged some views deviating from Marxism.

In the recovery period of the national economy and in the early period of the first 5-year plan, in accordance with the economic work and ideological education at that time, the economic circles did a lot of work to popularize Marxist economic theory and started their research work.

From 1954 to 1956, enlightened by Stalin's expositions on the objectivity of the economic laws in his "The Socialist Economic Problems of the Soviet Union," the economic circles had lively discussions on the form of the system of ownership of the means of production in China's transitional period and the question of the economic laws, made relatively detailed analyses of the forms, characteristics and interrelations of the economic laws which functioned in China's economy at that time and expounded the leading role of the socialist economic laws (in particular the socialist basic economic law) in the transitional period. That discussion was a useful attempt to integrate Marxist economic theory with China's economic reality.

From 1956 to 1957, in such works as "10 major relationships" and "problems on the correct handling of contradictions among the people," Comrade Mao Zedong initially summed up the experiences in China's socialist construction, set forth the task of exploring a way of building socialism suited to China's national condition, stated his brand new views that we should promote the greater and faster development of heavy industry by developing some more agriculture and light industry and stressed that in the socialist construction, equal consideration should be given to the interests of the state, the collective and the individual. Later on, he further pointed out that we must take agriculture as the foundation and that economic plans must be arranged with the priority proceeding from agriculture to light industry and then to heavy industry. Under the guidance of these creative theories, China's economic circles have opened up new fields of study.

In 1956 in his speech delivered at the 8th CCP National Congress, Comrade Chen Yun put forth many important assumptions on the industrial and commercial management, production plans and market, thus breaking through the restrictions of the highly centralized economic management system practiced for many years by the Soviet Union and other socialist countries. It gave a useful inspiration to the economic circles for restudying the formula of the socialist economy.

Through summing up and studying the rich experiences in China's socialist transformation and the problems that had arisen in its industrialization, the economic circles discussed the concrete form of the law that the relations of production must suit the nature of the productive forces which functioned in China and how to act upon this objective law so as to win victory for the socialist cause.

In 1956, a year when the socialist transformation had basically been completed, the question of how to understand the role of commodity production and the law of value in the socialist economy was put on the agenda. The economic circles had lively discussions on this question and advanced some important questions and views. In 1958 after the attempts to abolish commodity production and the exchange at equal value had run up against a stone wall in the movement to organize people's communes, Comrade Mao Zedong pointed out that the continuous development of commodity production was a matter of vital principle in socialist construction and that the law of value was the famous thesis of "the great school" for building socialism and communism. A national discussion on economic theory was held in Shanghai in April, 1959. The meeting carried out a discussion on the questions of commodity production and the law of value (and the questions of the principle of distribution according to labor and piece rate wages). During the discussion, some economists deliberated as to the inevitability and the historical role of the relations between commodity and money within the inner sectors of the system of ownership by the whole people and proposed that we should acknowledge and attach importance to the regulatory role of the law of value in the socialist economy and expounded that the role of the law of value and the role of the law of developing the national economy in a planned way are not mutually exclusive but identical.

During the late 1950's and the early 1960's, while correcting the errors of the "great leap forward" and the movement to organize people's communes, Comrade Mao Zedong pointed out that there must be no expropriation of the peasants, that a given stage of social development should not be skipped, that egalitarianism must be opposed and that we must strike an overall balance in economic planning. Comrade Liu Shaoqi said that a variety of means of production could be put into circulation as commodities and that there should be a double-track system for labor as well as for education in socialist society. Comrade Zhou Enlai said, among other things, that the overwhelming majority of Chinese intellectuals had become intellectuals belonging to the working people and that science and technology would play a key role in China's modernization. Comrade Chen Yun held that plan targets should be realistic, that the scale of production should correspond to national capability, consideration should be given to both the people's livelihood and the needs of state construction, and that the material, financial and credit balance should be maintained in drawing up plans. Comrade Deng Xiaoping held that industrial enterprises should be consolidated and their management improved and strengthened, and that the system of workers' congresses should be introduced. Comrade Zhu De stressed the need to pay attention to the development of handicrafts and of diversified undertakings in agriculture. Deng Zihui and other comrades pointed out that a production responsibility system should be introduced in agriculture. All these views are of great practical and theoretical significance. In this period, the economic circles had discussions on the three major theoretical issues of socialist business accounting, economic effect and reproduction. These issues are of great significance. The discussion of the first two issues aroused people's attention to having strict business accounting and stressing economic effect, enabled people to attach importance to the role of socialist interests and to concern themselves with the relations between consumption of labor and useful results. The tasks of study put forward at that time are still of practical significance now. The discussion on the question of reproduction pointed out that under socialism, the relations between simple reproduction and expanded reproduction should be correctly handled and that in realizing expanded reproduction there should be not only additional means of production but also additional means of subsistence, and that in the development of the socialist economy, there did exist the highest and lowest limits for accumulation and consumption.

During this period, apart from publishing a great number of economic works of academic value, China organized force to compile some teaching materials of the various branches of economic science and published large batches of historical and practical economic data which had been systematically sorted out.

Before the "great cultural revolution," under the influence of the "leftist" erroneous guiding thinking in economic construction, some views deviating from Marxism were prevalent in economic circles. For instance, there was an insufficient understanding of the objectivity of the economic laws. It was believed that after the basic completion of socialist transformation, the contradiction between the socialist road and the capitalist road remained the principal contradiction of the socialist economy. One-sided emphasis was put on the argument that having more people was a good thing. The proposition of having birth control was regarded as Malthusianism. The principle of material interets of the socialist economy was asserted categorically as the capitalist principle. The need for a system of piece rate wages was negated. The argument of "restricting" the role of the law of value was not uncommon. Paying close attention to the economic effect and attaching importance to the role of interest in socialist economic management were regarded as heretical beliefs. It was supposed that the bigger the collective accounting unit and the higher the level of collectivization of the system of ownership were, the better.

Second, during the "great cultural revolution," the economic sciences were subjected to damage and trampled underfoot.

During the "great cultural revolution," along with the increasingly serious erroneous development in practice of his theories on class struggle in socialist society, Comrade Mao Zedong also advanced some erroneous views on economic theory.

Taking advantage of the aforesaid errors of Comrade Mao Zedong, Lin Biao, Jiang Qing, Kang Sheng and their like preached with ulterior motives a series of economic theories of sham socialism. They brazenly denied the objectivity of the economic laws, opposed the so-called "unique importance of the productive forces." Negated socialist commodity production and the principle of distribution according to labor, categorically asserted that they were the economic bases for breeding new capitalists and even breeding the bourgeoisie within the CCP, opposed the socialist business accounting and management systems and wantonly repudiated the so-called "putting productive force in command," distorted the principle of self-reliance and opposed the development of necessary economic ties with other countries by flaunting the banners of opposing the "slavish comprador philosophy," "national betrayal," and so forth. In the so-called symposiums held in Beijing, Liaoning Province and other places, the "gang of four" advocated their fallacies, organized the so-called social and economic investigations in Shanghai to compile "socialist political economics" and made a desperate attempt to systematize their absurd economic theories to create "theoretical bases" for usurping the party leadership and state power.

The "gang of four" indulged in cultural autocracy on a large scale. During the "great cultural revolution," the economic research organizations were closed down or compelled to stop working, many financial and economic colleges and schools and many economic specialized organs were abolished, all economic theoretical magazines were forced to stop circulation, large numbers of economic scholars were attacked and persecuted, thus all economic research work was brought to a standstill for a long time, and was unable to contribute to China's economic science.

Because Marxist economic science was flagrantly flogged and the theory of the unique importance of subjective willpower in practical economic work spread unchecked, the disproportions in the national economy became increasingly serious, the effect of economic activities became lower and lower and the whole national economy suffered great damage. It was inevitable that economic practice suffered serious setbacks when economic science was trampled underfoot.

Third, the smashing of the "gang of four" ushered in the spring of a hundred flowers blossoming in a riot of color in economic science.

During the 2 years of 1977 and 1978, the economic circles systematically criticized the economic absurdities of the "gang of four."

They began at the very start to criticize the criticism of the theory of "unique importance of productive forces" of the "gang of four," pointed out that the "gang of four" was diametrically opposed to historical materialism and revived the Marxist viewpoint that productive forces play an ultimately decisive role in the development of society.

Then they criticized the defamation of the socialist principle of distribution according to labor by the "gang of four," reaffirmed that the principle of distribution according to labor is a fundamental socialist principle. The nationwide symposium held four times during 1977 to 1978 played a promoting role in boldly and forcefully implementing the principle of distribution according to labor in reviving piece rate wages and the system of bonuses and in materially arousing the enthusiasm of the working people for socialism.

They criticized the vilification of socialist commodity production and pointed out that it was necessary to vigorously develop socialist commodity production and commodity exchange, and importance should be attached to the role of the law of value in socialist economic development.

They criticized the crimes of the "gang of four" for sabotaging the socialist economy by brandishing the big stick of "putting interests in command."

They criticized the absurdities of the "gang of four" in slandering socialist business accounting and negating the rules and regulations of enterprises, and so on.

With the intensification of the criticism of the "gang of four," the economic circles were gradually freed from the spiritual shackles which had fettered them for many years. The discussion of practice being the sole criterion in testing truth played a great promoting role in emancipating the mind. The emancipation of the mind caused people to seriously study and ponder over the reasons in the guiding thinking for the repeated shortcomings and mistakings in China's socialist construction, and required them to understand anew the socialist economy and economic system and explore the socialist economic formula and the correct path of socialist modernization suited to China's national condition. We have realized that the problems of the rural economic policies and the backwardness of enterprise management are two weak links in China's socialist economy, thus intensifying the study in these fields. During this period, we started the investigation of the economic conditions of other countries and academic exchanges with them, deepened our understanding of the world, broadened our horizons and promoted the study of the world economy.

The end of 1978, after the 3d plenary session of the 11th CCP Central Committee, inspired by the CCP's spirit of emancipating the mind, using our brains, seeking truth from facts and taking practice as the criterion, the economic circles seriously studied the experiences and lessons in China's 30 years of socialist construction and carried out the principle of letting a hundred schools of thought contend. The eight-character policy of "readjusting, restructuring, reorganization and upgrading" formulated by the CCP Central Committee in April, 1979 clearly showed the economic circles important research tasks. In integrating with the formulation of long-term plans for social science, many economic scholars gave consideration to the intensive demands for the development of economic science and the questions of all sectors which are to be studied, of which the most important are such questions as the reform of the economic system, the rationalization of the structure of the national economy and economic ties with other countries. These questions in fact involve every aspect of the socialist economy and every realm of socialist political economics.

After the financial and economic commission under the state council organized the vast numbers of economic theoretical workers and economic workers to conduct investigations and study of the economic system, economic structure, the importation of technology, economic theories and economic means, the economic circles became more active. They published large numbers of theses of great value. Many people dared to break through traditional concepts, broaden their field of vision, studied new conditions and new problems, boldly advanced various assumptions for reforming the economic system and readjusting the economic structure. They not only flourished and developed the economic sciences but also played a propulsive role in the practice of socialist modernization through participation in the making of decisions in various ways.

Since the 3d plenary session of the 11th CCP Central Committee, the economic circles have studied the following subjects:

On the aim of socialist production. This question concerns the direction of China's socialist economic construction and also a problem in our economic work that has not been solved satisfactorily for a long time. Beginning from September and October 1979 to the end of 1980, Beijing and some provinces, municipalities and autonomous regions held many symposiums and discussions and published many articles in newspapers and magazines. This has aroused widespread attention. It was pointed out in the discussion that the long-term and short-term plans and arrangements of the national economy and the rationalization of the industrial structure must be subordinated first of all to the aim of socialist construction. The discussion held that to profoundly study the aim of socialist construction, it was necessary to separately study such questions as the aim of social production and of enterprise production, the ultimate aim and intermediate aim as well as the basic aim and direct aim, to study the objectivity of the aim of socialist production and the economic mechanism for realizing the aim of socialist production, and so on. This discussion closely integrated the historical experiences of China's socialist construction with the current actual conditions. This marks a further understanding of the socialist basic economic law.

On the form of the system of ownership. The economists pointed out that to establish and develop the relations of production which promote the development of the productive forces, under China's productive forces at the present stage, we must allow the coexistence of diversified economic sectors and various forms of the diversified economy under the prerequisite that the system of public ownership of the means of production holds a dominant position; realize the important significance of the collective economy in the cities and towns in the socialist construction at the present stage; acknowledge that the "transition from poverty" runs entirely counter to the objective economic laws; introduce various forms of the agricultural system of assigning responsibility by linking remuneration with output including the system of fixing output quotas for individual households and the system of peasant households assuming responsibility for task completion in accordance with various conditions; and, in the system of ownership, relax policies and appropriately expand the private plots for commune members.

On socialist commodity production and the law of value. The economic circles held a national discussion in April, 1979 in Wuxi. This vigorously pushed the study and discussion of this question forward. A lot of economic scientific workers made a relatively thorough study of the objective inevitability of the existence of socialist commodity production and commodity exchange in socialist society, explored the relations between planning and the market and deliberated on the extensive use of the market mechanism in a socialist planned economy, affirmed that socialist enterprises were relatively independent commodity producers, held that it was necessary to attach great importance to the role of the law of value and to the implementation of the principle of material interests, and so on. The discussion on this question has played a promoting role in the reform of China's economic management system.

On the economic system and socialist economic formula. This is, in essence, a matter of choosing the concrete form and structure of the system of ownership. Quite a few economists have pointed out that the socialist one is a planned economy but it is necessary for the planned economy which preserves the relations between commodity and money to use the market mechanism and vigorously develop socialist commodity production and commodity exchange. To establish the corresponding economic system, it is necessary to change the highly concentrated state policymaking system combining the state, the economic units and the laborers, change the practice of relying mainly on the party and government organizations and administrative measures into that of relying mainly on the economic units, economic measures and laws and regulations in managing the economy. The current reform of the economic system should proceed from the expansion of the decision-making power of enterprises, and so forth.

On the economic structure. All of us hold that there are a lot of imperfections in China's economic structure and it is necessary to readjust and reform it. The rational economic structure must be a structure which suits China's national condition, enables us to give full play to China's strongpoints and ensures the harmonious development of the national economy. We must no longer continue to one-sidedly develop heavy industry and particularly the iron and steel industry and one-sidedly develop grain production as we did in the past. In the light of China's characteristics of being huge in population and abundant in manpower, we must adopt more applicable technology, set up more medium and small-scale enterprises and develop more labor-intensive trades, accelerate the development of agriculture, the light and textile industries, the energy industry, communications and transportation, the building material industry, building industry and culture, education, science, health work, and so forth.

On the development strategy for the economy and society, including the choice of the direction and aim of the long-term development of the national economy. Many comrades hold that in arranging medium and long-term state planning, it is necessary for socialist construction to proceed from the end products and to study the development strategy for the economy which suits China's national condition so as to ensure continuous, stable and high-speed economic growth and the continuous and practical improvement of the people's livelihood on the basis of developing production.

In addition, in accordance with the characteristics of local conditions, the economic theoretical and practical workers of various localities made a comprehensive study of the regional economic structure and economic system and achieved quite a few research findings. They also made a significant study of the regional economy of the national minorities.

During this period, the questions discussed by the economic circles were numerous. We are unable to cite them here one by one. It must be pointed out that all these studies and discussions are needed by China's socialist economic construction.

Along with the shift of the focus of work of the country and the party to socialist modernization, numerous new situations and new problems in economic life have emerged. So it is necessary to study the various branches of economic science. We have done a lot of work, held many academic discussions and made progress in varying degrees in the economic branches with which China is relatively familiar including theoretical, historical, departmental, methodical and frontier economics such as political economics, the science of national economic planning, history of Chinese and foreign economic thought, history of Chinese and foreign economies, world economics, technological economics, industrial economics, agricultural economics (including the animal husbandry economy, fishery economy and forestry economy), finance, commercial economics, money and banking, international trade, capital construction and building economics, transport economics, labor economics, statistics and accounting. Along with this, some new branches of economics such as productive forces economics, population economics, territorial economics, national minority regional economics, environmental and ecological economics, municipal economics, educational economics, health economics, consumption economics, science economics, tourist economics, quantitative economics, comparative economics and development economics have emerged as the times require. Various ecnomic organizations including various research organizations, associations and institutes, and various economic theoretical periodicals have sprung up like mushrooms. The economic exchanges with other countries continue to expand.

In sum, since the 3d plenary session of the 11th CCP Central Committee, the economic circles have vigorously developed on an unprecedented scale. We firmly believe that China's economic science will undoubtedly play an increasingly important role in socialist modernization.

2. Economic Science Should Anticipate the Modernization Program

There is a world of difference between the task of Marxist economic science under socialism and that in capitalist society. This is because under the capitalist system, the working people are not the masters of the economy and the aim of our study of the capitalist economy is to draw a scientific conclusion that capitalism is doomed and socialism is bound to triumph and to lay a firm theoretical foundation for socialist revolution. Socialism was founded by the people themselves in their hundreds and millions. In the history of mankind, socialism is the first society which was established conscientiously in accordance with certtain scientific theories. Under the socialist system, the working people themselves are the masters of the economy and shoulder the responsibility for developing and managing the socialist economy. The aim of the study of economics is not to confine ourselves to understanding the historical tendency of social development and understanding the superiority of the socialist system but to help us further bring to light the various concrete laws of socialist economic movement and apply the knowledge gained in these fields to the practice of socialist economic construction. To offer scientific bases for formulating a correct development strategy for the economy, economic policies, plans and measures and the administrative and managerial methods, and to promote socialist modernization. If we were not armed with Marxist economic theory, we would have been unable to establish the socialist economy. The more socialist construction is conscientiously carried out under the guidance of correct theory, the more effective it will be. The theoretical principles and experience have shown that economic science should anticipate socialist construction and suit the increasingly high requirements demanded by practice.

The 3d plenary session of the 11th CCP Central Committee held in December, 1978, decided to shift the focus of work of the CCP and the country to modernization with economic construction as the center. This marks the beginning of China's new period of socialist construction. The "resolution on certain questions in the history of our party since the founding of the PRC" stipulates that the objective of the CCP's struggle in the new historical period is to turn China step by step into a powerful socialist country with modern agriculture, industry, national defense and science and technology and with a high level of democracy and culture. In a big oriental country like ours which has a population of 1 billion, the carrying out of socialist modernization is a grand cause without parallel in history. It needs the guidance of Marxist theory and the development of the different social and natural sciences. Now that economic construction is the center of modernization, it is only natural to place economic science in a very important position.

However, it must be acknowledged that though China's economic science has developed on a relatively big scale since the smashing of the "gang of four," it is still in general considerably backward. Under these circumstances, we must rouse ourselves to catch up and exert the greatest efforts to develop our economic sciences so as to enable it to really anticipate socialist modernization.

China's socialist modernization poses complex and diverse tasks for economic science. The complexity and diversity of the tasks stem from the complexity and diversity of economic life. In this respect there are both the complexity of the economic process (including the various links of production, exchange, distribution and consumption and various sectors of the national economy) and the complexity of the economic factors (including the essential material factor and human factor of productive forces, the natural factor, the social factor and historical factor), both the complexity brought about by the economic backwardness of a big oriental country like China and its unbalanced development and the complexity of the multifarious economic ties with foreign countries and both the complexity of the economic fields themselves (including handling well the relations of economic interests between various localities, departments and units and between this part and that part of people) and the complexity of politics and culture which are related to economics and other social relations. In this respect, it is necessary not only to solve the current economic problems but also to give consideration to the long-term economic problems. In order to solve these problems, it is necessary to have a powerful contingent of economic scientific workers, and the concerted efforts and cooperation of specialists from all sides and quarters, to conduct large quantities of investigations, to grasp rich data and to engage in making thorough and painstaking analysis and study. These efforts will undoubtedly help economic science and the various branches develop in depth and generally rise to a new height. Economic science is a science of enormous scope and with numerous branches. The problems that demand study are numerous and it will not do to neglect the study of any aspect. We are unable to cite them here one by one. In the light of some problems that demand the most urgent solution in socialist construction, I am going to touch on the development of the corresponding branches of economics.

First of all, we must enhance the study of the various branches related to the perfection of the structure of the system of ownership at the present socialist stage and the economic management system.

Over a considerable period of time, we have held that only the soviet formula in the period of Stalin was the mode formula of the socialist relations of production. After 1958, influenced by such erroneous ideas as "the bigger the collective unit and the higher the level of public ownership, the better," "the expansion of the relations between commodity and money and the development of socialist construction being mutually exclusive" in "doing away with the bourgeois rights," in the structure of the relations of production, we deviated from the Marxist course that the relations of production must be conducive to the development of the productive forces. In the economic system, these erroneous ideas led to the overcentralization of policymaking power and to the tendency to negate the relative independence of enterprises, the practice of "eating out of a big pot" and of excluding the market mechanism. This brought about the negative results of the enthusiasm of the working people being restrained, the enterprise and local management organs lacking vitality, and the economic activities and the superiority of the socialist system being unable to be brought into play. This is the objective basis for our carrying out the reform of the economic management system.

In order to create the concrete form of the relations of production which suits the productive forces and is easy to continue to advance, it is necessary for us to do a lot of research work in theoretical economics and applied economics. For instance, the question, under what conditions of productive forces and other conditions is it suitable to adopt which kind of economic forms and economic means and how will they develop, is the major task of political economics and its corresponding departmental economics. The improvement of the structure of the system of ownership and that of the concrete management system of various economic sectors and of the system of distribution must take the development of political economics and departmental economics such as agricultural economics, industrial economics, capital construction economics and commercial economics as a prerequisite. The reform of the management system of the national economy is a great task that needs the comprehensive results of concerted efforts of various branches. In this respect, the study by comparison of the theories of various socialist countries on the reform of the economic system, the study by comparison of the practices of reforming the economic system of various socialist countries and the study by comparison of the theories of foreign economic scholars on socialist economic formula are of great significance. We are resolved to offer a firm theoretical basis for perfecting China's socialist relations of production. At the same time, with the carrying out of the reform of the economic management system and the strengthening of planned leadership over the whole national economy, planning science should be developed to the stage of precision, and due importance should be attached to quantitative economics and it should be developed to suit China's specific conditions. On the one hand, with the expansion of the role of the market mechanism and the development of socialist commodity production and commodity exchange, the application of various money levers and the forecasting of economic conditions are of vital significance in the normal movement of China's national economic system. In accordance with this, finance, currency and banking studies, statistics, theory of social bookkeeping theory of regulation, theory of the market, theory of price and theory of economic forecasting should be developed in a relatively big way.

Second, we must strengthen the study of various branches related to the definition of China's development strategy for the economy.

During the past few years, instead of proceeding from China's national condition and deciding our own strategical objective and the ways to reach it in accordance with Marxist basic principles. We used to take the total output value and even the high-speed growth of some heavy industrial products as the main strategic objective. This hindered the normal carrying out of socialist expanded reproduction and the full accomplishment of the aim of socialist production and at the same time brought about a conspicuous decrease in the economic effect of the whole national economy. Since the 3d plenary session of the 11th CCP Central Committee, we have had a gradual understanding of the past mistakes in the development strategy and have formulated the principle of striving to reach the goal of modernization systematically and in stages, according to the national condition and resources of the country. How to correctly realize this principle, whether in the definition of the strategic objective of the national economy or in the choice of the path to realize this objective, there are large quantities of work in theoretical analysis and scientific deliberation for economic science to do.

For instance, in order to thrash out China's national condition, it is first of all necessary to conduct a thorough study of the conditions of China's natural resources and economic resources and the possibility of utilizing them. To carry out this study, the establishment and development of such branches as territorial economics and population economics are indispensable. Take another example, in order to correctly choose the strategic objective of China's social economic development, it is necessary to thoroughly analyze the aim of socialist production, sum up the experience and lessons in our choice of strategic objective and make analysis and comparison of the various strategic objectives of other countries. Furthermore, to decide the path for developing China's economy and adopt the steps and measures of policy, we have to thoroughly study the theories of reproduction and the productive forces and make various technological and economic deliberations. In sum, the formulation of scientific regulation for the general objective of China's modernization and the concrete targets at the various stages and the making of the top choice of China's industrial structure, product mix, technological structure and the formula for consumption, await the concerted efforts of political economics and such branches as development economics, ecological economics, technological economics and consumption economics.

It must still be pointed out that various operation sciences should be developed rapidly. For a considerably long period of time in the past, under the influence of the guiding ideology of regarding the socialist economy as a natural economy and the management system in which the policymaking power was excessively centered on the administrative organs and the relative independence of enterprises and the market mechanism were excluded, the fairly developed branches of modern economic science--various operational sciences and managerial sciences--cannot very well avoid being neglected. Under these circumstances, the poor economic effect of enterprises and the whole social economy and the amazing waste have become inevitable. With the strengthening of China's socialist economy and the further socialization of production and the increasingly complicated relations between production and exchange, the demands for properly solving the various problems of operation and management will be higher. This makes us necessarily adopt more powerful measures to revive and develop various branches of operation and management and departmental economics and makes us intensively apply the methods of modern mathematics and calculating technology to solving various questions of operation and management. In the study of these questions, the central issue is how to improve the economic effect. Therefore, with regard to the theory of the socialist economic effect including the yardstick for measuring the economic effect and the quota system, and the ways and measures for achieving the best effect, great efforts must be made to study them.

For economic science to anticipate socialist modernization, it is not only necessary to develop the above-mentioned various applied economic sciences but also to enhance the study of basic theories including the study of ancient and foreign basic theories and the branches of rudimentary theories. Practice has proved that it is a shortsighted approach to attach importance only to the study of theoretical application to the neglect of the study of basic theories. We must set up high aims and lofty aspirations and write scientific theses and compile teaching materials concerning the part of socialism of political economy in not too long a period of time through the study of basic theories and the major theoretical problems of socialist modernization and through the summarization of the historical experience and lessons of Chinese and foreign socialist construction.

It must also be realized that China's economy today was developed from China's economy in the past. Without a good understanding of history, it is impossible to have a thorough understanding of what is going on today. The study of the Chinese economic history and Chinese history of economic thought is the foundation for understanding China's present economic condition. Meanwhile, under the conditions of modern times, no country can exist in isolation by walling itself off from other countries in the world. Although China is a big country, international economic ties are still of great significance to us. It is beneficial for China's socialist construction to develop these ties. Thus it is very necessary to study the international economy. Moreover, the existence and development of the socialist economy is an international phenomenon, so we must not judge this phenomenon by a standard of closing the country to international intercourse and adopt an attitude of looking at the sky from the bottom of a well towards it. To develop Marxist economics, we must strengthen the study of Chinese and foreign history and present conditions and be good at absorbing the practical experience and theoretical results of other countries. For this reason, the development of political economics, world economics, Chinese and foreign economic history and the history of economic thought will be the firm foundation of the prosperity of economic science as a whole.

3. Strive to Make Contributions in Fulfilling the Tasks of Economic Construction During the Readjustment Period

From a long-term point of view, economic science must not only anticipate modernization but also serve the present practical economic work.

At present, China's national economy is in a period of readjustment. Since the 3d plenary session of the 11th CCP Central Committee, the development of China's economic situation is, in general, very fine. In particular the rural economic situation is better than expected, because various forms of the system of assigning responsibility by linking remuneration with output have been introduced and various economic policies suited to the rural conditions implemented. Agriculture is the foundation of the national economy. The rapid development of the rural economy has a decisive impact on the development of the whole national economy. Since the implementation of the principle of further readjusting the national economy, we have again made new achievements. The industrial structure is undergoing a profound change, the light and textile industries are further growing at a rapid speed, and the needs of the people have been satisfied better compared with the situation in the past. The heavy industrial products are more suited to popular taste. The momentum of price hikes has been controlled and the market continues to flourish. Even though many provinces and areas were hit by natural disasters this year, China's national economy as a whole has advanced as predicted by the report delivered by the leading comrade of the state council in March this year at the meeting of the standing committee of the National People's Congress. Along with this, we must also acknowledge that there are quite a few problems in China's present economy: The speed of development of industrial production was a little slow and particularly that of heavy industry, the economic returns were relatively poor, the enterprises which incurred financial deficits increased in number in the first half of the year, the interest rate decreased somewhat, the management of some enterprises has not been put on the right track, and violations of financial discipline and serious cases of waste frequently occurred.

China will need a longer period of time to readjust its national economy, aiming at overcoming the serious disproportions in the national economy caused by historical reasons and at putting an end to the extremely irrational condition of the national economic structure so as to gain a firm position of advance in further developing its modern socialist economy. In the various efforts to fulfill the tasks during the readjustment period, the most important thing is to enthusiastically develop production, thus enabling the national economy to grow at a certain speed. It is very obvious that only when agricultural and industrial production increase at a certain speed, can we have the material basis for solving the various problems that have arisen during the readjustment period. At present the people all over the country are rousing themselves and struggling for it. Of course, we must seek truth from facts, do things within the limits of our capabilities, and try our best to advance steadily. We hope that the pace of advance in the future will be quicker than it is now.

Under these circumstances, it is a very urgent task for economic science to study well the current economic problems and make positive contributions in putting the eight-character policy of "readjusting, restructuring, reorganization and upgrading" into effect and in developing production. The economic integrated federation and its members must exert their efforts in this respect. For example, there are the following questions that merit our serious study.

First, on the question of operation. At present, owing to readjustment, the curtailment of the scope of capital construction and the reform of the industrial structure, quite a few enterprises and particularly heavy industrial enterprises are operating below their capacity and their abilities have not been brought into play. Therefore how to improve operations, open up new prospects for production and produce marketable goods and give play to the production potentials of their units have become an urgent problem of the aforesaid enterprises. Even if the enterprises operated at full capacity, they should readjust the product mix according to need, do a good job in the renewal and replacement of products, raise product quality, develop new products and improve the enterprise operational forecasting and decision making. Not only the enterprises but also the departments and localities should pay attention to the effective utilization of manpower, material resource, natural resources and other economic conditions so as to maximize economic effect. For a long period of time, we have paid insufficient attention to operation and seldom studied it. This state of affairs must be speedily changed. On the one hand, the management organs of the enterprises, departments and localities should study this question of operation, and on the other hand, the economic theoretical workers should also energetically participate in the study, conduct investigation and study of the market and resources and make technological and economic deliberations in order to improve operational skills.

Second, on the rectification of enterprises. At present, the problems of quite a few enterprises are inseparable from mismanagement. The basic work of some enterprises at present is not solid. Their original records, statistics, measurement figures, tests, drawing and quotas should be reorganized and strengthened. Quite a few enterprises have not revived and established sound responsibility systems and business accounting systems. The leading bodies of some enterprises are not sufficiently sound. Up to this day, the tax and profit yielded by every 100 yuan's worth of funds in state-run enterprises is far from reaching the highest level in history. We must study well various problems related to the reorganization of enterprises, study how to establish different forms of responsibility system in accordance with different conditions, give play to the potentials of the existing enterprises, economize on energy and on the consumption of raw materials, reduce costs, raise labor productivity, put an end to losses in running enterprises, increase profits, improve the economic effect and promote readjustment and reform through rectification.

Third, on making economic decision making scientific. The large quantities of waste and losses in China's economic construction in the past are inseparable from our neglect of strict scientific deliberations of various economic plans, economic policies and measures. At present, we must develop the study of policymaking procedures and methods, make scientific deliberations of various economic decisions and put our decisions on a firm scientific foundation both economically and technically. For instance, together with the natural scientific workers and engineering and technical specialists, the economic scientific workers must meticulously carry out feasibility analysis and study of capital construction projects and especially the major projects among them. They must serve well as the staff officers of the policymaking organs.

Fourth, on the improvement of planning management. There is enormous potential in China's economy. The work of planning management demands urgent reinforcement. Recently, due to various reasons, large quantities of productive force were left unused, large amounts of materials kept too long in stock and manpower not given full play in some industrial branches and particularly such heavy industrial branches as metallurgical and machine building branches. This is the greatest waste in our economic work. If this problem is not solved, it will continue to hinder the speed of economic growth, the increase in state financial revenue and the advance of the whole economic movement with great vitality. How to further enliven the economy and put the idle manpower and materials into the economic turnover is a task confronting us that needs serious study. For this reason, we must reinforce the study of the questions concerning national economic planning and comprehensive balance, study how to better bring the role of such economic levers as finance, credit, price and taxation into play and study how to do well the work of various economic forecasts.

Fifth, on the question of economic policy. The rapid improvement of the rural situation over the past few years is, first of all, the result of suitable economic policies. Therefore, in the various aspects of economic work, it is necessary to formulate policies on a scientific basis which suit the actual conditions. This is a matter of great importance. The tasks of economic science are to offer theoretical bases for formulating and perfecting the various economic decisions on the basis of large amounts of investigation and study. In order to do a good job of readjustment, at present we must stress the need to study how to improve the policies of finance, credit, taxation, wages and rewards, price, foreign trade, energy and technology and to advance solutions and proposals. Economic science must not only study the principles for working out economic policies but also study the concrete problems that have arisen in the process of enforcing policies. For instance, with regard to price policy, it is necessary to study the detailed prices for various products and labor and to study the most rational prices under certain economic conditions. These are complex matters that must be solved with concentrated efforts.

Sixth, on the reform of the economic system. In order to fulfill the tasks of economic construction during the readjustment period, it is necessary to continue to carry out the reform of the economic system. Economic science must study the question of promoting readjustment with reform, study the irrational elements in the economic system which seriously hinder the fulfillment of the tasks of readjustment, study what measures we should take and what conditions we should create to reform these irrational elements and study the relationship between the partial reform carried out in the light of readjustment and the all-round reform of the economic structure so as to make the former conducive to the latter.

Seventh, on the rationalization of the national economic structure. In recent years, the economic circles have put forth some important opinions and suggestions on structural rationalization. For instance, they have made serious analysis of the negative effects brought about by the industrial structure which took steel as the key link and was practiced for a long time. However, we have not thoroughly studied the question of economic structure. We must further make a profound analysis of the departmental structure and product mix to which we have given a lot of consideration. Some formulations must be made more precise. We must strengthen the study of some branches (of the economy) which are emphatically to be developed presently (such as the food industry, textile industry, consumer durables industry, fuel power industry, communications and transportation, forestry, animal husbandry and aquatic products industry) and the machine-building industry which is needed in developing these branches. The regional structure, enterprise scope structure and technological structure which we seldom discussed in the past have all the more to be studied.

Eighth, on economic ties with other countries. Economic science must sum up the rich experiences in developing economic ties with other countries over the past few years. Since the smashing of the "gang of four," the policy of walling the country off from international exchanges which China had pursued for a long time has been resolutely discarded. It is historically inevitable that we will expand economic exchanges with foreign countries and develop various forms of economic ties for the purpose of introducing advanced technology from abroad and appropriately using foreign capital. But whether in practice or in theory, our present level is not commensurate with practical needs. This requires us to sum up experience well and achieve scientific results in economic research.

Ninth, on theory. Besides the above-mentioned questions concerning theory, it is necessary to organize force to firmly grasp the study of many other questions concerning theory. The theories of reproduction, circulation and investment are instances in this respect. On the one hand, we must fully make use of existing resources and revitalize the economy, and on the other hand, we must keep a balance between financial revenue and expenditure, stabilize prices and avoid repeating the errors of overextending the scope of capital construction. We must thoroughly study the laws governing money movement and material movement and calculate their balance factor and time factor. For this reason, we must make not only qualitative analysis but also quantitative analysis.

What I have mentioned above is just the direction of some of what we should concentrate our energies and efforts to study. They cannot embrace all the questions. It is hoped that the various institutes, associations, research organizations and their members will set the tasks of study and make intensive studies. All these studies are for one objective--to enable China's national economy to smoothly step out of the readjustment period and march ahead along the correct path of socialist modernization suited to China's conditions which the CCP has gradually mapped out.

4. Rouse the Spirit and Strive to Develop Economic Science

China's various socialist construction projects must be based on a firm scientific foundation. Of these, the case of economic science is particularly important. Therefore, we in the economic circles must rouse ourselves, try our best to develop economic science and help economic sciences to better serve our socialist modernization.

First, in the study of economic theory, it is imperative to uphold Marxism-Leninism-Mao Zedong thought.

Historical experience and lessons have told us that in order to give play to the role of our theoretical research work in socialist modernization, it is imperative to uphold Marxism-Leninism-Mao Zedong thought as the guidline. The basic principles of Marxism-Leninism-Mao Zedong thought are the guide for us to engage in the study of economic science. We must not only systematically study the works of Marx, Engels, Lenin, Stalin and Mao Zedong and particularly such works as "Das Kapital" but also really understand and learn to apply them. Otherwise, our study and research will go astray. Adhering to this point does not mean not continuing to develop our economic science. Comrade Mao Zedong once made statements containing the following ideas: The communists of any country and the ideological circles of the proletariat of any country must create new theories, write new works and give rise to their own theorists. It will not do to rely solely on old things at any time. Proceeding in all cases from reality is the living soul of Marxism-Leninism-Mao Zedong thought. We must use dialectical materialism and historical materialism to break through ossified and semi-ossified thinking, to free ourselves completely and thoroughly from the shackles of dogmatism, to earnestly study the objective process of the movement and the development of the socialist economy and to specially explore the unique form of the socialist economic laws that function in our country through the zigzag road we have traversed and to establish the socialist economic system so as to better serve socialist modernization on the basis of summing up Chinese and foreign practical experience. Fundamentally speaking, bourgeois economics serves the capitalist system. We cannot take in what is philistine and unscientific in it, nor can we tolerate that which is unsuitable for our system. Of course, it cannot be denied that bourgeois economics also studies all socialized mass production and some laws governing commodity economy. We must attach certain importance to it. We must pay close attention to the history and present conditions of foreign economic theoretical research and in the light of China's national condition, critically assimilate its useful substance.

Second, it is imperative to enthusiastically implement Marxist principles and policies for developing science.

The policy of "letting a hundred flowers blossom and a hundred schools of thought contend" is a basic principle for allowing socialist culture to flourish and also a basic principle for promoting the development of economic science. In 1956, in accordance with the objective fact that there were various contradictions in socialist society and with the urgent demands for our country to rapidly develop its economy and culture, Comrade Mao Zedong advanced the "double hundred" policy. But owing to the obstructions from the "left" and the right, this policy was not implemented well. After the smashing of the "gang of four" and in particular after the 3d plenary session of the 11th CCP Central Committee, the movement to emancipate the mind was gradually carried on throughout the country, thus allowing the lively situation to emerge whereby "a hundred flowers blossomed and a hundred schools of thought contended." This has created a good atmosphere for the prosperity and development of economic science. In order to develop economic science, the movement to emancipate the mind must continue to develop in depth. Without the emancipation of the mind, it is hard to analyze the new situation, study new problems, put forth one's own opinions including constructive opinions and critical ones so as to solve problems well. We must have the theoretical courage to actively explore new problems and especially to study the major issues of overall importance which concern the vital interests of the party and the state. In scientific research, without thinking things out for oneself and without an atmosphere that is conducive to a free exchange of views, it is impossible to push scientific research forward. The question of whether the views are right or wrong must be judged through discussions and practice. Anyone who draws a conclusion on certain matters without going through discussions and practice will more often than not show that he lacks a thorough understanding of the complexity of the problems in economic science. Some problems seem to have been settled but in concrete practice they become complex. Therefore, in economic scientific research, there must be an atmosphere that is conducive to an earnest and free exchange of views on academic matters. In practicing criticism and self-criticism in the academic field, we aim at conducting an earnest and free discussion in which everyone can air different views and make criticism and can also make countercriticism. Conducting earnest and free discussions and bourgeois liberalization are two entirely different things, and they must not be lumped together. We must prevent bourgeois liberalization. The tendency of bourgeois liberalization must be seriously criticized. Bourgeois liberalization and the "leftist" trend of thought are obstructions to the conduct of earnest and free exchanges of views and must be eliminated. Integrating theory with practice, forging close links with the masses and practicing criticism and self-criticism are the three important and fine work styles of our party. They form an integral whole. Many erroneous ideas are often the result of not going deep among the masses, not delving deep into reality and not doing a good job in integrating theory with practice. Therefore, we, the economic theoretical workers, must not only attach importance to theory and earnestly study but also lay stress on reality and reinforce the work of investigation and study. Only in doing this, can we proceed in all cases from reality, uphold truth and rectify errors in the interests of the masses. Under the influence of "leftist" mistakes, we have always adopted the methods of launching political movements to solve the problems arising from erroneous thinking for a long period of time, thus giving some comrades a false impression that mentioning practicing criticism means that some campaigns will be launched. Criticism means discussion and analysis of different opinions and controversies. It must be realized that nurtured and educated for years by the CCP, the large numbers of economic theoretical workers are the valuable assets of socialist modernization and the force on which the CCP relies. Most of the different views in scientific research belong to matters of recognition as to whether or not they conform to objective reality. This can be solved only through social practice. The "resolution on certain questions in the history of our party since the founding of the PRC" points out that "we must correctly understand that there are diverse social contradictions in Chinese society which do not fall within the scope of class struggle and that methods other than class struggle must be used for their appropriate resolution." Upholding the four basic principles is in keeping with the policy of "letting a hundred schools of thought contend." In carrying out the policy of "letting a hundred schools of thought contend" and practicing normal criticism and self-criticism, it is imperative to follow the four basic principles. At the same time, we must not handle the different views and even erroneous ones in academic research in an over-simplified and crude way and especially oppose the practice supporting one kind of academic view and discriminate against another one by resorting to administrative means. This is an important experience of our implementation of the "double hundred" policy over the past two decades. Of course, words and deeds that disrupt socialist construction are matters of another nature. We must launch a necessary struggle against them.

Integrating theory with practice is the fine work style of our party and also the fundamental principle for developing economic science. Since the smashing of the "gang of four" and especially since the 3d plenary session of the 11th CCP Central Committee, the economic circles have adhered to this principle, thus playing a good role whether in the improvement of theoretical standards or in the promotion of practice. However, we must still pay attention to correcting theoretical study that departs from practice. The subjects of economic research must stem from reality. The economic theoretical workers must lay stress on investigation, take socialist modernization as a classroom, dare to practice, continuously study new situations and seek solutions to new problems and truly put into effect the practical principle of "not just listening to the higher ups and not just following what is said in books but paying attention to reality" which was put forth by Comrade Chen Yun early on when he was in Yunnan, and foster the scientific attitude of proceeding in all cases from reality. Of course, while paying attention to overcoming the tendency for theory to depart from practice, we must overcome the tendency of looking down on theoretical work. The "resolution on certain questions in the history of our party since the founding of the PRC" points out that one of the social and historical causes underlying the "great cultural revolution" which dragged on for as long as a decade and brought serious disasters to the CCP, the country and the people of all nationalities is that our party "was not fully prepared, either ideologically or in terms of scientific study, for the swift advent of the new-born socialist society and for socialist construction on a national scale." Thus stressing that "it was imperative for the whole party to engage in a more diligent study of Marxist theories, of the past and present in China and abroad, and of the different branches of the natural and social sciences." Engaging in a more diligent study of economic theory is of unique and important significance in this respect.

In the various branches of economic science and the different research subjects within the same branch, owing to the different objects and tasks of study, the ways of solving the question of integrating theory with practice are not necessarily the same. Turning the research findings into material results is a complicated process. It is hard to imagine that all research findings will play a direct role in practice. Some research findings will only play an indirect role in practice. In the past, under the influence of "leftist" mistakes, a large number of comrades who engaged in the study of basic theories and history were very often blamed for "departing from reality" and moving "from concept to concept." This was unjust.

One of the important issues in correctly implementing the principle of integrating theory with practice is that we, the economic scientific workers, must foster a strong sense of responsibility and resolve to serve socialist modernization with our own research findings. Of course, how far our research findings will play a propulsive and guiding role in practice depends on the scientific value of the research findings and must be tested by practice.

Third, to develop economic science, it is imperative to expand and improve the existing contingent of economic scientific workers and train large numbers of qualified economic scientific personnel.

In recent years, the ranks of our economic scientific workers has developed considerably, but this still cannot suit the needs of the arduous tasks of socialist modernization confronting us. This contingent of economic scientific workers is not only too small in quantity but also relatively low in quality. For instance, in terms of professional distribution, those who engage in the study of general economic theory are in the majority and very few people engage in the study of other branches. Many developing branches and the frontier branch are still nonexistent. The branches and the personnel are not fully integrated. Many economic scientific workers have a narrow range of knowledge and they have little understanding of the history, society and various production knowledge of their own country. To accomplish socialist modernization, it is necessary for economic scientific workers to understand advanced mathematics, modern science and technology and have practical knowledge of the modern economy, and the new achievements of study of different branches in other countries of which we have a very little understanding. They have poor knowledge of foreign languages, and in studying economic matters. They are used to laying stress on qualitative analysis to the neglect of quantitative analysis.

Therefore, it is a very pressing task to fill out and improve the existing rank of economic scientific workers so as to keep abreast of the demands of socialist modernization for economic science. We, the economic integrated federation, must play a deserved role in this respect. We must vigorously train a new force. The teaching of economics must be adapted to the requirements of socialist modernization, the teaching structure and the arrangement of specialized economics courses must be reformed, the range of knowledge of the students specializing in economics must be expanded and economic research, teaching and economic departments must be provided with qualified personnel of high quality.

In the study of economic science, there must be a division of work in science and at the same time the relations among the various branches must be strengthened. If everyone sticks to their narrow sphere and walls themself off from exchanges with others, then many problems cannot be better linked up. In addition, we must take into overall consideration and make arrangements for the development of economics throughout the country including the planning for the economic science of every region. We, the economic integrated federation, must do some useful work in this respect.

Fourth, it is imperative to develop various economic scientific service undertakings. The development of service undertakings is a result of the development of society of our time. Scientific service undertakings (including economic scientific service undertakings) are an important aspect of the various services. Besides their own tasks of study, economic science must do a good job in scientific service and serve socialist modernization with scientific conclusions, scientific know-how, scientific information and scientific methods in the fields of defining the results of economic policies, of offering economic information, data and advice, of training economic managerial personnel, of advancing rational solutions and suggestion and of making scientific deliberations of various technological measures and construction projects.

In socialist construction, it is an important task in the new historical conditions for us to strive to popularize economic scientific know-how. Only when the great majority of the people grasp economic scientific know-how, can our economic work be done better.

The tasks confronting us today are very arduous. The Chinese economic integrated federation is a scientific organization of a mass character. It holds itself responsible for connecting the economic circles, exchanging research findings, promoting academic research and popularizing economic science. We must energetically go into action, give full play to the strength of "integration," organize effective cooperation in the contents of study and personnel, train specialized personnel in different branches, open up new fields of discussion, actively participate in the various economic activities of the practical departments, offer scientific deliberations with full bases and develop economic service undertakings in a gradual way. Socialist modernization is not unconnected with economic science. We, the economic circles, must rouse ourselves, like climbing the topmost summit of Mount Taishan, brave hardships and dangers, march forward courageously and shoulder the great historical mission of developing economic science.

CSO: 4006/128

'JINGJI YANJIU' ON PRICE SUBSIDIES

HK280546 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 81 pp 78-81

[Article by Deng Huansong [6772 1360 2646] of the Sichuan Jiangjin Area Commodity Price Committee: "On the Duality of Price Subsidies and Ways of Reforming Them"]

[Text] Price subsidies represent an important economic policy of our country. To analyze and study the existing price subsidies system and to put forth realistic views on reforming this system will be of practical significance in improving the comprehensive equilibrium of our national economy and forming a rational price structure.

I

In our country, price subsidies have undergone a definite process of development. At the beginning, subsidies were given to enterprises which incurred losses. Later, they were gradually extended to the realms of circulation and consumption. The variety of subsidies was extended from the means of production to the means of livelihood. In our country, the amount of subsidies now accounts for over 20 per cent of total fiscal expenditures. Considering Sichuan as an example, subsidies disbursed from the fiscal funds of the central authorities are extended to grain, edible oils, coal sold on the market for daily consumption and other categories of commodities. Subsidies disbursed from local funds are extended to certain means of production, such as small chemical fertilizer plants, small iron and steel works, timber produced to support agriculture, pigskin products, raw silk for local sale, certain categories of agricultural machinery and equipment and so on, as well as to certain means of livelihood, such as vegetables, cotton for weaving, soap, pots for cooking rice, locks and so on. These subsidies are allocated to industrial enterprises and also commercial enterprises. Moreover, some subsidies are given to individual consumers. For example, in 1979, when the selling prices of 8 categories of non-staple foodstuffs were raised, price subsidies were given to workers.

In our country, the initiation and development of price subsidies have been related to certain political and economic conditions. Roughly speaking, such conditions can be categorized as follows:

The first category of political and economic conditions is that in the past, under the guidance of the principle for economic development called walking "on two legs," a number of the five categories of small industrial enterprises, such as small iron and steel works and small chemical fertilizer plants, appeared in various provinces. If we compare these "five categories of small" enterprises with large factories, their costs of production have been much higher than the average costs of the entire industries. If prices were raised on the basis of the individual enterprises' costs of production, then their products would have been unmarketable, and this would have been unfavorable to other enterprises' accounting work. Therefore, they have been subsidized. The price subsidies for small iron and steel works and small chemical fertilizer plants have thus continued to this today.

The second category of conditions is that subsidies have been given in compensation for losses due to low prices of industrial materials and raw materials and fuels. Take raw coal as an example. Today, the price of a ton of raw coal as it leaves the coal mine is even lower than that of a ton of firewood. The cost of excavating raw coal has been continuously rising because of the influence of natural conditions, but over the past 20 years the price of coal has very seldom been adjusted, resulting in losses for the whole industry. In 1979, after the prices of coal leaving the mines, including coal subject to centralized distribution and coal produced by the localities on their own behalf, had been raised by an average of 5 yuan per ton, two thirds of the enterprises still incurred losses. At present, the state's subsidies applied to coal are two-fold in nature. For one thing, the state continues to extend financial subsidies to those enterprises of the coal industry which suffer from losses. For another, it gives subsidies in compensation for losses due to the policy of raising the purchase price of coal to be sold by commercial units on the market for daily consumption without raising the market selling price.

The third category of conditions is that subsidies are given in compensations for losses due to increases in the prices of agricultural products or materials or raw materials without corresponding changes in the selling prices of products, that is, due to an inverted price structure in the links of circulation, with purchase prices exceeding selling prices. For example, with increases in the price of timber, the selling prices of timber for agricultural use and farm equipment have remained unchanged. With rises in the prices of tung oil and other oils extracted from wood, the producer price of soap has been correspondingly raised but the wholesale and retail prices charged by commercial units have remained unchanged. With rises in the purchase prices of grain and edible oils, their selling prices on the market have not changed. Fiscal subsidies are given to compensate for losses incurred in this way as a matter of policy.

The fourth category of conditions is that the state adopts a policy of keeping internal prices and external prices different for exported or imported commodities. Deficits arising in this way in external trade are covered by financial subsidies. In 1978, our country imported 6.96 million tons of iron ore at a cost of 54.8 yuan per ton. The Foreign Trade Ministry sold it at 45 yuan a ton to the enterprises. The price difference was 918 yuan per ton and the losses amounted to 68.20 million yuan. Then the Ministry of Finance subsidized the Foreign Trade Ministry to maintain domestic price stability.

The fifth category of conditions is that wages are low in our country, and in the light of this characteristic, financial subsidies are given to cover the losses due to low standard fees charged by those units responsible for medical and health services, health services for women and infants, and cultural and educational undertakings.

II

Judging from the political and economic conditions that give rise to price subsidies, the price subsidies system is closely related to our country's political and economic system. It is an integrated administrative and economic means adopted by the state to intervene in economic life and price movements. The aim of this means of intervention is to substitute price subsidies for price readjustments. By subsidizing the enterprises for their losses, the state checks the chain reaction effects of increases in the prices of related products so as to maintain the stability of planned prices and of the people's livelihood. This is a positive effect of price subsidies on our country's political and economic situation.

Our country pays relatively great attention to using the method of price subsidies as a substitute for price readjustments. Aside from reasons of the prevailing political and economic conditions and our economic system, there is also a theoretical cause: We do not attach importance to the regulatory roles of commodity and money relations and the law of value in the process of social reproduction, and we have been accustomed to using administrative intervention and regulation by planning mechanism to substitute for regulation by the market mechanism and the law of value. With the progress of economic readjustment and reform, the negative effects of the price subsidies system have become increasingly apparent. They can mainly be grouped under the following two categories.

1. The role of price as a lever to regulate the process of social reproduction has been weakened, resulting in an irrational pricing structure.

Although price subsidies can compensate the enterprises for their losses, they violate the requirements of the law of value by many respects. First, price subsidies cause the prices of commodities to deviate from their value, because financial subsidies constitute some artificial additions to prices. Whatever the amount of a subsidy, it makes it impossible for price to correctly represent value. The larger the amount of a subsidy, the greater will be the deviation of price from value. The longer the time during which a subsidy is applied, the longer will also be the time during which price deviates from value. In our country, the price of coal has been lower than its value for many years, without being readjusted. A reason is that the regulatory role of price as a lever has been neglected. For many years, some enterprises have depended on financial subsidies to keep up production. Consequently, the price structure has been irrational, with fuel prices remaining low and the prices of processed industrial products remaining high. This is surely one reason why we have been unable to boost the coal industry. Second, because subsidies cause price to deviate from value, the profit levels and operation results of various enterprises and various trades cannot be correctly assessed and reflected. Third, the regulation by price as a lever in the rational allocation of resources is weakened. It has been mentioned that the import price of iron ore is high but its domestic selling price is low, with the losses borne by the state. The enterprises scramble to use the imported iron ore. This is disadvantageous to promoting the opening up and utilization of our country's resources and to economizing on the use of foreign exchange. Fourth, financial subsidies tend to protect the backward enterprises and are disadvantageous to promoting technological advance and launching competition. For example, the low price of coal is unfavorable to encouraging the processing enterprises to economize on energy resources and undertake technological transformation for improving the energy consumption pattern. Practice has proved that the protracted use of financial subsidies to maintain the stability of planned prices will prevent us from building a rational economic structure and economic system.

2. The price subsidies system is disadvantageous to the comprehensive equilibrium of the national economy and to price stability.

Price subsidies hamper the attainment of comprehensive equilibrium. This finds concentrated expression in the fact that price subsidies are unfavorable to the attainment of equilibrium between fiscal revenue and expenditure and to the coordination of the proportional relationship between accumulation and consumption. Price subsidies are in contradiction to equilibrium between fiscal revenue and expenditure, because they are governed by different laws. Price subsidies have the following characteristics: they are integrated with the economic interests of the enterprises and the consumers; it is easy to increase or introduce or abolish them; and moreover, subsidies are integrated with production, circulation and consumption, so that even if the scope and criteria of subsidies remain unchanged, the larger the quantities of commodities purchased and the larger the volume of consumption, the larger will be the amount of subsidies and the greater will be the strain on the equilibrium between fiscal revenue and expenditure. In the Jiangjin area of Sichuan Province, in compliance with instructions of the central and provincial authorities, the purchase prices of timber, raw coal and agricultural products have been raised over the past year. Price subsidies have been greatly increased to stabilize the market selling prices of related products. In 1979, subsidies were extended to only 9 categories of products and the total amount of subsidies was 28.23 million yuan, accounting for 19 percent of that year's total fiscal expenditure of 147.37 million yuan. In 1980, the subsidies were extended to 18 categories of products, with the amount of subsidies increasing to 33.88 million yuan, accounting for 24 percent of that year's fiscal expenditure of 140.67 million yuan. In 1981, subsidies are still extended to 18 categories of products. Because of economic readjustment, the budgetary fiscal expenditure is reduced to 95.06 million yuan and the subsidies will be reduced to 30.06 million yuan. The reduced subsidies will account for 31 percent of the budgetary fiscal expenditure. The figures above have not yet included subsidies to foreign trade and medical and health units for covering their losses as well as price subsidies to workers for nonstaple foods.

Fiscal subsidies aggravate the irrationality of our pricing system. An irrational pricing system in turn enhances the continuous increase in price subsidies. The reasons are as follows. 1) The scissors differential between industrial and agricultural products is still relatively great. To strengthen agriculture, the foundation of our economy, and to develop the light and textile industries as quickly as possible, the state must continue to adhere to the policy of raising the purchase prices of the major agricultural products, such as grain, oils and cotton. At the same time, to enable the workers to enjoy a stable life, the state cannot yet correspondingly raise the selling prices. With the development of production, the increase in the quantities of products purchased, the increase in urban employment and the expansion of the work force, the state will increase its expenditure on price subsidies on the basic means of livelihood such as grain, oils, cotton, coal and so on as well as 8 categories of nonstaple foodstuffs. 2) Because of the needs of national economic development, we must not postpone for an overly long time changes in the prices of the means of production, with energy resources as the key items. In particular, raising the prices of coal and timber is a very urgent matter. With the increases in the producer prices of coal and timber, the state will increase its price subsidies on coal sold on the market for daily life and so on. 3) Import and export trade is expanding. Prices on international markets change frequently but domestic prices are relatively stable. Although the system of administration of foreign trade is becoming decentralized (responsibility being assigned to various departments and localities) subsidies for covering losses due to price differences will follow a trend of increase irrespective of what departments or localities bear the losses. With the development of the above factors, even if the scope of subsidies does not expand, the proportion of price subsidies in the budgetary fiscal expenditure will increase. Therefore, we should pay attention to the question of controlling the proportion of price subsidies in budgetary expenditure. The growth in price subsidies must be ensured by budgetary fiscal expenditure. However, the amount of budgetary fiscal expenditure is governed by laws peculiar to itself. First, the amount of budgetary expenditure is under the constraint of the current year's revenue and the previous year's balance. There is an objective limit. The entire fiscal expenditure consists of expenditure in the nature of accumulation and expenditure in the nature of consumption. Judging from the ultimate aim, price subsidies amount to an expenditure in the nature of consumption. Under the condition that the fiscal expenditure in a given year is a fixed amount, if the proportion of price subsidies rises, the proportion of other categories of expenditures will inevitably fall. Thus, an overly large proportion of price subsidies in the budgetary fiscal expenditure will inevitably displace other categories of expenditures and will hinder the achievement of a rational and well-balanced proportional relationship between accumulation and consumption.

Moreover, we should note that there must be some minimum limits, the attainment of which must be ensured by the budget, for price subsidies and other categories of fiscal expenditures. If the financial budget fails to provide for adequate price subsidies, the prices of some products--products whose prices must be kept stable by means of subsidies--will rise. On the contrary, if the minimum needs represented by other consumption and accumulation expenditures cannot be met, shortages in the relevant aspects of economic life will occur. When these expenditures, just as price subsidies, must increase and must not be reduced, a deficit financial budget must be made and consequently inflation and increases in commodity prices will be unavoidable. Then, because price subsidies expand and things happen in a way contrary to the aim of stabilizing commodity prices, commodity prices will consequently be unstable. Therefore, we should now raise the question of preventing the expansion of price subsidies. Steadily and with vision, we must reform the price subsidies system, exploit favorable conditions and avoid unfavorable conditions, and guard against being caught in a "dilemma" of failing to make both ends meet.

III

To sum up the above discussion: We should take controlling and reducing the proportion of price subsidies in the fiscal expenditures as some important substance of economic reform and price reform. In reforming the price subsidies system, we should follow this principle: for one thing, the reform must be conducive to achieving a proper balance in the proportion between accumulation and consumption and achieving comprehensive equilibrium in fiscal revenue and expenditure; and on the other hand, it must be conducive to the formation of a new economic system and a rational pricing system. If we are to attain this goal, we must not take hasty action now and immediately abolish price subsidies. Instead, we should gradually decrease price subsidies in a planned way. The following are the basic steps and paths we should take during the period of readjustment.

1. We should strictly control the scope of price subsidies. Currently, price subsidies account for about a quarter of our fiscal expenditure. We should take this proportion as a line of defense and prevent price subsidies from rising above this level. The appropriate measures are as follows. On one hand, the power of control over price must be centralized. The power of making decisions about national price subsidies must be centralized in the State Council. For another thing, in reducing price subsidies, we must proceed in an orderly way and step by step and coordinate such reduction with the measures and pace of economic readjustment and reform. For example, small iron and steel works and small chemical fertilizer plants incur losses because they produce products in small quantities and they consume large quantities of resources. Subsidies for covering such losses may be abolished if the enterprises undergo technological transformation, reorganization and rectification. Subsidies for covering the deficits of various institutes, such as medical and health institutes, may be cut back if they are run "in the way enterprises are run." Effective methods of control must be formulated to limit the subsidies arising from import and export trade. From now on, price subsidies drawn from fiscal expenditure should be applied mainly to several major commodities (such as grain, oils, vegetables and coal) which are closely related to the people's livelihood. Even in the case of these commodities which are important to the people's livelihood, the policy of an inverted price structure whereby purchase prices exceed selling prices should not be adhered to for a long time. If prices excessively deviate from value for an overly long time, then in the end "things will develop in the opposite direction when they become extreme." Therefore, we should create conditions for adopting the method of gradual price increases to reduce price subsidies of this nature.

2. The method of a combination of regulations by means of tax rates and regulation by means of pricing should be used to replace a part of our price subsidies. For example, in the light of different circumstances, the chain reaction effects caused by increases in the prices of coal, timber and agricultural products should be tackled by the method of a combination of regulation by tax rates and regulation by pricing. The market selling prices of some products should be raised if it is appropriate to do so. The method of regulation by means of tax rates should be applied to those products for which this method is appropriate. For example, in 1979, when the purchase price of cane sugar had been raised, the industrial and commercial tax rate applicable to machine-processed white sugar was lowered by the state from 40 percent to 30 percent, so that the market wholesale and retail prices of white sugar were kept stable.

3. Regulation by means of pricing must be integrated with measures of increasing the workers' wages and the residents' income. The state planning agencies must pay attention to changes every year in the price indices that reflect the workers' livelihood and the workers' income level. In working out the budgetary fiscal expenditure, due attention must be paid to both price readjustments and wage readjustments. We should make a gradual transition from relying mainly on administrative

means to relying mainly on economic means to stabilize commodity prices, and we must adopt the policy of coordinated increases in commodity prices and wages. Only thus can our economy have a way out. We must not follow the beaten track we have taken over the past 20 years, which is characterized by "no price changes, no wage increases and no economic vitality."

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HEBEI COMPANY'S RESPONSIBILITY SYSTEM HAILED

OW150921 Beijing XINHUA Domestic Service in Chinese 0023 GMT 15 Nov 81

[XINHUA editor's note and investigation report No. 1: "Proceed from Setting an Average Advanced Work Quota--On Implementation of the Economic Responsibility System by the Handan Municipal No. 2 Construction Company"]

[Excerpts] Shijiazhuang, 15 Nov (XINHUA)--XINHUA editor's note: Hu Yaobang, chairman of the CCP Central Committee, recently visited the staff members and workers of the Handan Municipal No. 2 construction company of Hebei Province which is participating in Tangshan's reconstruction work. He praised the company as the most advanced construction unit in the entire country. Not long ago, XINHUA reporters also visited the construction company and thought that it indeed deserves its reputation.

The company, with some 2,200 staff members and workers, began working in Tangshan in early 1979. At the same time, it began to implement the system of economic responsibility with piece rate wages based on zero defect and overall fulfillment of work quotas as its core. In the past 2 years and more, the company's production outlook has changed greatly. In 1980, its per capita labor productivity was 10,445 yuan. From 1979 to the end of October 1981, it completed 210 apartment and public buildings with a total floor space of 359,307 square meters, averaging 62 square meters per worker in each year. Its working efficiency exceeded the state quota by 120 percent. Of the 210 buildings completed, 150 have been examined and found to be of zero defect, while the remaining 60 have not yet been examined. The company's construction costs were 8.43 percent below plan. Such a savings in cost was rare in China's construction industry.

How did the Handan Municipal No. 2 construction company make these remarkable achievements, attain its high working efficiency and achieve good construction quality with lower construction costs? How did it proceed in implementing and continuing the system of economic responsibility? These questions will be answered in the following three investigation reports. (End of the editor's note)

The Handan Municipal No. 2 construction company began the system of economic responsibility with the setting of an average advanced work quota. In early 1979, the company began piece rate wages based on work quota fulfillment for the construction workers. Under the wage system, the workers are paid according to work. Workers who overfulfill the work quota are rewarded, those who fail to fulfill it are penalized, and those who just fulfill the quota receive only the basic wage.

What is an average advanced work quota?

The company set the work quota according to the principle that the majority of workers can overfulfill it if they make great efforts, they can just fulfill it if they make some efforts, and they will fall behind it if they do not make efforts.

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AGGREGATE ECONOMIC DATA

BRIEFS

GUANGDONG SOCIAL COMMODITIES PRODUCTION--In the first 9 months of this year, the total volume of retail sales of daily necessity products was 9.811 billion yuan, an increase of 11.7 percent over the corresponding period last year. Since the beginning of this year, Guangdong Province has rapidly developed industrial and agricultural production. The peasants' income from domestic sideline occupations in the first half of the year increased by 38.1 percent over the corresponding period last year. Thus, the peasants' purchasing power increased. As a result, famous brand products and high quality products were more popular than cheaper ones. In accordance with the new market demands, the Provincial People's Government took measures at the beginning of this year to develop production of consumer goods for everyday use; light industrial production in the first 8 months of the year increased by 15.7 percent over the corresponding period last year. In addition, production of foodstuffs, construction materials and so on also increased. The relevant departments also ensured supply of these products to the rural areas. [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 5 Nov 81 HK]

GUANGDONG ECONOMIC DEVELOPMENT--In 1980 in Guangdong Province, the total agricultural output value was 12.4 percent, the total light industrial output value was 21.4 percent, the total heavy industrial output value was 5.6 percent and foreign currency income was 58.8 percent more than in 1978. From January to August this year, the total industrial output value was 10.5 percent and foreign currency income was 14.6 percent more than in the corresponding period of last year. As the province has readjusted and reduced the areas sown to grain and enlarged the areas sown to industrial crops, production of grain and production of industrial crops have promoted each other and developed in an all-round way. Over the past 2 years, the total grain output has increased by 3.4 billion jin. In 1980, output of sugar was over 1 million tons, output of peanuts was over 1 billion jin and the total output of grain, oil and sugar was more than the previous highest levels. [HK030358 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 15 Oct 81 HK]

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BRIEFS

SHANDONG ECONOMIC CONTRACTS ADMINISTRATION--The Shandong Provincial Administrative Bureau for Industry and Commerce convened a forum on the administration of economic contracts 17-20 November in Jinan. The forum noted that the province has scored some achievements in the administration of economic contracts. Over 90 counties in the province have implemented this work on the basis of trial implementation in pilot counties last year. It has had a positive influence in developing industrial and agricultural production, accelerating commodity circulation, improving market supplies and stimulating the economy. However, some localities and departments still lack an adequate understanding of the importance of the contract system and have failed to step up the administration of economic contracts. The forum urged localities to study and implement the regulations promulgated by the central and provincial CCP committees on the administration of economic contracts, actively institute the economic contract system and promote the administration of economic contracts. [SK222302 Jinan Shandong Provincial Service in Mandarin 2300 GMT 20 Nov 81]

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FINANCE AND BANKING

ROLE OF CONSTRUCTION BANK IN READJUSTMENT DISCUSSED

Beijing CAIZHENG [FINANCE] in Chinese No 8, 5 Aug 81 pp 1-4

[Article by Wu Boshan [2976 0590 1472]: "The People's Construction Bank Will Earnestly Implement Readjustment Guidelines"]

[Text] The decision by the party Central Committee and the State Council to implement further economic adjustments and achieve further political stabilizing guidelines is a continuation of the vigorous, great policies of the Third Plenary Session of the 11th Party Central Committee. The proper regulation of basic construction holds great significance for the readjustment of the national economy and the realization of political stability. The People's Construction Bank of China is the entity which manages basic construction funds, accurately comprehends and thoroughly implements readjustment guidelines, improves the management of basic construction appropriations and loans, promotes readjustment of basic construction, and improves investment results. This is an extremely arduous and very honorable responsibility.

Sufficient impetus should be given to basic construction: this is the key to the current readjustment of the national economy. It is the great measure which strives for a balance between revenues and expenditures and for a stabilized economy. First of all, in order to serve economic readjustment, the People's Construction Bank should resolutely handle funds allocation and lending in accordance with the national plan. As for construction projects in the national plan, the People's Construction Bank should reasonably supply funds within the nationally ratified plan and budget. Allocations and loans for projects outside of the plan should be halted in accordance with regulations. The bank should, consistent with the demands of the national plan, guarantee those things designated to be guaranteed and resolutely promote those things designated to be promoted. Second, it should tightly control suspended projects. The key to whether or not the scale of basic construction can be held down is in ceasing or delaying construction of those projects for which there is no urgent livelihood or production need or for which construction prerequisites do not exist. The excessive conditions arising out of unchanged basic construction projects would not be beneficial to improving investment efficiency; a reduction of the current year's scale of investment can also strike a blow in the war on consumption. Thus, the suspension of postponed projects, as affirmed in the national plan, should continue to be urged through administrative and economic procedures. Furthermore, the bank must earnestly do the work arising out of the aftermath of such suspension; it cannot allocate funds to unauthorized organizations approving a return to work. Third, the bank should promptly reflect the actual conditions of the overall scope of basic construction. At present, the investment funds for basic construction come from many channels. This brings some difficulties in controlling the overall scale of basic construction. However, the vast majority of all aspects of the funds used in basic construction are controlled by the People's Construction Bank. In addition, the People's Construction Bank has branches throughout the whole country with which to observe and forecast the actual size of basic construction investment. Comrade Chen Yun [7115 0061] has said: "The monetary, financial, and commercial areas are ones which are well-informed and acutely sensitive." "From these areas, the total situation can be seen." In order to bring about readjustment, the People's Construction Bank should give priority to its own responsibilities and promptly reflect the overall scale of construction, giving all levels of party and government, even to the Central Committee and the State Council, an understanding of the actual situation with which to make decisions. In short, in the process of readjustment, the People's Construction Bank is capable of fulfilling its role, beginning with the overall situation of the national economy.

To reduce the scale of basic construction is also to promote centralized, reasonable measures to utilize construction funds and to improve investment efficiency. The arrangements in this year's plan continue the delay and cessation of some construction projects, relatively concentrate investment, and also include some improvements in the requirements for supply of materials, design, and construction strength. However, it can also be seen that investment in some key projects is still insufficient; some of the materials are still incapable of satisfying requirements as to quantity, quality, specifications, and timely supply, in some areas, such phenomena as "gorging on food," taking state investment funds at will, and spending money freely still exist. The losses and squandering are still fairly serious. For this reason, in the implementation of readjustment guidelines, the People's Construction Bank will also further expand practicable investment, will use the limited investment funds in line with the national plan first of all for construction in energy, transportation, light textiles, construction materials, and then for municipal housing, municipal construction, cultural and educational health, etc. The bank will bring about strengthening of shortened or weakened links, and will bring the operations of key projects and investment projects into line with the national plan. As for projects which only require small amounts of investment and which both alleviate shortages and can be brought into production, the People's Construction Bank can, within the scope of the basic construction expense budget, adjust funds surpluses and deficits and provide loan support in accordance with the financial system. The bank will increase investigation of the basic construction budget, promote improved economic accounting by basic construction units and construction enterprises, and lower construction and engineering costs. It will strictly examine disbursements and loans, greatly tap the potential of funds and materials, and plug the holes through which there are losses and waste. The People's Construction Bank has accumulated some good experience in these areas, and in the economic readjustment it should redouble its efforts and attain even greater efficiency.

Basically, to carry out the readjustment guidelines is to adjust the economic structure, including both the adjustment of state economic proportional relationships and the adjustment of product structure. Further readjustment will achieve even greater coordination in the ration of agriculture, light industry, and heavy industry, trades and industry; even greater reason throughout the entire economic structure; and a basic transformation in our basic construction guidelines. If society's overall production does not rely on the many basic construction projects or the laying of a new organizational structure, but rather relies primarily on giving full play to existing businesses, it will gradually move from extensive to intensive, from extensive farming to intensive farming, taking up a new route where investment is not too great, where one-sided requests for speed increases are not too high, and where economic efficiency is highly stressed, the wealth of society increases a lot, and benefits derived by the state, collectives, and the people are fairly abundant. Accurately comprehending the profound meaning of this holds extremely important significance for the work of the People's Construction Bank in serving and promoting readjustment even better.

In accordance with the demands of readjustment, in the future there will be no great increases in the basic construction investment directly arranged by the state budget, and except for some projects in the weak links of energy and transportation still to be initiated, it will not be possible to start many new projects. Furthermore, the investment in all sectors for revision, reform, or developing potential will continually increase. For this reason, in the future, the People's Construction Bank will not only continue to carefully manage basic construction funding and loans, but will at the same time expend great effort to closely follow the renewal and technical reform of the fixed assets of existing business in order to assist such businesses in practically managing the funds used in developing potential, reforming, and revising to best bring about even greater economic results. Since 1978, the State Council has repeatedly and explicitly requested the People's Construction Bank to provide very effective management of the funds for basic construction, developing potential, making revisions and reforms. Efforts should be exerted to undertake this heavy responsibility.

At present, the People's Construction Bank already manages a lot of funds for basic construction, developing potential, and making revisions and reforms. It manages the financial budgetary allocations for all levels as well as the depreciation funds and production development funds from deposits of departments and businesses; and at the same time, it manages loan funds allocated in succession by finance departments at all levels in accordance with the necessity and possibility for measures to make reforms and develop potential. It should manage these funds properly, support the reasonable reorganization of existing businesses, implement coalitions, bring about technical reforms and equipment renovation, and promote the rationalization of the economic structure. In the future, following the expansion of readjustment and reform, the responsibility of the People's Construction Bank for the management of funds for development of potential, reformation, and revision on behalf of existing businesses will certainly increase daily. It should be pointed out that there are still some comrades among us who have insufficient understanding ideologically for this great change. They still remain in that original phase where basic construction allocations are handled in accordance with the plan and they still have not put the management of funds for development of potential, reformation, and revision on the agenda. Some go so far as not to consider such measures as projects for the basic construction plan and think that managing such funds is outside the realm of the People's Construction Bank. Obviously, this is inconsistent with readjustment demands and development conditions. It should be rectified.

The People's Construction Bank will support existing businesses in the increase of production and development of potential in two aspects. On the one hand, it will actively develop deposits and attract idle capital back into production areas as fixed assets; on the other hand, it will earnestly provide proper handling of various loans for potential development, reformation, and revision. The question of loans in particular should be discussed here. As early as 1979, Comrade Deng Ziaoping pointed out that the People's Construction Bank should also act as a lever. Even though it is called the Construction Bank, it should not be content with making computations and calculations, but also should open wide its doors and be skillful at economics and trade. Through various methods such as credit, trusts, and acting as agents, it should gather together funds for return to production areas as fixed assets. The bank should also be used to actively mobilize such funds in accordance with state policy requirements and investment guidance to adjust the funds surpluses and shortages among the various departments and businesses. Further, it should support old factories in developing potential, reformation and revision in accordance with the plans for use of such funds ratified by the various businesses and departments realizing increased receipts for increased production. The use of funds for measurers to develop potential and implement reforms and revisions should comply with the readjusted state economic guidelines and benefit the improvement of the economic and product structures. In 1981, there should be emphasis on supporting existing businesses in the development of consumer goods production required by the market, as well as the enlivening of the market, the withdrawal of currency, and the increase in fiscal revenue to satisfy the needs of the people. In order to solve the problem of insufficient housing, particularly the problem of "small families of small means" using their housing funds yearly, the Construction Bank can absorb housing deposits and issue housing loans. When extending credit for measures to develop potential, make revisions and reforms, particular attention must be paid to the conditions. The principle of "the five loans available and the five loans unavailable" must be persistently applied with extreme attention given to the result of the credits.

At present, our nation is in the midst of a new change in the course of history. The developments in circumstances and the changes in construction guidelines inevitably bring new developments and changes to the work of the People's Construction Bank. Our thinking should be guided even more by improving economic results. Our work objectives should expand from the renewal, expansion, or reconstruction of fairly small units to the development of potential, revision, and reform of the many existing businesses. The content of our work should gradually make the transition from carrying out the many financial functions to continually improving the function of the bank at the same time as improving the financial functions. Our working procedures should gradually be transformed from the simple administrative procedures of supervision of funds allocation to even better application of economic procedures. Under these conditions, the entire staff of the Construction Bank, and in particular leading cadres at all levels, should show a great improvement in thinking and in work as well as a great change in working style.

The key lies in study, research, and investigation. We should continue to earnestly study the relevant Central Committee documents, persist in the four basic principles, earnestly strengthen political ideology, and pay attention to eliminating the influence of "leftist" thought from our guiding ideology. We should broaden our outlook; we should investigate, analyze and do research in economics in line with the demands of "liberating ideology, using our brains, being practical and realistic, and uniting in being forward-looking." In a sense, how well the work of the Construction Bank is done to a very great extent is determined by how well the research and investigative work is done. For this reason, no matter how busy the enterprise, it should resolve to transfer some leading cadres to the development of economic research. The key points in the research are: 1) proper investigation of the feasibility of a project and an analysis of the necessity, possibility, and economic rationale of the project in order to create conditions for inclusion in the planning, arrangement, and confirmation of the 1982 funding supply (funds allocation and lending); 2) investigation of the economic results of the project once on-line to discover typical or general experiences in order to seek ways to improve investment results; 3) development of the industry's economic research and establishment of a system for the exchange of economic information in order to have a firm grasp on reliable economic data for the allocation of funds and the extension of loans.

We should clearly recognize and undertake the heavy burden, brace ourselves, work hard with spirit, be modest and prudent, bring about cooperation, spare no efforts, and do each bit of work to make the rightful contribution to the readjustment of our economy.

9795
CSO: 4006/7

CONFERENCE URGES FORMULATION OF ENERGY STANDARDS

Beijing BIAOJUNHUA TONGXUN [STANDARDIZATION JOURNAL] in Chinese No 5, 1981 p 11

[Article by Xu Wen [1776 5113]: "Speeding Up Formulation of Energy Standards"]

[Text] In May 1981, the State Standardization Bureau held a national work conference on energy standards in Beijing. The conference was chaired by Comrade Yue Zhijian [1471 1807 1017], deputy director of the State Economic Commission and director of the State Standardization Bureau. The opening address was given by Comrade Wu Bowen [0702 0130 2429], deputy director of the State Standardization Bureau. Professor Wu Zhonghua [0702 0112 5478] spoke at the opening of the conference and, later in the meeting, made scientific reports on heat, energy and energy balance, and thermal efficiency to all the participants.

During this conference there were 37 presentations of scientific research results, work experience and academic papers on the standardization of energy resources. The conference participants proposed a number of useful opinions and suggestions on the production, development and rational utilization of energy, improving efficiency and reducing consumption of energy-consuming equipment, and promotion of new energy-conserving materials, devices, and technology. The papers presented were of high academic standard and they demonstrated the encouraging progresses on the standardization of energy resources made in China in recent years.

During the meeting, serious and detailed discussions were made on the four basic energy standards: unit, notation and conversion of heat, general rules of thermal device energy balance, general rules of thermal device efficiency computation, and general rules of general energy consumption computation.

The main points of the energy standardization plan during the "Sixth Five-Year Plan" period were discussed in the meeting. It is recognized that energy standards are the technical basis of energy legislation and management, rational development of energy resources, improvement of energy utilization, innovation and modification of energy-consuming and energy-transforming equipment. The general goal of energy standardization in the "Sixth Five-Year Plan" period is to establish a series of standards on the development, production and utilization of energy resources, technical energy equipment, energy base, and conservation materials so that they can be coordinated into a complete system to satisfy the needs of energy production and management. Therefore, the following tasks must be done well:

1. Basic energy standards urgently needed in energy management must be established as quickly as possible. After completing the standardization of the four basic energy standards passed in the conference, work should be speeded up in standardizing energy terms and terminology, enterprise energy balance and energy utilization computation rules. Industrial departments should establish at the earliest possible date the standard computation methods of general energy consumption in various types of enterprises and energy balance and thermal efficiency computation standards and associated equipment, meters, and measurement standards for various industrial furnaces and kilns.

2. Establish energy conservation standards for the production and use of oil products. First, the establishment of an automobile gasoline consumption standard should be required in 1982 and, after conducting tests under varied engineering conditions, it should be modified and perfected. Next, energy conservation standards should be made for petroleum products including the most economic and optimal standard octane values compatible with automobile engine parameters, pertinent targets for gasoline and diesel fuel production, lubricating oil that saves electricity and fuel, and standard periods for discarding and changing oil. The conference also requested the Ministry of Petroleum Industry and the Ministry of Textile Industry to quickly establish a national standard for the notably effective electricity-saving No 4 high speed machine oil.

3. Establish coal quality standards for major mining zones and coal consumption standards for large energy consumers. Set up limiting value standard for the effective utilization of low heat-value fuel in order to resolve the question of economic and rational usage of coal resources.

4. Establish a series of standards from raw material, including electrical copper and aluminum, to wires, cables, and electrical transmission and transformation equipment.

5. Do a good job in standardizing new energy resources and new energy-conserving material, technology, and equipment.

The conference asked responsible departments in Shanghai to establish national standards for far-infrared coatings and elements. Standards should be examined and evaluated in Shanghai and then reported to the State Standardization Bureau for approval and issuance.

It was proposed in the meeting that leadership for the energy standardization task should be strengthened. Full (part) time positions should be initiated, training and education of personnel should be carried out, and major undertakings such as "energy balance service centers" should be done well to insure the smooth completion of the tasks listed above.

9698
CSO: 4006/88

GUANGXI INDUSTRY, COMMUNICATIONS MEETING HELD

HK270308 Nanning Guangxi Regional Service in Mandarin 1100 GMT 25 Nov 81

[Summary] A Guangxi regional conference on industry and communications was held in Nanning from 18 to 23 November. The conference summed up experiences in the economic responsibility systems, studied the work of further straightening out the enterprises, tapping potential and conducting innovations and improvements, and made preparations for next year's production. The participants seriously studied the relevant central documents and gave their views on how to make a success of industrial production next year.

(Huang Jia), director of the regional economics committee, delivered a report on the current situation in Guangxi industry and communications and the task and measures for 1982. Regional CCP committee first secretary Qiao Xiaoguang and secretary Qin Yingji listened to the reports delivered at the conference and discussed and issued instructions on the issues raised. Regional government Vice Chairman Huang Yun delivered a summation report.

The conference pointed out: Rapid changes have taken place in the region's industry and communications since implementing the regional CCP committee and government July regulations on instituting economic responsibility systems. It is hoped that total value of output by the end of the year will show an increase of about 3 percent over last year. The conference pointed out: the work of instituting economic responsibility systems is still in the exploratory stage, and it is necessary to strengthen leadership, sum up experiences, and constantly improve and perfect the systems. The conference also stressed the importance of tapping potentials and carrying out innovations and improvements in existing enterprises. This work must be vigorously grasped next year.

The conference held: "The region has done a lot of work in recent years in straightening out the enterprises. The machine-building trade has grasped this earlier and better than the others. Next year, under the premise of implementing economic responsibility systems, we must concentrate on straightening out the enterprises and strive to have this work completed in the majority of enterprises before the end of next year, to reach the six criteria set by the State Council."

The conference also called for expanding the region's sugar refining capacity and for developing some industry in mountain areas, where one or two enterprises should be set up in a number of counties next year.

"The regional CCP committee has decided on a 5 percent growth in planned output value of industry and communications next year. This will be an arduous task, but it can be accomplished so long as people work hard. The key to gaining the initiative in next year's production lies in ideological mobilization, stability of policies, and a good grasp of production preparations. We must now get a good grasp of preparations for next year's production and implement them in each enterprise."

CSO: 4006/143

SHANGHAI INDUSTRIAL COOPERATION URGED

OW201059 Beijing XINHUA Domestic Service in Chinese 0209 GMT 20 Nov 81

[Letter from XINHUA correspondent Wu Fumin]

[Excerpts] Shanghai, 20 Nov (XINHUA)--The textile industry is a vast field for heavy industry to explore.

In the course of economic readjustment, can heavy industry find more outlets? According to this correspondent's preliminary findings, Shanghai's textile industry alone has a vast market for heavy industry to open up.

At present, new demands in domestic and foreign markets are forcing Shanghai's textile industry to accelerate the upgrading and developing of new generations of products and to renew and transform equipment. The industry urgently needs the machine-building, instrument and meter, chemical and metallurgical industries to provide large quantities of new technical equipment, materials, dyestuffs and raw and semifinished materials.

At present, the textile machinery industry is faced with four big difficulties: It cannot meet domestic demand and is forced to cut down on exports; old products fall short of demand, and this seriously affects development of new products; new textile mills in the country require the provision of new equipment, so service projects for renovating old mills have to be put off; and factories have no spare capacity to carry out their own technical renovations.

Other machine-building industries in Shanghai are of strong technical capability, are well-equipped and can spare considerable resources to convert to textile machinery production. So far, some large and well-known factories in the machine-building trade have undertaken the production of 14 types of textile machinery difficult to manufacture. But the production potential of the machine-building industry, as a whole, is still very great.

At present, more than 30,000 kinds of dyestuffs have been developed world wide. Our country, however, can produce only 490, and not all in sufficient quantity to meet domestic demand. Since 1977, imports of dyestuffs required by Shanghai's textile industry have been increasing year by year. Comparing 1977 with 1980, imported dyestuffs increased from 459 to 810 tons. Last year alone, Shanghai's textile industry spent US $15 million on imported dyestuffs. It is still up to the chemical industry to try to meet the textile industry's needs for dyestuffs.

The conditions of the Shanghai textile industry show that in the course of readjustment, intead of having nothing to do, heavy industry has much to do in a vast field, if it will only seriously change its service orientation.

CSO: 4006/128

HEILONGJIANG'S YANG YICHEN ATTENDS TEXTILE MEETING

SK180215 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 17 Nov 81

[Excerpts] The provincial textile-product sampling meeting concluded 16 November. The provincial plans on producing and marketing textile products for the first half of 1982 were formulated, and many production contracts were signed.

Leading comrades of the provincial planning and economic commissions and the provincial finance and trade office did much work in this regard. The provincial economic commission invited leaders of the Harbin, Qiqihar, Mudanjiang and Jiamusi municipal economic commissions to the meeting to advise enterprises in implementing production and marketing plans. Leaders of the provincial light industrial bureau conveyed the views of the commercial departments and gave guidance to subordinate textile enterprises on improving product quality, increasing product varieties and overcoming blindness in action to do a better job in producing second light industrial products.

Leading comrades in the Provincial CCP Committee and the provincial government were very concerned about the textile-product sampling meeting. Comrade Yang Yichen viewed the samples displayed at the meeting. Comrade Chen Jianfei delivered a report. Comrade Xie Yunqing gave a summing-up speech.

CSO: 4006/128

INDUSTRY

BRIEFS

GUANGXI INDUSTRIAL PRODUCTION--The total industrial output value of Guangxi region in October was 27 percent more than October last year. The total industrial output value of the region from January to October was 3.59 percent more than in the corresponding period last year. The profits submitted by the region in the same period increased by 11 percent. The region fulfilled its quotas for production of 17 products, including steel, rolled steel, pig iron, phosphatic fertilizer, agricultural chemicals, TV sets, synthetic fibers, printed and dyed cloth, bulbs and thermos bottles, for this year ahead of schedule. [HK140820 Nanning Guangxi Regional Service in Mandarin 1100 GMT 9 Nov 81]

GUANGDONG FULFILLS MACHINE-BUILDING QUOTA--By the end of October, the Guangdong provincial machine-building trade had fulfilled the total industrial output value of 767 million yuan and overfulfilled its production quota for this year by 2.3 percent 2 months ahead of schedule. The total industrial output value in this period was 8.4 percent more than in the corresponding period of last year. The value of output of mechanical and electrical products for daily use in the province from January to October this year was 30 percent more than in the whole year of 1980. [HK180841 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 13 Nov 81]

GUANGZHOU INDUSTRY, COMMUNICATIONS FORUM--The forum on industry and communications convened by the Guangzhou Municipal People's Government concluded on 30 October. The forum conveyed the spirit of the national and Guangdong provincial conferences on industry and communications and the Guangdong provincial conference of cadres at three levels, and studied and formulated plans for various work arrangements for next year's industrial production. Comrade Liang Lingguang, first secretary of the municipal CCP committee and mayor, attended the forum and spoke; and Fan Hua, secretary of the municipal CCP committee, made a summation report of the forum. The forum decided that Guangzhou Municipality's industrial production growth rate for the next year will be 7 percent and that efforts will be made to exceed this rate. Serious efforts will also be made to enhance the economic effect. [HK070616 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 1 Nov 81]

GINGHAI TEXTILE INDUSTRY--The Qinghai provincial textile industrial company recently held a provincial forum on the textile industry to set forth the production quota for the fourth quarter. It was decided that the fourth quarter textile industrial output value of the province should increased by 4.6 million yuan over the original plan, and that next year's output value should be 10.12 percent higher than in this year. The province's January : September 1981 textile industrial output value was 13.65 percent greater than in the corresponding 1980 period. [SK191230 Xining Qinghai Provincial Service in Mandarin 1100 GMT 18 Oct 81]

SHANGHAI TEXTILE TEAM PRAISED--The Shanghai textile assistance team successfully completed its technical assistance program in 70 days and left for Shanghai in several groups starting 22 November. The original plan was for the team to spend 3 months in Anhui. On the morning of 21 November, the provincial textile industry department and the Hefei Municipal Textile Industry Bureau held a meeting at the Anhui knitwear plant to examine the achievements of the team in providing technical assistance to Anhui Province. Leading comrades of the provincial and municipal CCP committees attended the meeting and celebrated the achievements together with all members of the Shanghai textile assistance team. In his speech, Comrade Zhang Jingfu highly praised the good work style of the Shanghai textile assistance team and its contributions to Anhui Province and once again expressed his appreciation for the team's coming to Anhui to provide technical assistance. He hoped that from now on a teacher-student relationship and a cordial and comradely relationship between Shanghai and Anhui will be established. He hoped that the relationship would last for a long time in order to promote the four modernizations with concerted efforts. [Excerpt] [OW250954 Hefei Anhui Provincial Service inMandarin 1100 GMT 24 Nov 81]

BEIJING INDUSTRIAL PRODUCTION INCREASE--Beijing, 3 Nov (XINHUA)--Industrial output value in Beijing in October increased 8.6 percent over the same month of last year, registering the biggest monthly increase since the beginning of this year, according to the municipal statistical bureau today. The average daily output value in October registered a 7-percent increase over September. Total output value of heavy industry was 0.9 percent more than in the same month last year while light industry rose 20.3 percent over the same month of last year in terms of total output value. Of the 100 major industrial products of the city, 70 recorded increases over October of last year. The annual output plan for television sets, radio sets, knitwear, refrigerators, washing machines and woolen blankets has been fulfilled, showing increases from 8 percent to 4 times over the same 1980 period. Productivity in state enterprises was up by 4.6 percent over the same month last year. [Text] [OW031013 Beijing XINHUA in English 0701 GMT 3 Nov 81 OW]

BEIJING TEXTILE PRODUCTION--On the basis of fulfilling production quotas in the first three quarters of the year, the Beijing textile bureau recently demanded that all relevant units work hard for 90 more days to boost production. From January to September, the production value accomplished by the textile front amounted to 1,679 million yuan and profit amounted to 296 million yuan which, respectively, were increases of 11 and 8 percent. In order to fulfill the goal of overfulfilling this year's production quotas, the party branch of the municipal textile bureau recently held its third work conference and pointed out that all workers and staff of the bureau must go all out to increase the economic results. Currently, it is necessary to pay attention to the quality and the orientation of the products. On the other hand, it is necessary to further perfect the economic responsibility systems and strengthen democratic management. In conclusion, the party branch of the textile bureau demanded that all units strengthen ideological and political work and strengthen party leadership over economic work. [Beijing City Service in Mandarin 2300 GMT 20 Oct 81 HK]

BEIJING COMMODITY SUPPLY--From January to September this year, commodity supply in Beijing municipality has been abundant. According to statistics, the retail sales of social commodities amounted to 4.92 billion yuan, which was an increase of 11.2 percent over the corresponding period last year. The retail sales of consumers goods amounted to 4.62 billion yuan which was an increase of 11.8 percent over last year. The retail sales of wool fabrics and silks and satins in the first 9 months of this year increased respectively by 14.1 and 12.2 percent over last year, and retail sales of sewing machines increased by 66.8 percent. Sales of electric fans increased by more than 700 percent. According to certain departments' estimates, the people's purchasing power is expected to be on the increase in the last 3 months of the year. Thus, all departments concerned must work hard to ensure adequate supplies for the people. [HK051434 Beijing City Service in Mandarin 2300 GMT 20 Oct 81 HK]

SHANGHAI INDUSTRIAL OUTPUT--Shanghai's total industrial output value in September was upwards of 300 million yuan more than in the same period last year, accounting fora 5.8-percent increase. The light industrial output value in September topped that of the same period last year by 11 percent while total output value from January to September topped that of the same period last year by 8 percent. The heavy industrial output value in September topped that of the same period last year by 0.2 percent. [OW201125 Shanghai JIEFANG RIBAO in Chinese 7 Oct 81 p 1 OW]

ANHUI DELEGATION VISITS TEXTILE FAIR--A new textile and knitted goods exhibition and sales fair is being held by the Hefei Municipal Textile Industry Bureau at the Hefei Department store building from today through 23 November, to show new achievements by Hefei textile workers in learning from Shanghai. Textile and knitted goods on display include 8 types of products, 23 new patterns, 145 new designs and colors and 4 new varieties. On the evening of 18 November, leading comrades of the province and Hefei City, Zhang Jingfu, Zhou Zijian, Huang Yu, Zheng Rui and Wei Anmin, and the deputy director of the Shanghai textile industry bureau (Liu Guangbin) and general leader of the Shanghai (?assistance) team (Zhou Guoliang) had a preview of the fair. [Excerpts] [OW191431 Hefei Anhui Provincial Service in Mandarin 1100 GMT 19 Nov 81]

HAINAN INDUSTRIAL PRODUCTION MEETING--The Hainan Administrative Regional Economic Committee recently held a meeting of all county economic committee chairmen. The meeting called on the staff members and workers to work hard for 2 months to fulfill this year's industrial production quotas and to make early and good preparations for next year's production. The meeting held that the industrial output in August and September was 1.43 and 9.86 percent more, respectively, than in the corresponding period last year. However, the industrial output from January to September this year was 3.21 percent less than in the same period last year. In view of this, all staff members and workers must attach great importance to the promotion of industrial production. [Haikou Hainan Island Service in Mandarin 0330 GMT 5 Nov 81 HK]

HEILONGJIANG LIGHT INDUSTRY--The output value of Heilongjiang Province's light industry, including the textile industry, increased by 24.4 percent in the first 9 months of 1981 over the corresponding 1980 period, accounting for 83 percent of the 1981 annual output plan. [SK290921 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 25 Oct 81 SK]

GUANGXI METALLURGICAL PRODUCTION--By the end of September, the Guangxi region's metallurgical system had fulfilled its quota of profits which need to be submitted to the state for this year 3 months ahead of schedule. The system had a deficit of 1.35 million yuan in the period last year but had submitted profits of 7.72 million yuan to the state by the end of September this year. There were many iron and steel enterprises in the system which incurred losses. Some nonferrous metal enterprises and old enterprises took a long time in their extraction work and their production capacity dropped. Some newly-instituted enterprises have not done well in production. To increase production, the regional metallurgy bureau has seriously implemented production responsibility systems. Since the beginning of this year, the bureau has sent work groups, at three different times, to go deep into basic-level units to help them do well in readjusting enterprises and implementing production responsibility systems. They have also helped them manufacture marketable products. The bureau has planned to submit profits of 7.484 million yuan for this year. By the end of September this year, the regional subordinate iron and steel enterprises had submitted profits of 420,000 yuan to the state and the regional subordinate nonferrous metal enterprises had submitted profits of 8.11 million yuan to the state as compared with the latter's plan for submitting profits of 9.024 million yuan to the state this year. [HK030733 Nanning Guangxi Regional Service in Mandarin 1100 GMT 25 Oct 81 HK]

GUANGZHOU ECONOMIC WORK--At the recent municipal forum on industrial and communications work, Liang Liangguang, Guangzhou Municipal CCP committee first secretary and mayor, said that the municipality must learn from Foshan and Nanhai. He said that although the speed of this municipality's industrial development this year is faster than the other seven cities in the whole country, we must by no means be unrealistically complacent. He introduced at the forum the various advanced techniques and economic targets of Shanghai in industrial production and the speed of the development in Foshan and Nanhai and pointed out the discrepancies between Guangzhou and these places. He said that Foshan Municipality's industrial production had increased by 24 percent and, in comparison with Foshan, the speed of Guangzhou's development was slow. The development of Nanhai County is also faster. The suburban counties of Guangzhou must learn humbly from Nanhai. He also said that this municipality will soon organize a comprehensive group and send it to Foshan Municipality to learn from it. This municipality will also organize all its subordinate counties to learn from Nanhai. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 31 Oct 81 HK]

BEIJING INDUSTRIAL PRODUCTION--The industrial front in Beijing Municipality has strived to increase production of marketable products. The municipality's light industrial output value in September was 4.2 percent more than in August this year and 19 percent more than in September last year. In the 15 industrial bureaus, those enterprises owned by the whole people submitted profits of 239 million yuan to the state in September, which was more than that in August this year or that in September last year. [Beijing City Service in Mandarin 2300 GMT 5 Oct 81 HK]

GUANGDONG MUNICIPALITY FULFILLS QUOTAS--So far, 55 industrial enterprises in Shantou Municipality have fulfilled their production quotas for this year ahead of schedule. The total industrial output value of the municipality from January to October was 15 percent more than in the corresponding period of last year. The amount of profits made by the state industrial enterprises and the amount of profits they submitted to the state in this period were respectively 23 and 24 percent more than in the corresponding period of last year. [HK200708 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 17 Nov 81 HK]

CSO: 4006/128

HEILONGJIANG CHECKS MALPRACTICES IN HOUSE BUILDING

SK140920 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 13 Nov 81

[Text] According to our sources, the discipline inspection committee of the Heilongjiang Provincial CCP Committee recently issued a circular urging all localities to check malpractices by cadres and party members in distributing and building houses. The circular notes: Since the 3d plenary session of the 11th Party Central Committee, many houses have been built by workers and staff. On the condition that most houses should be built by the state in a unified way, workers and staff have been encouraged to build houses. As a result, the housing conditions of workers and staff have improved.

However, some cadres and party members have engaged in malpractices in distributing and building houses and have occupied the property of the state and collectives and encroached on the interests of the masses. Some have arbitrarily built houses without the permission of the departments responsible for this work. Some have purchased building materials by illegal means and have used the workers and materials of the state and collectives to build their own houses. Some have violated financial and economic discipline to build high-standard houses for leading cadres with illegal funds and materials. Some have made use of their power to occupy better houses and seek personal privileges through back-door dealings. Some living in rural areas have built houses in cities and towns. Some even resell the houses they have built for a profit.

The circular notes: Such malpractices will not only waste the state's financial and material resources but also damage the party's prestige, adversely affect the relationship between the party and the masses and interfere with the development of the four modernizations. Since last year, all localities have done much work and scored some achievements in checking these malpractices in the course of studying and implementing the guiding principles, but the evil trend in this regard has not yet been eliminated.

In order to conscientiously implement the guidelines of the notice issued by the discipline inspection committee under the party central committee and to resolutely check the malpractices of cadres and party members in housing distribution and building, the discipline inspection committee of the provincial CCP committee has formulated some specific regulations. These regulations are:

When cadres and party members build houses, they must have the approval of the department concerned. The funds and materials needed in house building must be obtained in legal ways. They should not make use of their power to illegally purchase building materials and build houses with the manpower and materials of the state and collectives. Cadres and party members whose residences are registered in rural areas should build their houses in rural areas and not in cities and towns. When cadres and party members market their houses in order to live in public houses, they must have the approval of the department concerned and should not sell the houses they built at profit. When distributing houses to leading cadres, distribution must be under the unified plan, just as it is for workers and staff. While building houses, it is not allowed to preselect some houses for leading cadres, to change house design and market such houses at higher prices. It is also forbidden to build high-standard houses for leading cadres with illegal funds and materials.

CSO: 4006/128

CONSTRUCTION

BRIEFS

JIANGSU RURAL HOUSING CONSTRUCTION--The Jiangsu Provincial People's Government held a provincial rural housing construction work conference in Nanjing 14-22 October. Vice Governor Liu Lin spoke at the conference. The conference urged people's governments at all levels to earnestly implement policies, make comprehensive plans, exercise correct leadership, rely on the masses and adopt measures suitable to local conditions in promoting rural housing construction for the sake of the province's 50 million peasants. Awards and citations were given for outstanding rural housing designs at the conference. [OW231015 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 22 Oct 81 OW]

SHANDONG HOUSING DEVELOPMENT--Shandong Province built 9.83 million square meters of housing between 1978 and 1980. About 5.41 million square meters were built in Jinan, Qindao, Zibo, Zhaozhuang, Yantai, Weihai, Weifang, Jining and Dezhou, the province's nine major cities. Per capita living space has increased from 3.7 square meters in 1977 to 4.2 square meters. During the first three quarters of 1981, the province's nine major cities began construction of 3.69 million square meters of housing. About 1.07 million square meters have been completed. [SK291715 Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Oct 81 SK]

SHANDONG CAPITAL CONSTRUCTION--The Shandong Provincial Construction Commission recently held a forum to study ways to put more capital construction projects into operation in the last 2 months of 1981. The forum noted that our investment in capital construction has yielded poor results, projects already put into operation accounting for only 13.2 percent of the plan. The forum urged provincial departments and prefectural, municipal and county party committees to work closely to complete more capital construction projects and put them into operation. It also urged construction commissions and other departments in charge of capital construction to strengthen supervision and examination of capital construction and make better arrangements for supplies of funds, materials and manpower. [SK290809 Jinan Shandong Provincial Service in Mandarin 2300 GMT 28 Oct 81 SK]

NEI MONGGOL HOUSING CONSTRUCTION--Hohhot, 31 Oct (XINHUA)--According to today's PEOPLE'S DAILY, 336,000 peasant households in the Inner Mongolia Autonomous Region have built new houses since 1980. Individual space has also increased from 9.5 square meters in 1980 to 10.3 this year, the paper reported. The houses themselves, said the DAILY, are being built increasingly of brick, tile and wood, as opposed to the traditional adobe. The resultant cost has risen from 171 yuan in 1979 to 276 yuan, which is afforded by increased incomes from new government economic policies encouraging individual incentives and responsibility. [Text] [Beijing XINHUA in English 1208 GMT 31 Oct 81 OW]

GUANGDONG CAPITAL CONSTRUCTION INVESTMENTS--The amount of investment in capital construction in Guangdong Province from January to August this year was 11.6 percent more than in the corresponding period of last year. Some 800 capital construction projects have been completed and fully or partially put into operation. Fixed assets of some 400 million yuan have been added. Since the beginning of this year, this province's capital construction front has continued to implement the principle of readjustment and has suspended and put off the construction of 24 projects so that capital and materials can be used on more important projects. With the development of the electricity industry, this year 145,000 kw will be added to this province's installed generation capacity. This year the province will increase its volume of freight handled by 550,000 tons and its daily sugarcane refining capacity by some 5,700 tons. The area of residences for staff and workers under construction in the province from January to August this year was 35 percent more than in the corresponding period last year. The areas of the residences for staff and workers completed was some 2 million square meters or 6.2 percent higher than for the same period last year. The areas of premises for the institutes of higher education completed by the end of August accounted for 75 percent of the quota for this year. The area of premises which have been handed over to the institutes of higher education for use is 142,500 square meters. [HK291004 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 12 Oct 81 HK]

GUANGDONG HOUSING PROBLEMS--The Guangdong Provincial People's Government recently appropriated a special fund of 2 million yuan to help rural communes and brigades solve the overseas Chinese housing problem which is a consequence of land reform. Under the influence of the ultra leftist line, many overseas Chinese households whose class origin had been altered, were relabelled as landlords and rich peasants in the "four clean-ups" and the great cultural revolution. The houses of individual overseas Chinese which had been returned to them in the past in accordance with the policy were again confiscated and committed to the state's trust. Overseas Chinese and their dependents responded strongly to this. Over the past few years, the Provincial CCP Committee and the Provincial People's Government have attached great importance to the solution of this problem. The Provincial CCP Committee approved the report submitted by the party group of the provincial overseas Chinese affairs office on handling the overseas Chinese housing problem which is a consequence of land reform. The Provincial CCP Committee decided to appropriate special funds this year and next to thoroughly solve this problem. [HK291004 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 17 Oct 81 HK]

HUNAN HOUSING DOCUMENT--The Hunan Provincial CCP Committee and the provincial people's government recently issued a document, strictly prohibiting the cadres, staff members and workers from taking advantage of their positions and powers to encroach on the property of the state and the collectives and infringe on the masses' interests for the purpose of building houses for their own use. Those who want to build houses for their own use must personally submit applications, which will be examined by county or municipal construction committees or housing departments. When leading cadres want to build houses for their own use, they must submit their applications to their upper-level organs for approval. As the labor turnover of office cadres, staff members and workers is great, they are, in principle, not encouraged to build houses for themselves. When they build houses, these houses are only for their own temporary use. When leading cadres move out, the use of their houses must be arranged by relevant departments in accordance with the regulations and the houses cannot be privately transferred to their own children or relatives. [HK101055 Changsha Hunan Provincial Service in Mandarin 1100 GMT 22 Nov 81 HK]

HENAN URBAN HOUSING CONSTRUCTION--This year, Henan Province has speeded up building of urban residential houses. From January to September this year, the amount of investment in the construction of urban residential houses in the province was 144 million yuan, the area of residential housing under construction was 5.22 million square meters and the area of residential housing completed was some 1 million square meters. The residential house completion rate was 25.1 percent more than in the corresponding period of last year. [HK030410 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 15 Oct 81 HK]

SICHUAN HOUSING CONSTRUCTION--Chongqing, 27 Oct (XINHUA)--More than 330,000 square meters of housing has been built so far this year in Chongqing, a big industrial city in southwest China, according to the local city planning bureau. In the past 3 years, the city has built apartments with about 2 million square meters of space, housing 40,000 families. This is part of the 14 million square meters of housing completed in the urban areas of Sichuan Province in the past 3 years, approximately half the amount of housing built between 1950 and 1978. Efforts are being made to turn this hilly city into one clean and modernized, said Zhou Maogui, deputy director of the Chongqing City Planning Bureau. [OW311145 Beijing XINHUA in English 1225 GMT 27 Oct 81 OW]

GUANGDONG RETURNING HOUSES--The Guangdong Provincial People's Government issued a circular calling for all localities in the province to return the houses occupied during the cultural revolution to the overseas Chinese who are the owners of the houses. The provincial people's government stipulated in the circular that the houses of overseas Chinese occupied by the CCP and the people's government organs, the PLA units and leaders at all levels must be returned to the owners by the end of 1982. All units and individuals who occupied houses belonging to overseas Chinese must resolutely implement the regulations stipulated by the central authorities. They should return the houses on schedule according to the regulation. Anyone who violates the policy must be dealt with sternly. The housing authorities will be responsible for registering the occupied houses and rearranging the accommodation of people living in houses belonging to overseas Chinese. The circular also pointed out that houses taken before the central revolution should also be returned to overseas Chinese. The owners of the houses must not press the inhabitants to move out, they must be considerate and patient. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 18 Nov 81]

HUBEI RESIDENTIAL CONSTRUCTION LOANS--According to HUBEI RIBAO, with the approval of the provincial people's government, the provincial construction bank has decided to establish business of giving loans for residential construction in one or two counties and towns in the following 10 municipalities: Wuhan, Huangshi, Shiyan, Shashi, Yichang, Xiangfan, Jingmen, Laohekou, Suizhou and Echeng. The price of the residential flats is to be decided in accordance with the state's relevant regulations and the differing situation or residential construction. Prior to constructing the flats, the construction units should sign contracts and pay a certain amount of deposit into the construction banks; the bank will then give credit for construction only when the deposits of the construction units in the bank amount to half the total construction cost. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Nov 81]

CSO: 4006/143

BRIEFS

SHANDONG TEXTILE EXHIBITION--The 4-day national export textile sales exhibition closed on 22 October in Jinan, Shandong Province. Viewing the exhibition were representatives from commercial and light industrial, departments in 20 provinces, municipalities and autonomous prefectures, representatives of some provincial supply and marketing cooperatives and comrades of foreign trade departments in various localities, totaling 700 persons. The exhibition was jointly sponsored by the National Textiles Import and Export Corporation and by its branches in Beijing, Shanghai, Tianjin, Jiangsu, Hebei, Hanan, Guangdong, Shandong and other provinces. In this exhibition, several hundreds of varieties of textile products were displayed and the sales volume totaled some 50 million yuan, a record for the past few years. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Oct 81 SK]

CSO: 4006/128

LABOR AND WAGES

'RENMIN RIBAO' URGES OPENING AVENUES OF EMPLOYMENT

OW250127 Beijing XINHUA Domestic Service in Chinese 0748 GMT 23 Nov 81

[Text] Beijing, 23 Nov (XINHUA)--RENMIN RIBAO today carries an editorial entitled "Open Up Many Avenues for Work and Employment" which says: To solve the labor employment problem in our country it is first necessary, under unified state planning, to actively create conditions and open up all employment avenues so people who should work can find work. Second, it is necessary to provide employment in a planned way, that is, to set priorities, gradually enable all laborers to undergo pre-employment preparations, give them job training, including technical and political-ideological education and temporary work, and choose the best ones for jobs. Experience has proved that the past practice of the state taking unconditional responsibility of assigning people awaiting employment in cities to jobs in state-run enterprises is not a good practice. Our country has a large population, and as the people looking for work continues to increase, this practice is difficult to continue anyway. To regard this practice as a superior feature of socialism is a very big misunderstanding.

The editorial points out: To fundamentally solve the employment problem, it is imperative to strive to develop the economy and various constructive undertakings while readjusting the industrial and ownership structures. It is necessary to remove the influence of past leftist mistakes and actively develop commerce, service trades and consumer goods production as well as farming and livestock keeping in suburban areas. These are trades that can absorb a large labor force. At the same time, it is necessary to pay attention to opening employment avenues in the collective and individual economies. Under the premise of maintaining the predominance of the socialist public-owned economy, it is the party's strategic policy decision to allow the coexistence of multiple economic forms and different management practices for a long time to come. It is necessary to encourage the young people awaiting employment to get organized and find work in collective enterprises. We should not insist that the collective economy always take the same organizational form or insist on always following the same pattern. Instead, we should give support but not monopolize, maintain control but not be too rigid. It is necessary to suitably develop the individual economy in cities and towns and open up more avenues for people to find work on their own. The young people awaiting employment in cities and towns should be encouraged to engage in individual economic undertakings. They should enjoy the same social status and receive the same political treatment as workers and staff members in state-owned and collective enterprises. Also, under overall planning, they should be given active support in work space, funds, supply of goods and so forth so as to create conditions for the continuing development of individual economic undertakings in cities and towns and so some of the young people awaiting employment will be willing to engage in individual economic undertakings and take the road of finding work on their own.

The editorial says: It is necessary to bring into full play the role of the labor service companies in organizing collective economic undertakings and in organizing, managing and training the young people awaiting employment It is necessary to coordinate the forces in all fields, earnestly do a good job in pre-employment training work and gradually achieve the goal of providing training for people before offering them jobs.

CSO: 4006/143

LIAONING CIRCULAR URGES CONTROL OVER BONUSES

SK150526 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 14 Nov 81

[Text] On 12 November the Liaoning Provincial CCP Committee and People's Government again issued a circular urging municipalities and prefectures and provincial level departments to strictly control the issuance of bonuses. The circular points out: Since the issuance of circulars by the State Council and the Provincial People's Government on controlling the issuance of bonuses, cases of the arbitrary awarding of bonuses have occurred one after another in many localities, departments and enterprises. We must be determined to stop this unhealthy tendency of reckless bonus distribution.

The circular stresses: Leading bodies at all levels must regard the issuance of bonuses as a matter of importance and immediately carry out research to solve the problems involved in it. They should attend to correcting all practices which violate the regulations promulgated by the state and provincial authorities. The circular urges competent economic departments at all levels to earnestly examine the issuance of bonuses in their affiliated departments and strictly control it. Units and their responsible persons found arbitrarily issuing bonuses should be severely dealt with and sanctioned economically. Workers who have received unwarranted extra bonuses will have them deducted from their monthly bonuses.

The circular points out: It is necessary to pay attention to preventing extra earned bonuses, which can get out of hand if we do not strictly control them now. Therefore, we must step up ideological and political work and urge enterprises to keep their surplus money as welfare or reserve funds or hold it for next year. They should not give out all their money to their staff and workers.

CSO: 4006/128

URBAN EMPLOYMENT FIGURES REPORTED

OW220741 Beijing XINHUA in English 0712 GMT 22 Nov 81

[Text] Beijing, 22 Nov (XINHUA)--Over 4.7 million people in China's cities and towns got jobs in the first 9 months of this year, according to the State Bureau of Labor. About 46.5 percent of the newly employed were assigned to collective enterprises.

At the end of September, more than 1 million urban people in the country were registered as self-employed, 220,000 more than in 1980. Of the newly registered self-employed, the number of young people has increased, according to the bureau. In Guangzhou, young people now account for more than 50 percent of the self-employed, as compared with 40 percent last year.

The self-employed young people are mainly engaged in tailoring, catering, repairing and other service trades for urban residents.

With the readjustment of the country's industrial structure, more people now are working in service trades. At the end of June, there were more than 14.1 million working on commercial, catering and other service trades, 1.12 million more than that at the end of June 1980. The bureau said service workers accounted for 13.4 percent of the country's total workers, as compared to 11.4 percent in 1977.

With the development of collective and individual economies, labor departments and labor service companies are arranging technical training courses to prepare young people for future work. At the end of June, more than 2,300 labor service companies across the country had helped over 2 million young people get employed, according to the bureau.

CSO: 4020/37

BRIEFS

BEIJING YOUTH EMPLOYMENT--Beijing, 26 Oct (XINHUA)-- In recent months the number of unemployed young people taking up individual business is rapidly increasing in Beijing City. As of the end of September, the number of such young people had increased to 1,290 compared with 127 at the same time last year. This accounts for 19 percent of the total number of people doing business for themselves. The leading department concerned in the city has been encouraging unemployed young people to become self-employed. The People's Bank extends loans to such young people to help them overcome financial difficulties. [OW311151 Beijing XINHUA Domestic Service in Chinese 0812 GMT 26 Oct 81 OW]

GUANGDONG BONUS ISSUES--To rationally control the awarding of bonuses, the general office of the Guangdong Provincial People's Government put forward specific demands on 6 November: All administrative commissioner's offices and the people's governments of all municipalities and counties must organize departments concerned to set up temporary offices and inspection groups to supervise and help all fronts to inspect and analyze the situation of awarding bonuses and implementing piece rate wages. They must curb the indiscriminate awarding of bonuses and put forward opinions and measures to improve the method of awarding bonuses next year. The Provincial People's Government has sent inspection groups to Foshan, Zhanjiang and Shaoguan municipalities to conduct inspection. The Guangzhou Municipal People's Government has conducted the inspection of the municipality. The Provincial People's Government is prepared to hold a report meeting on the awarding of bonuses in the near future. It has also demanded that all prefectures, municipalities and counties report their inspection to it at the end of November. [HK160721 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 12 Nov 81 HK]

HUNAN URBAN EMPLOYMENT CONFERENCE--The Hunan Provincial Conference which was held by the Provincial People's Government on urban employment concluded on 13 October. The conference decided that in future, the urban employment problem must be mainly solved by developing the collective economy and the individual undertakings' economy. This conference lasted 8 days. The province has arranged work for some 800,000 young people awaiting employment, some 424,000 of whom work has been arranged for in collectives. The number of people engaging in individual industrial and commercial undertakings has increased from some 2,000 to approximately 30,000. However, this is still far from meeting the needs of society. To develop various kinds of collective and individual commercial and service undertakings, labor-intensive light and textile industries and handicrafts meet the needs of people's livelihood, achieve better economic effect and attain the aim of arranging employment for more people. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Oct 81 HK]

HUBEI EMPLOYMENT CONFERENCE--The Hubei Provincial People's Government's work conference on labor and employment ended on 15 November. The conference conveyed the spirit of the central labor and employment conference and studied the measures of implementing the spirit of the central conference. The conference demanded that all departments concerned grasp employment work and develop the political situation of stability and unity. The meeting held: In 3 years' time since the third plenary session, the province has already arranged jobs for more than 800,000 people in the urban areas. However, the province still has to arranged jobs for some 70,000 people this year. Thus, the province has to make more efforts and provide more opportunities for employment. [HK250859 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Nov 81]

HUBEI EMPLOYMENT--From January to October this year, Hubei Province arranged jobs for 130,000 people, 72.7 percent of whom have taken up jobs in collectives and individual undertakings. This was the first time that the number of jobs in collectives and individual undertakings had exceeded that in state-run units over the past 25 years. The whole province now has 75 labor service companies and 360 labor service centers, which are responsible for recommending laborers for jobs, organizing production and service and conducting vocational training. According to statistics, the whole province now has some 800 farms and teams owned by collectives with educated youths as the main force and agricultural, industrial and commercial joint enterprises, which can produce some 400 types of products, including agricultural, sideline and native products, bamboo and wooden wares, industrial art articles, knitwear, garments and domestic electrical appliances. The total output value has reached some 80 million yuan. The number of staff and workers of all collective enterprises throughout the province has reached 1 million people. Some 23,000 people have been engaged in urban individual undertakings. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 23 Nov 81]

GUANGDONG LABOR REEDUCATION MEETING--The Guangdong provincial meeting on labor reeducation concluded on 8 November. The meeting held that labor reeducation departments in the province have achieved very good results in educating and reforming people receiving reeducation through labor. From January to September, some 500 people in the province were discharged from the labor reeducation centers before the expiry of their terms and several thousand people receiving labor reeducation were rewarded. [HK140820 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 8 Nov 81]

CSO: 4006/143

ZHEJIANG PROVINCE DEVELOPS WATER TRANSPORT

OW261406 Beijing XINHUA in English 1241 GMT 26 Nov 81

[Text] Hangzhou, 26 Nov (XINHUA)--Coastal Zhejiang Province has steadily increased harbor construction, shipbuilding and shipping services in the past years, according to the provincial transport department.

Water transport volume in Zhejiang, which has a long coast line and hundreds of miles of rivers, accounts for half of all provincial transport, the department said. More than 60 million passengers and 50 million tons of freight are shipped by water annually. The passenger figure is the highest in the country and cargo transport more than 20 times that of 1949, the year the people's republic was founded.

Zhejiang's seaports include Ningbo, Wenzhou, Haimen, Dinghai and Shenjiamen, with a combined annual cargo handling capacity of 10 million tons. The province has renovated or built 41 new docks, bringing the number of docks with a yearly handling capacity of 500,000 tons to 27. Thirty-one berths are above 1,000 tons. Four berths built in the new ports of Beilun and Zhenhai handle between 10,000 and 100,000 tons.

In 1949, Zhejiang built only small wooden junks. The province now has 70 ship repair and building yards. The yards build both river- and sea-going vessels. The province now has a fleet of 14,000 vessels, nine times the early post-liberation figure. Most of the province's former junks are now motor powered or replaced by steamships.

Eight river systems, including the Qiantang and Oujiang, have 10,000 total navigable kilometers. After dredging in the past few years, both transport and pleasure boats have been added.

Zhejiang exports 500,000 tons of farm and sideline products, native produce and finished light industrial products every year. Previously, the goods had to be transshipped at Shanghai. Beginning last year, however, three direct lines from Zhejiang to Hong Kong, Japan and Korea have been opened.

CSO: 4006/143

TRANSPORTATION

BRIEFS

FUJIAN COUNTY HIGHWAY--A new highway has been built for the convenience of returned overseas Chinese and their families living in Jinjiang County, Fujian. The 21-li-long, 7.5-meter-wide highway runs from (Xhishi) commune through (Heshan) and (Yonghe) communes to (Anhai) commune in the county. The road was built with the help of the PLA in 24 days. [OW071155 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 5 Nov 81 OW]

GUANGDONG RAILWAY PROJECTS--Due to economic readjustment, the construction of the big Beijing bridge on the Guangzhou-Maoming railway line and the Dayaoshan tunnel on the Hengyang-Guangzhou section of the Beijing-Guangzhou railway subsidiary line was suspended. It has now been decided to resume the construction of these two projects, which are key capital construction projects in Guangdong Province. The total length of the Guangzhou-Maoming railway line is 352 km. This line has two main projects: The big Beijing bridge and the big Xijiang bridge. The total length of the big Beijing bridge is 1,377 meters and the total length of the big Xijiang bridge is 1,333 meters. The total length of the Hengyang-Guangzhou railway section is 338 km and the total length of the Dayaoshan tunnel is 14.4 km. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 19 Oct 81 HK]

HEILONGJIANG COAL TRANSPORT CONFERENCE--The Heilongjiang Provincial People's Government convened a telephone conference on the evening of 27 October urging government, mining enterprises and railway transport departments to accelerate turnover of trains and improve coal transportation. Deputy Governor Lu Guang spoke. The conference noted problems in coal transportation. Because of inadequate unloading and transport capacity, goods piled up in various localities. This affected the turnover of trains and coal transport. The conference urged localities and departments to launch a crash activity week to unload and transport all goods and clear the yards. They were urged to improve the situation in coal transport by 5 November. The conference urged railway departments to improve efficiency and transport coal on a priority basis. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 28 Oct 81 SK]

CSO: 4006/128

PROPORTIONAL BALANCE IN NATIONAL ECONOMY URGED

Kunming YUNNAN RIBAO 14 Aug 81 p 3

[Article by Ma Hanru (7456 3352 0320) and Xu Guoqiang (1776 0948 1730): "Make a Great Effort to Study Economic Theory - An Elementary Discussion of Marx's Theory of Reproduction"]

[Text] The "Resolution on Some Historical Problems of the Party Since the Founding of the Nation," which was passed at the Sixth Plenary Session of the Eleventh Central Committee, forcibly points out: "All the work of the Party must comply with and serve the central element of economic construction and all of the Party cadres and particularly those cadres in the economic sector must make a great effort to study economic theory, economic work and science and technology." Making a great effort to study Marx's economic theory is a task of great urgency. The theory of social reproduction that Marx discussed in the second volume of DAS KAPITAL is not limited merely to a reflection of the characteristics of capitalist production. At the same time that it considers reproduction and circulation of the total capital of a society, it also profoundly reveals the general laws of reproduction in such a society. These laws are the common laws of socialized great production and still have a very great guiding effect on our establishment of a socialist economy today. For this reason, conscientious study of Marx's theory on reproduction is of extremely great and pressing significance for us in correctly summarizing the lessons of past experience in economic construction, in doing a good job of readjusting and reforming the people's economy and in carrying out establishment of the "four modernizations" in a smooth way.

Marx's principles regarding reproduction tell us that the production of materials goods in any society can generally be divided into two major categories, i.e., the production of the means of production and production of consumer goods. Objectively, social production requires that production in both of these major categories be carried out in a fixed proportion. In addition, production within each major category must also be in a suitable proportion. If it is not, social production cannot occur in a smooth way. If we are to realize production, this also requires that there be a proportional balanced development among agriculture, light industry and heavy industry, and, within them, among internal structure, accumulation, consumption, production and capital construction. However, because our economic work has been affected by "leftist" errors over a comparatively long period of time, we have neglected the overall equilibrium of our national economy, and, blindly impatient for success, we sought after high speed, high quotas and high accumulation with the result that the scale of capital construction exceeded the financial resources of the nation and the actual capacity of our material resources. Moreover, we put undue emphasis on expanding heavy industry while squeezing agriculture and light industry. This had a direct influence on continual improvement in the standard of living of the people. The result was that the high quotas and high accumulation did not bring high speed or high effectiveness. Rather, an unbalanced development of production was created. Economic effectiveness went from bad to worse and the proportions of the national economy fell seriously into imbalance so that the establishment of the socialist economy took a tortuous path. A study of Marx's principles of the relationships between the two major categories of social production is of assistance to us in deepening our knowledge of the objective laws of social production so that in economic construction we can devote attention to adjusting the proportional relationships between accumulation and consumption and between production and capital construction and can change the state of affairs of in which "too much emphasis is put on heavy industry, too little emphasis is put on light industry, while in agriculture, light industry, and heavy industry we actually have a situation in which 'the masses slight agriculture.'" In construction policy, we must turn from one-sided development of heavy industry with steel as the key link to stressing the expansion of production of consumer goods and to taking a course in which there is coordination between production of the means of production and production of consumer goods.

Marx's principles concerning reproduction also tell us that the key problem in social production is the problem of realization. This includes the compensation for value and the exchange of materials among the various components of total social production. Socialized production is the unification of production, distribution, exchange and consumption in which production is for consumption and consumption causes the final fulfilment of production. If production is isolated from other links, then social production will be affected. If the goods of the various sectors of the society meet the needs of the market and are in accord with the needs of the society, then exchange of goods becomes possible and it will be possible for social products to be realized. However, for a comparatively long period we have more often than not put the emphasis on production while neglecting circulation and consumption, with the mission of the productive sectors being merely fulfilling the quotas set from above and with very little concern being given to the actual requirements of the consumers (sectors). As the result, there appeared a strange phenomenon in which, on the one hand, a few very popular products that were welcomed by the masses were usually sold out, while, on the other hand, some products were overstocked in large amounts, with a comparatively large portion of goods and materials not being realized because of poor sales so that large amounts of property created by the hard labor of the people were wasted. A study of the principles relating to reproduction assists us in coming to an understanding that we must make a great effort to get a good grasp of the problem of realization of products in socialist production of goods. We must use scientific methods in administration and management, pay attention to such links as circulation and consumption and do a good job of market forecasting with the needs of the people as our final objective. On this basis we must also make arrangements as to what our production units should produce and how much they should produce so that compensation for and exchange of individual components of products can for the most part be obtained. We must set out from the characteristic of a socialist economy that it is an economy in which there are planned products and we must put a planned economy into practice on the basis of public ownership. At the same time, we must bring the effects of market adjustment into play and make a great effort to do a good job of socialist production of goods. In particular, we should make a great effort to expand production of consumer goods. Expansion of production of consumer goods is beneficial in increasing income, withdrawing currency from circulation, increasing exports, economizing on energy sources, allocating the work force and improving the standard of living of the people. For this reason, in readjusting the economic structure, we must put expansion of production of consumer goods in an important position and be conscientious in getting a good grasp on it. Practice will make it clear that putting great effort into expanding the production of consumer goods will lead to changes in the overall structure of the economy, will bring about a gradual restoration of rational internal connections between each sector of the economy and will bring about a much better articulation between production structures and consumption structures. Thereby good circulation of the national economy can be realized. In this way, we can greatly increase the ecomomic effectiveness of each sector of the economy, a suitable solution can be obtained for the contradiction between accumulation and consumption, our national economy can continously advance along a healthy course and the standard of living of the people can get better day by day.

Marx, in discussing the production and circulation of the total capital of a society, divided expanded reproduction into two categories: He called expansion of the scale of production due to expansion of the place of production extensive expanded reproduction and he called production in which the scale of production has been expanded as the result of the increase in the efficiency of the means of production with its attendant increase in labor productivity intensive expanded reproduction. These formulations are of great guiding significance for us in expanding the national economy and in establishing the "four modernizations." In the past, when we brought up the topic of expanding production our first thought was that we "must invest, build new plants and open shops," going enthusiastically into "extensive" management and believing that this could be called expanded reproduction. The result was that our shops got bigger and bigger, the battleline of capital construction grew longer and longer, investment lost its effectiveness and the period of construction grew long. In the period of the "First Five Year Plan," the period for construction of large and medium scale capital construction projects in our province was generally an average of about five years. However, after that, it became prolonged to an average of eight years and to over ten years in some cases. In some projects, additional investments had to be made, with budgets being exceeded to a great extent. Since expanded reproduction in the past was primarily extensive, there were many construction projects that could not develop productive capacity very quickly and there were some projects that were not completed, resulting in great waste to the national economy. Through a study of Marx's writings on the two categories of expanded reproduction in the theory of reproduction and by integrating it with reality in our nation, we can come to an understanding that the important thing in carrying out building of a socialist economy at present and for a comparatively long time in the future is not to rely on building new plants and expanding the scale of capital construction but rather to rely on bringing the effects of existing enterprises into full play with the primary emphasis being placed on intensive expanded reproduction and turning from extensive management to intensive management. Except for such weak links as communications and energy in which a few new projects are needed, we should basically not take on any new production projects. The essential thing is to base ourselves on our close to 400 thousand enterprises with their fixed assets of over 410 billion yuan. On this basis and through "developing, renovating, and restructuring," economizing on energy sources, economizing on raw materials and improving administration and management, we can raise the efficiency of the means of production. By using the method of less expenditure and less investment, we can further expand the scale of production in our nation. This is an essential course for the realization of modernization in China. Practice will demonstrate that if we take this course investment will be decreased and the accumulation rate will not be very high, while economic effectiveness will be comparatively good. As the result, the people will obtain even greater material benefits and fuller play can be given to the superiority of our socialism.

A study of Marx's theory of reproduction of the total capital of a society is of great guiding significance for realization both from a macroeconomic and a microeconomic standpoint. Everything is restricted by these principles from national economic planning decisions and policy on a large scale to the direction of production in a given region and enterprise and its linkage with social production as a whole on the small scale. If, in readjusting our national economy, we do not have a theoretical understanding of the requirement for overall equilibrium in the entire national economy but blindly become preoccupied about gains and losses from the standpoint of local advantage to a region and an enterprise, this will inevitably have an effect on the smooth progress of readjustment of the national economy. In readjusting the national economy, we should at the same time also transform a number of irrational systems and we should also reorganize and improve socialist enterprises. In doing these things, we should also use Marx's theory of reproduction as a guide. If we do not have a theoretical understanding of the bases for determining these decisions, how can we truly carry them out thoroughly with self-awareness in action? Thus, Marx's theory of reproduction is not something that we can or cannot study. Rather, our circumstances and objective reality make it something that cadres at all levels must study. Marx's theory of reproduction has an extremely rich content and extremely profound implications. It is a weapon with which we can summarize our experiences and thoughts and it is a guide to action in carrying out socialist construction. We must make a great effort to study it well and to get a good grasp of it. Even though we may run into difficulties of varying degrees in the course of our study, we must remain aware of the importance and urgency of our study. Moreover, we must strive to study it in a down-to-earth way so that we will be able to understand the relevant basic principles.

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GENERAL

ECONOMIC RESPONSIBILITY SYSTEM IN KUNMING'S STATE ENTERPRISES REPORTED

Kunming YUNNAN RIBAO in Chinese 24 Aug p 1

[Article by Shi Zhengfu [4258 2973 6534] and Sun Chaozhen [1327 2600 4176]: "Kunming Has Over One Hundred State-Run Enterprises Practicing the Economic Responsibility System: Gross Value of Industrial Output and Profit Realized from January to July Show Increases Compared with the Same Period Last Year"]

[Text] At present, Kunming City has 125 state-run industrial and communications enterprises practicing the economic responsibility system which integrates the economic interests of the state, enterprises and staff and workers, thereby creating new vitality within the enterprises. From January to July of this year, computing according to fixed specifications, gross value of industrial output and realized profit showed differing degrees of increase over the corresponding 1980 period.

The economic responsibility systems established by these enterprises are multifaceted: 46 of them will implement the system of sharing total profit for a fixed term of 2 years; 17 will pay profit turned over to the state in fixed, progressively increasing amount for 5 years; 44 will hand over "microprofits" [wei li, 1792 0448] to the state for one year; 7 will for one year, enforce the system of responsibility for their own losses as well as for the losses beyond the approved limit, and of retaining surplus as a result of economizing; and 7 will substitute taxes for the profit turned over to the state, carry out the independent accounting system, and assume sole responsibility for their own profits and losses. Since the establishment of this system of responsibility, the problem of uneven profit-making from enterprise to enterprise has been fairly well solved, and each enterprise through hard work has been able to make a reasonable profit. The Kunming City Wooden Furniture Company has put into effect the system of sharing total profit. As a result, from January to July its gross value of industrial output increased 10.06 percent as compared to the same period of the previous year. In the first half of 1981, the profit realized by the state-run enterprises reached 2.08 million yuan, an increase of 51.05 percent as compared to that of the corresponding 1980 period. The profit alloted to the state reached 1.52 million yuan, a 10.6-percent increase over the aggregate profit of the same 1980 period, and the portion retained by the enterprises amounted to 560,000 yuan.

9879
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GENERAL

'STAGNATION' CONFIRMS DECADENCE OF IMPERIALISM

Xian SHAANXI RIBAO in Chinese 26 Aug 81 p 3

[Article by Xue Jinjun [5641 6651 6511] and Dong Tianchun [5516 3944 2504]: "Lenin's Thesis of the Decadence of Imperialism Still Is Not Obsolete"]

[Text] As early as World War I, Lenin provided a penetrating analysis of the question of the decadence of imperialism, and emphatically pointed out that the important manifestation of the decadence was the trend of stagnation in production and technology. For the past several decades, especially since the end of World War II, in pace with the development of capitalism, the manifestation of the decadence of imperialism has undergone a new development. As a result, there are some comrades who believe that "empires decline but do not fall," and that Lenin's thesis is "obsolete." Such being the case, how do we treat today's development of capitalist economies? How do we explain the present decadence of imperialism on the basis of economic phenomena? This is a major problem facing theoretical workers.

Materialist dialectics tells us that in looking at a problem we must look at its essence. Seeing through the superficial phenomena of the development of capitalism, it is not difficult to perceive that the decadence of imperialism not only still exists but also continuously deepens. The phenomenon of "stagflation" produced by the economies of the Western nations is the prominent manifestation.

It must be admitted that, after World War II, because of the development of internal contradictions in productive forces and the advancement of the third scientific and technological revolution as symbolized in electronics, atomic energy and space technology, especially the partial adjustment of capitalistic relations of production, these have caused temporary accommodation to the requirements for the development of the productive forces which, in turn, has promoted the relatively speedy expansion of production, and the material livelihood of the laboring masses has also shown some improvement. However, one must also recognize that all of this has not changed the essence of capitalism, the system of private ownership of the means of production, or the exploited and oppressed position of the working people. Accordingly, the basic contradiction of capitalism cannot be resolved once and for all. Therefore the decadent nature of imperialism remains intact.

First, the imperialist economy is a predatory kind of economy. Today's development of imperialism is still largely based on plundering colonies and the countries of the Third World. Through such forms as overseas investments, transnationals, and exchange at unequal values, it extorts a vast amount of resources and the sweat and toil of the working people of Third World countries, and fattens itself. For example, there is an industrially developed capitalist country which for the low price of $140 per metric ton imports raw materials from a developing country. Then after processing, it exports them at the high price of $1,220, and makes a net profit of $1,078 per metric ton. Between 1966 and 1971 American private investments abroad made a profit of 144.5 billion dollars, and the annual rate of profit was generally around 14 percent. Furthermore, the interest obtained by exploiting developing countries was even greater, in 1977 alone reaching 7.7 billion dollars with an interest rate as high as 24 percent. This is the concrete expression of decadence.

Second, the imperialist economy is an extravagant kind of economy. The development of imperialism since the war has been in large part built upon military industrial production and has been pushed forward by militarization of the national economy. In 1978, employment in America's military industry reached 4,781,000, amounting to 24.1 percent of the total workforce in the manufacturing industry, and its value of output stood at 24 percent of gross output value of the manufacturing industry. Moreover, production of weapons is, in Marx's words, "equivalent to taking a portion of the national income and throwing it into the sea." On the other hand, the development of a capitalist economy is also built on the gigantic wastefulness of consumption during the course of consumption and consumption by individuals. A Japanese newspaper ridiculed the waste of energy produced by this "high consumption" policy followed in America in the following manner: "In America, the summers are too cold, and the winters are too hot." This explains that the development of capitalism today is postulated on the tremendous wastefulness of society's labor force, energy resources and material resources. Along with the development of capitalist production, capital proprietary right and right of use have been further separated, and many enterprises are really not managed by capitalists themselves but by their agents. Thus they are completely divorced from the process of production, and they have become a profit consuming stratum depending on living off interest and engaging in speculation as a way of life. In 1980 the number of American millionaires, which in 1948 numbered 13,000, reached 574,000; and in the year 1975 alone, their per capita income from interest and dividends reached over 142.8 billion dollars. At the same time, there appeared such parasitic enterprises as detective agencies, bodyguard agencies, and pornographic publishing. In the United States, the food expenses for cats and dogs alone in one year amount to 2 billion dollars. In contrast, the disparity between the rich and poor has grown wider, and the poverty of the proletariat has continued to grow deeper. In 1975, 12.3 percent of the U.S. population were still living below the poverty line by government pronouncements, and among black people 31.3 percent were living below the poverty line. Even capitalist class scholars could not but admit: "Economic growth really has not brought about the eradication of poverty in the richest nation in the world." (Joan Robinson, U.S.A.)

Finally, the imperialist economy is a form of deficit economy. After the war, due to the capitalist countries' pursuit of Keynesian deficit, inflationary policies, the debt of the Western nations grew more enormous day by day. At the end of 1978, American public and private debt reached a height of 3.9 trillion dollars, with a per capital level of $16,829. That is to say that, in addition to taxes, 22.9 cents of every dollar of individual income went to pay off the debt. At the same time as this debt increased the government's budgetary deficit continuously grew. In 1980 America's budget deficit reached 59 billion dollars, and that of Japan's totaled 71 billion dollars.

The foregoing demonstrates that capitalism today is a decadent, declining morbid economy, a kind of economy with the "chills-and-fever like development" so appropriately described by Lenin. At a certain stage of its development, it is bound to intensify its inherent contradictions, and explode in cyclical economic crises. After the war, Keynesian "anti-crisis measures" and the policy of state intervention in the economy were adopted, which caused the crises to temper. However, they also caused the crises to produce cyclical contractions, frequent eruptions and diverse crises, simultaneously, and other such crisis characteristics. After entering the '70s, the economies of the Western nations also experienced the phenomenon of "stagnation-inflation," which is an additional glaring new manifestation of the decadence of imperialism.

"Stagnation-inflation" (called stagflation for short) is the generalization applied tby Western capitalist scholars to the simultaneous existence of recession and inflation in present-day capitalist economies. Its major characteristic is that as production undergoes reduction and stagnation on an extensive scale, and as the number of unemployed people swiftly and violently rises, prices rapidly move upward. This is a special feature brought about by the crises in capitalist economies since the war, a product of Keynesian deficit-inflationary monetary policy, state intervention in the economy and state monopoly capitalism's fiscal and monetary policies all marching in opposite directions. In the final analysis, this is the inevitable outcome of the development of the basic contradictions at the imperialistic stage of capitalism.

One of the special features of "stagflation" is economic recession, the main manifestation of which is that production and technological development tend to stagnate, even to the point of retrogression. For example, from 1948 to 1955, Japan's, West German's and Italy's yearly increases in industrial production were generally 17.7 percent, 18.5 percent, and 9.7 percent respectively, whereas from 1970 to 1976 these fell to 3.8 percent, 2.1 percent and 3.2 percent. In the '50s, utilization of capacity in the major capitalist countries was approximately 87 percent, in the '60s, 85 percent, and in the '70s, had fallen to 80 percent, making the present economy of the West a sort of "chronically depressed" declining economy. Furthermore, monopoly remains as always an artificially imposed barrier to technological progress. Even capitalist economic scholars have bluntly confessed this. The Belgian scholar [Ernst] Mandel has said: "Monopoly capital has forcefully hindered the third scientific and technological revolution for a decade." America's electric power and oil trusts, in order to preserve their monopoly prices, have vigorously opposed the development of nuclear power plants. Thus it can be seen that, even though capitalism has its development up to a certain extent, its level of development falls far behind the conditions provided by modern science and technology. This fully demonstrates the decadence of imperialism.

Economic recession inevitably leads to a higher unemployment rate. At present, the number of unemployed persons in the developed nations has already drastically increased to approximately 18 million, more than double that before the economic crisis of 1974-75.

Accompanying economic recession and the increasing unemployment rate inflation is also like a runaway horse in full gallop which cannot be checked. In the '50s, consumer prices in all developed countries rose yearly at an average rate of 2 percent; in the '60s, they rose 3.4 percent; and since the '70s, their range of increase has grown higher and higher. In 1980, Great Britain's consumer price increase was 22 percent, South Korea's 26 percent, and Italy's 21 percent. Inflation has brought with it deep and severe suffering for the working people.

"Stagflation" has caused capitalist economies to fall into a dilemma of attending to one thing and losing sight of another. If, in order to postpone a crisis and reduce unemployment, they engage in an expansionary [fiscal] policy, then they are bound to accelerate the momentum of inflation, whereas if they want to rectrain inflation, they must adopt a contractionary [fiscal] policy which tends to be crisis-ridden, and enlarge the ranks of the unemployed even to the point of triggering a crisis. This clearly shows that the preventive measures adopted by the capitalist state apparatus can only temporarily delay the outbreak of a crisis, changing a brief acute pain into protracted labor pains, but that it cannot eradicate the underlying cause of a crisis. The outbreak of six economic crises since the War furnishes convincing proof. Thus it can be seen that the capitalist system simply cannot accommodate the development of the productive forces, and that monopoly capital simply has no way of mastering the increasingly highly socialized mass production. Even though the capitalist class may adopt certain remedies within the scope permitted by the system, even to the point of unfurling the banner of "studying socialism," nevertheless, no matter what the panacea, it will not be able to avoid the inevitable march of capitalism toward extinction. The creation of "stagflation" once again proves that Lenin's thesis on the decadence of imperialism is unquestionably correct. Besides, it tells us as a negative example, that even though socialist economies, which are built upon the base of public ownership, may produce certain complications and faults on the road to advancement, nevertheless, when compared with capitalism, they possess incomparable superiority and great vitality. That socialism must inevitably triumph over capitalism is an unchangeable objective law.

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BRIEFS

ANHUI ECONOMIC TRIBUNALS--A provincial conference sponsored by Anhui Provincial Higher People's Court to discuss how to improve trials of economic cases was held from 19 to 24 October. The meeting noted that economic tribunals have been set up in all prefectural and municipal intermediate people's courts in Anhui since May last year. The meeting urged all localities to strengthen the organizational structure of these economic tribunals and to work in close coordination with industrial and commercial departments and other departments concerned in settling disputes concerning contracts and other economic matters. Hu Kaiming, vice chairman of the standing committee of the Anhui Provincial People's Congress, addressed the meeting. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 25 Oct 81 OW]

HAINAN TOURISM DEVELOPMENT--The Hainan administrative region has gradually developed tourism. Haikou, Qiongshan, Wenchang, Qionghai, Xinglong, Wanning and Tongza have set up travel services one after another to be responsible for tourism and reception. Some places in the region have arranged hotels to be responsible for tourism and reception. Since 1978, the region has received some 15,000 tourists. The number of tourists received is increasing by an average of some 30 percent a year. By the end of October, the region had received 22 groups of 215 tourists from Japan, the United States, Iran and various countries in southeast Asia who travelled at their own expense. Meanwhile, the region had also received 51 groups of foreign businessmen who came to the region to negotiate about trade and economic cooperation work. From January to October this year, the region received 5,216 overseas Chinese, Chinese of foreign nationality, Hong Kong and Macao compatriots and Taiwan compatriots who came to the region for the purposes of visiting relatives and friends and on tours, 794 more than the total number of people received throughout last year. The foreign currency income of the region from January to October was some 55 percent more than in the corresponding period of last year. [Haikou Hainan Island Service in Mandarin 0330 GMT 11 Nov 81 HK]

XIZANG ECONOMIC WORK FORUM--From 5 to 13 October, Xizang region held a forum on economic work. The comrades attending held that after the complete readjustment of economic construction in this region, the situation is very good. Agricultural and livestock production is particularly good. It is estimated that the per capita income of peasants and herdsmen will be 200 yuan this year, 20 yuan more than last year. The living standard of peasants and herdsmen has now been remarkably improved. Lhasa municipality has built residential houses for residents and workers of some 56,000 square meters. [Lhasa Xizang Regional Service in Mandarin 1130 GMT 15 Oct 81 HK]

GUANGDONG ANTI-SMUGGLING GROUPS--The Guangdong People's Government has organized cadres from party and administrative organs such as discipline inspection, organizational, propaganda, customs, politics and law, financial and commercial departments to form work groups to fight against smuggling activities. These work groups went to work in Shantou and Huiyang prefectures. They worked side by side with prefectural and county work groups in Chaoyang, Haifeng, Huiyang and Huidong counties where smuggling activities were numerous. [HK160801 Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 14 Oct 81 HK]

SHANDONG FIRECRACKER CONTROL CIRCULAR--The Shandong Provincial People's Government issued an emergency circular on firecracker safety in which the government put forward the following five points for attention: 1) No unit is allowed to sell explosive chemicals directly to rural communes and their members for firecracker production; 2) Earnest efforts should be made to assign temporary firecracker production to certain factories to carefully examine their arrangements for safe production. No individual household is allowed to engage in this production; 3) All transportation fronts should strengthen inspection over their passengers. No passenger is allowed to carry firecrackers and explosive articles; 4) It is necessary to enhance management in markets which sell firecrackers; and 5) In case of accident, it is necessary to find out which leading personnel is to blame for the accident. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Nov 81 SK]

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WESTERN-STYLE ECONOMIC DEVELOPMENT STRATEGY NOT SUITED TO CHINA

Beijing LIAOWANG in Chinese No 5, 20 Aug 81 pp 23-24

[Article by Lin Zixin [2561 5261 2450], Director, Chinese Scientific and Technical Information Institute, "Studying a Chinese-Style Development Strategy"]

[Text] For a long period of time, the economically developed nations of the world have taken maximizing the increase in GNP as the objective of economic development. This traditional development strategy demands centralized production. This kind of production has two characteristics: one is the concentration of funds, energy resources, resources and technology, and the other is economizing on labor power. Because of this, this development strategy is one of wasteful extraction and utilization of energy and resources. The population of the United State is less than 6% of the world's total, yet that nation consumes 40% of the world's resources each year. If the energy-intensive methods of agricultural production adopted in the United States were spread throughout the world, the globe's entire reserves of fossil fuels such as petroleum, coal and natural gas would be used up within a dozen or so years. It is quite apparent that the world's resources make it very difficult to maintain this kind of a development strategy for a long time.

In reality, in the 30 yeras in which the developing countries have carried out this traditional development strategy, only a handful of countries and regions have performed miracles. The majority not only failed to reach their objectives, but the disparity between them and the developed countries has continued to enlarge with time. The era of low-priced energy resources which the developed countries relied on to develop has gone forever. With their capital fund paucity and labor power abundance, it will be most difficult for the developing countries to attain the capital-intensive labor-saving production of the developed coutnries. For this reason, an increasing number of people feel that the presently developing countries cannot go along the old path of the western developed countries.

Besides this, the developed countries and those developing countries which have adopted this traditional strategy have numerous other social maladies:

for example, the increase in criminal activities and indifference in relations between people that have been brought about by marked disparities between rich and poor and unequal distribution. Some people abroad feel that one cannot view development as economic alone, much less equate it with the growth in GNP, and that development should be viewed as human development in order to make the satisfaction of basic needs the primary objective of development. This includes material needs such as food, housing, clothing and medical care as well as intangibles such as culture, education, a feeling of security and individual dignity.

Ours is a socialist country. When we consider a national development strategy we should persist in taking as our main objectives the elimination of exploitation, the elimination of the three major differences, and the greatest possible satisfaction of the continuously increasing material cultural livelihood needs of the people. We must provide more consumption goods for the people. We must look at more than China's large population and weak economic base and see a bit farther seriously to estimate China's natural conditions and the bearing capacity of our resources. On this basis, we should study China's consumption structure: What kind of consumption goods should be supplied? How should the consumption of the masses be directed? For example, at present everyone knows that China cannot develop as many small cars as the United States or Japan.

Another problem in development strategy is how to develop thoroughly China's advantage of numerous human resources. Labor power and the wisdom and knowledge of people is a most important resource which can circulate continuously, but this resource can only be brought into full play through labor. Here we must first of all pay thorough attention to the problem of employment. Both our long-term and short-term plans should taken into consideration the problem of how to create more employment opportunities. This means that we must do research on the structure of employment. For example, the accleration of the development of service industries is very much deserving of study.

Furthermore, science and technology is a necessary and important element in the development of the economy and society. However, science and technology can only be brought into full play when it is coordinated with the development of the economy and society. Production technology is a direct force of production. We must place particular stress on the research and development of production technologies which are energy and resource saving, which provide more employment opportunities and which can increase the goods for daily necessities as well as improve the income of the people. Internationally this kind of technology is called "applied technology." Many people feel that the development of this new kind of technology is an important avenue to solving many serious problems now faced by the world such as the rapid growth of the population, the energy crisis, resource exhaustion and environmental degradation.

Research on rural development strategy is particularly important for our country with its 1.0 billion population and 800 million peasants. We must definitely strive to build new rural villages in order to raise the level of material and cultural life of the peasants. We cannot do like some developing countries with abnormal urban development producing disastrous results. Of course, we must absorb the plentiful labor power of China's villages, continue to increase grain production on our limited cultivated land and allow the living standards of the vast numbers of rural people to increase progressively. This is a most arduous task.

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NATIONAL POLICY AND ISSUES

TONG DALIN OUTLINES NEW RESEARCH TASKS

Beijing LIAOWANG in Chinese No 5, 20 Aug 81 pp 22-23

[Article by Tong Dalin [4547 1129 2651], Vice-Chairman of the State Scientific Commission; "New Topics for Strategic Research"]

[Text] A strategic discussion on economic and social development is unfolding in China's academic, economic and scientific circles. This is another discussion bearing enormous significance following on the others of the past 3 or 4 years on the theory and practice of the socialist economy, covering questions of distribution according to labor, the theory of production forces, the objectives of production and the commodity economy. Now several new topics have cropped up in the course of developing strategic research, and it seems we shall have to intensify our focus on their investigation.

First, how can we make the strategic objectives concrete?

International economics circles have expressed numerous opinions on how developing countries should treat their traditional development strategies and how they should adopt new strategies to replace them. In my opinion, the development strategy of our socialist nation should be based on the continuous growth in GNP so as to satisfy gradually the material and cultural needs of the people. The traditional development strategy of the developed countries of the west concentrated exclusively on the rate of growth of GNP, but because of differences in economic structure, the degree to which problems of social livelihood have been solved and the distribution of social wealth, there are marked differences in the degree to which the basic needs of the people are satisfied. The basic objective of our building socialism is to satisfy the basic needs of the entire people and progressively raise their levels of material well-being and culture. To attain this objective it is first of all necessary to develop the social forces of production and cause the GNP to grow continuously at a certain rate.

The Central Committee has proposed that we strive to achieve a GNP per capita of $1,000 by the year 2000. If we calculate on the basis of a population in that year of 1.2 billion, the GNP would be $1.2 trillion. But how big should the shares of agriculture, industry and other producing sectors be in this? For example, in 1980 agriculture occupied 25 percent of total industri- and agricultural output value. This share should increase by 1990 and 2000. This provides a concrete strategic objective for determining the development of China's agricultural development.

In the area of satisfying the basic needs of all the people we should also proceed from the realities of China's social conditions and the consumption patterns of our people in carrying out detailed scientific surveys of clothing, food, housing, activities, expenditures, education, health and the like so as to establish specific projects and objectives. Only on this basis can we draw up long-term plans for economic and social development and carry out necessary readjustments in the social and economic structures.

Second, can we carry out a rational readjustment of China's economic and social structures according to the concept of three sectors of production?

The appearance of the concept of the three sectors of production is a reflection of the continuous progress in human economic and social livelihood. After the primary sector--agriculture and mining, and the secondary sector--processing and manufacturing industry, have been formed, the increasingly refined division of labor in production leads to the socialization of many things which originally were done within a productive enteprise. Increasingly people's consumption and household labor also become socialized, commodity circulation becomes daily more developed and many kinds of mental labor gradually turns into productive labor which creates value. Because of these factors, numerous new productive enterprises have appeared which, taken together, we call tertiary industry. In the past we only looked upon agriculture and light and heavy industry as sectors of material production and treated the majority of tertiary industries as social consumption sectors. This led to a serious abnormality in economic planning arrangements and in actual daily life. It seems that in the future we must make totally rational arrangements according to the interrelationships and balanced development of tertiary industry. Of course, we still have to study seriously the specific characteristics of China's tertiary industries, their scope, scale and degree of socialism.

Third, what strategic position should science, technology and education have and how can their development be accelerated?

In the future, the development of China's national economy will rely in the main on the technical improvement of the existing enterprises of each productive sector. No economic sector or enterprise can speak of development and progress without adopting appropriate advanced technology and relying on scientific technology. Economic and social development must be linked to the development of science and technology for there to be a development strategy for the entire economy. In the past because China's economic system lacked market regulation and necessary competition, many enterprises were not eager to adopt new technology. Therefore, the reform of the economic system and the readjustment of economic policy are necessary to speed up the development of science and technology.

Education is the key link in intellectual development. China has great human resources. If we develop them intellectually, we can gradually turn China's "liability" of a numerous population into an advantage in rich human resources, and make mental labor play a greater role in the entire productive labor process. Besides strengthening professional technical training, the future development of school education must study how to raise the quality of primary education, increase the proportion of education in middle-level specialized technology, open up the paths to study and accelerate the development of higher education.

Fourth, on the basis of social ownership, how it is appropriate to develop diverse modes of management?

In the past one or two years, based on socialist ownership, there have been numerous creations in management modes. In the villages, various forms of responsibility systems linking remuneration with output, particularly the development of contracting production to the household and contracting work to the household, have greatly aroused the enthusiasm of the peasants and wrought an enormous transformation in agricultural production. This has presented a new topic to theorists: How can large socialized production be carried out in the villages in the future? How, under the conditions of guaranteeing individual operation, do we carry out new unions with various forms? In the cities, will new joint enterprises appear in the wake of the development of small-scale individually operated service trades? There is increasingly immediate significance to research on the trends and future path of development of various different forms of management on the base of a socialist ownership system and on their role in the entire economy and society.

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NATIONAL POLICY AND ISSUES

U.S. ECONOMIC DEVELOPMENT FORUM DEEPENS CHINESE ECONOMIST'S UNDERSTANDING

Beijing LIAOWANG in Chinese No 5, 20 Aug 81 p 23

[Article by Dong Fureng [5516 6634 4356], Deputy Director, Economic Institute, Chinese Academy of Social Sciences: "On Economic Development Strategy"]

[Text] Last November, several comrades and I attended a "China-U.S. Forum on the Choice of Economic Development Strategies" in the United States, where we discussed the problems of economic development strategies in China and some other developing countries.

The coice of an economic development strategy is a problem which each developing country must encounter and resolve in the course of devising strategies for its economic development. Broadly speaking, there are two distinct but interrelated questions: (1) the choice of the objectives of an economic development strategy; and (2) the choice of a development path for realizing the objectives chosen. Every developing country faces common problems in its economy, such as poverty, low levels of education, capital shortage, shortage in scientific and technical capabilities, poor business management, enormous disparities between city and countryside, rapid population growth, poor hygeine and employment difficulties. These commonalities ensure that when each developing nation selects its economic development strategy, there are some places where they can refer to each other. However, each developing country must each also consider some particularistic problems in developing its economy, such as the historical traditions of different social systems, different physical environments and resource conditions, different geographical areas, different size populations and different levels of economic development. These particularities ensure that each developing country must select an economic development strategy which is in keeping with its own national conditions. In other words, while the development objectives may be the same, the paths to realizing these objectives should be different.

In the process of attending the forum, I thought many times how in the past we stressed the significance of the social system in the choice of an economic development strategy. Of course this was correct, but we often neglected the fact that there is much in the choice of economic development strategies by developing countries with different social systems which we could draw upon (for example, we have much to learn from the poor results that have been obtained by some developing countries when they make the pursuit of GNP their exclusive objective in their economic development strategy). At the same time, I also thought a number of times on how in the past we often felt, whether consciously or not, that developing countries with the same kind of social system could only carry out the same kind of economic development strategy and neglected the importance of different national characters in choosing a development strategy. From today's viewpoint, countries with the same kind of social system but different national characters may have different development strategies. Indeed, even the same country can adopt different development strategies for different stages of development because of changes in the basic national character. For example, having built up an initial heavy industrial base, the prompt readjustment of China's economic development strategy, for example by elevating the satisfaction of the basic needs of the people to the position of an objective of development strategy or readjusting the proportionate growth between heavy industry on the one hand and light industry and agriculture on the other, can make our country's economic development considerably smoother.

The problem of economic development strategy is extremely complex. There are usually a quite considerable number of objectives which a developing country must realize and contradictions frequently arise between the various objectives in the process of implementation (one example is the contradiction between raising the technical level with increasing employment). This can present difficulties in the selection of objectives within the economic development strategy. At the same time there are difficulties once these objectives have been chosen in selecting the development path to realize them. Because there are usually numerous development paths available to be chosen, there can be enormous disparities in the direct and indirect, short-term and long-term social economic results. In particular, it is not easy to see clearly come indirect, long-term results (one prominent example is the environmental degradation caused by the development of heavy industry). I think that we should recognize that there are no once-and-for-all perfect economic development strategies and that we can only proceed from the basic national characteristics of a country and choose a strategy which, relatively speaking, produces greater results and fewer losses. Moreover, there can be no once-and-for-all choices. In particular it is extremely important to make a prompt readjustment of one's development strategy or change it altogether when the economy is making a transition from one stage of development to another.

At present, China's economic development is in the process of making a great change. By conscientiously studying China's basic national character and seriously summing up the lessons of experience in carrying out past economic development policies, we must earnestly draw up an economic development strategy for the future in order to open up a new situation for the development of China's economy.

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NEI MONGGOL RECEIVES PREFERENTIAL TREATMENT FROM STATE

SK300954 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 29 Nov 81

[Text] According to our sources, the party and state have paid great attention to our region's construction and development. Since the 3d plenary session of the 11th Party Central Committee, the party and state have not only helped the region set right things which had been thrown into disorder, implement the party policy towards nationalities and improve relationships among various nationalities but also vigorously supported the region economically. According to statistics, the state allocated 5 billion jin of grain to the region in 1979, 1980 and 1981 and granted more than 1 billion yuan in subsidies to the region in each of these 3 years. To support the region's construction, the state decided to give the region preferential treatment in circulating funds, in retaining a portion of the profits and in giving transport allowances. The state has also made allowances for the people of various nationalities in the supply of cotton yarn, sewing machines, bicycles and wristwatches.

Our region is a fur-producing place from time immemorial. To meet the needs of our region's people on wearing fur clothes, the state has supplied 35,000 pieces of imported high-grade cattle fur to our region. This year the state allocated 12,000 cubic meters of timber to the region from Changbai Mountain and Xiao Xinganling to make furniture needed by Mongolian people. The state has also paid attention to our region's educational undertakings. In the past 3 years, the state invested some 120 million yuan in developing educational capital construction, including the investments covered by the plan, the flexible funds for minority nationalities and the funds for supporting places that are backward economically--a record in the region over the past 30 years.

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BRIEFS

HEILONGJIANG METALLURGICAL ENTERPRISES--By the end of October, metallurgical enterprises in Heilongjiang Province had handed over to the state 19 million yuan in profits. [SK131150 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 12 Nov 81 SK]

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FINANCE AND BANKING

USE OF CIRCULATING FUNDS BY INDUSTRIAL ENTERPRISES DISCUSSED

Beijing ZHONGGUO JINGRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 81 pp 38-39

[Article by Feng Zhongying [7458 0112 5391] and Tan Shucheng [6223 6615 2052] of Tiexi District Office of People's Bank of China in Shenyang Municipality: "There Should Be Treatment for Symptoms As Well As Causes"]

[Text] One of the urgent problems during the current national economic readjustment concerns the reduction of circulating funds to be used by industrial enterprises, the acceleration of the turnaround of funds, and obtaining better results in the use of these funds. We have conducted an analytical study on the use of circulating funds by 110 large and medium-size plants in the Tiexi District of Shenyang Municipality during the past 10 years, and the result of the study and our views are here presented for discussion.

Conditions and Changes in the Use of Circulating Funds by Enterprises

The 10 years of circulating fund utilization by these 110 enterprises can be generally divided into the following stages:

The first stage lasted from 1971 to 1973. In these 3 years, people yearned for a normal social order after the serious disruption of the national economy by the "Great Cultural Revolution." It was also the period deprecated by the "gang of four" as a time of "backlash." During this period, the total industrial output value of these 110 enterprises increased by 28 percent; their profits increased by 56.1 percent; the amount of circulating funds required for every 100 yuan's output value decreased by 12.2 percent; and despite a fairly large increase of production, the amount of circulating funds used increased by only 13.1 percent. This was an excellent situation featured by increased production, increased income and decreased expenditure. The change in the use of circulating funds was caused by the upsurge of inventory taking and potential-tapping by the enterprises in response to Chairman Mao's call to clean up the warehouses in 1971. Then in 1972, the State Planning Commission and the Ministry of Finance issued notices on strengthening the control of circulating funds, followed by a nationwide audit of assets and funds. The banks also tightened their credit control and many credit personnel visited the factories and workshops to assist in checking the assets and funds, in taking inventory and tapping potential, and in the disposal of overstocked goods. The enterprises themselves also improved their management of funds, and many financial control institutions, which had been smashed [during the Cultural Revolution] were reactivated. From 1974 to 1976, however, interference and sabotage by the "gang of four" brought the national economy to the brink of collapse, and some newly reactivated institutions were again destroyed.

In the first 2 years following the smashing of the "gang of four," that is, up to the end of 1978, the serious consequences of the disrupted national eocnomy were not yet fully realized, and the appearance of impractically high targets and excessive demands added to the difficulties of the national economy. During this period, the total industrial output value of these 110 enterprises increased by 10.2 percent; their profits declined by 19 percent; the amount of funds required for every 100 yuan's output value increased by 8.6 percent; and the amount of circulating funds possessed and used increased by 19.8 percent. This was a serious situation as shown by the little increase of output, the large increase of funds used, and the large reduction of profits. Since our country had for a long time relied solely on the regulative role of planning, all raw materials were supplied according to state allocations and all products were distributed by the state under a unified plan. Acquisition of raw materials then became the main concern of enterprise management, and the contradiction between production and supply was mainly responsible for the increase in the use of circulating funds.

Another stage lasted from 1979 to 1980. These were the years of implementation of the policy of national economic readjustment as well as the period of a major change in the use of circulating funds by industrial enterprises. During these years, the total industrial output value of these 110 plants increased by 10.6 percent; the amount of their circulating funds increased by 6.6 percent; and the amount of funds required for every 100 yuan's output value was reduced by 3.5 percent. The large increase of output and small increase of funds were mainly attributed to the efforts of these enterprises in strengthening economic accounting and improving business management during the economic readjustment; and to the bank's implementation of the principle of supporting only the deserving enterprises in loan grants, thereby encouraging them to produce according to market demands and to purchase according to their volume of sales. Thus overstocking was reduced and less circulating funds were tied up. At this stage, the regulative roles of planning and the market were brought into play and it was possible for the means of production to find their way into the market. The enterprises' products, previously under the system of unified distribution by the state were now mainly governed by the regulative role of the market. Instead of the acquisition of raw materials, sales of their products have now become the main concern of enterprise management. The contradiction between production and marketing has become more striking.

From what has been mentioned, we can see that although there were many causes for the increase of circulating funds used by the enterprises, such an increase was mainly decided by the current line, principles and policies of the party and the government; by the system of national economic management--under which the forms of material allocation and product distribution all had an impact on the amount of circulating funds--and by the performances of various economic departments (such as the tight or loose control of bank credit) and the level of enterprise management. Therefore, the problem of excessive possession and use of circulating funds cannot be solved by one department alone. Instead, it calls for the joint efforts of all departments concerned.

Treatment of the Causes on the Basis of the Treatment of the Symptoms

To change the present irrational possession and use of circulating funds, we are of the opinion that we should treat the symptoms first and then the causes.

1. We must guard the strongholds and expose the contradictions. There are mainly "three strongholds" to be guarded: first, the stronghold of loan extention according to the volume of sales. The banks should not grant any loan to finance the production of goods that have a poor market, because the loans granted must be commensurate with the volume of sales. This procedure will prompt the enterprises to organize their production [of goods] and purchases [of raw materials] in accordance with their sales. Second, there is the stronghold of separate control of funds. All expenses under financial allocation are not covered by bank loans, and all loans previously used to cover such expenses must be redeemed. The bank will no longer advance any funds for capital construction projects, and enterprises whose funds have been tied down in capital construction equipment are not eligible for bank loans. Third, we have the stronghold of planning. Loans must be based on plans, especially the plans for bank credit which basically fit in with the plans for the production and circulation of commodities. Unplanned loans, or loans in excess of the planned figures will affect the normal development of the national economy.

2. We need to clear the channels for circulation of commodities and funds. The normal turnaround of funds in an enterprise can affect, and be affected by, the normal turnaround of funds in other enterprises. At present, a common effort should be made by all concerned to clear the channels of commodity circulation. The goods sold to those enterprises which have already been closed or suspended should be disposed of according to the specific circumstances. If the goods have already been delivered and cannot be paid for by the buyer who no longer has any source of funds, the state should allocate a special fund or direct the bank to grant a special loan to meet this obligation in order that this bad debt will not cause a chain reaction. As for the equipment still used in production, the departments in charge should give clear instructions as to which type of production should be continued and which type should be discontinued. For some special equipment already produced, the departments concerned should clearly stipulate the methods of procurement. The department in charge should procure this equipment under a unified plan, keep it for proper use, and pay for it out of financial allocation or through special loans. Arrangements should also be made to cover the loss incurred in the production of accessory equipment as a result of the suspension of the main engine's operation. Such losses should be compensated for mainly out of state appropriations.

3. We must imporve the system of circulating fund control. This is the fundamental method to solve the problem of possession and use of circulating funds, and a treatment of the cause. At present, enterprises are not economically responsible for the amount of circulating funds they use. Nor have the departments in charge any responsibility for the use of circulating funds by the enterprises under them. Such a situation must be changed. Instead of a mere formality, the index of circulating funds must serve as a criterion for evaluating the economic result of a department. The department in charge should be responsible for the use of circulating funds by the enterprises under them. Since the producing enterprises are directly responsible for the use of funds, the effects of such use should be related to the economic

benefits of their workers and staff members. The enterprises practicing economy in the use of circulating funds should be given more funds; and excessive expenditures should be taken out of the retained profits instead of the profits to be handed over to the state. The banks can only exercise their supervision according to established policies over the use of circulating funds by the enterprises, but cannot take over the direct responsibility of the enterprises or the departments in charge of these enterprises. We must rely on the departments in charge to lead the enterprises in mobilizing the masses, and on the spenders of money, themselves, to control their money before we can be sure that the circulating funds are well controlled and properly used.

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FINANCE AND BANKING

UNHEALTHY TENDENCIES IN BANKING EXPOSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 81 p 43

[Article by Hua Nan [5478 0589]: "The Unhealthy Tendencies of Banks Must Be Rectified"]

[Text] Along with the rectification of party style, our "bank style" also has continued to improve. However, we should be aware that in some banks or banking institutions, there sometimes is the unhealthy tendency of accepting bribes and extoring commodities or supplies by people taking unfair advantage of their official positions. Some of them even have done this openly. Applications for loans and requests for the settlement of accounts were simply laid aside, but after being treated to a feast, they would attend to these jobs with alacrity. So a feast could make all the difference. During their performance of duty, some people had the audacity to demand certain commodities in tight supply and hinted that if people want some attention from others, they should offer some favors first. Some people extorted commodities overtly or covertly, asked for the "most favored treatment," and made private gains at the state's expense. Even the shortage of subsidiary coins on the market offered certain comrades a "golden opportunity" to make "personal connections." All these may be isolated cases, but their effects are extremely bad. Besides hindering the implementation of the party's monetary policy, they smeared the fair name of the banks. This certainly gives us much food for thought and calls for serious attention.

However, some comrades have never admitted their errors. Feeling perfectly at ease and justified, they have even said: "I bought my things without using the name of the bank or threatening to apply any pressure. How can there by any unhealthy tendency to speak of?" This sounds plausible; but the fact was that if this person had not happened to work in a bank and was not in charge of the work related to the interests of the party he dealt with, would he have been honored as a distinguished guest and given all the preferential treatments?

The party Central Committee has always attached great importance to the rectification of party style, and the 6th Plenary Session of the 11th Party Central Committee further reiterated the need to check unhealthy tendencies. In August, the Central Discipline Inspection Commission issued a notice on "strictly upholding party disciplines to check the unhealthy tendency of 'personal connections' in official business." We hope this will be a good opportunity for us to rectify our "bank style." In addition to major cases, the discipline inspection departments of banks at all levels should check these unhealthy tendencies in order to insure the smooth operation of banks.

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BRIEFS

NEI MONGGOL REVENUE--By the end of October, Nei Monggol had fulfilled 79 percent of the state revenue plan and 86 percent of the industrial and commercial tax procurement plan, an increase of 30.6 million yuan or 6.5 percent over the corresponding 1980 period. By the end of October, agricultural taxes collected were 8 million yuan or 70 percent more than in the corresponding 1980 period. By the end of September, the region had discovered that 14,700 enterprises had evaded taxes totaling 37.5 million yuan. Some 18.53 million yuan of evaded taxes have been restored. [SK131122 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 11 Nov 81]

HENAN FULFILLS REVENUE QUOTAS--By the end of October, Henan Province had fulfilled 97.6 percent of the quota for industrial and commercial taxes for 1981, which is 18.7 percent more than in the corresponding period of last year. Five prefectures had overfulfilled their quotas for revenue for this year. Xuchang and Kaifeng prefectures had overfulfilled their quotas by 37 and 20 percent respectively. With the economic development, the amount of taxes has increased. The amount of taxes of this province in August and September this year was some 590 million yuan, the highest on record. In particular, this province has reaped a bumper harvest of tobacco leaves and their quality is good. The tax on each 100 jin of tobacco leaves has increased from 26.8 yuan to 33.7 yuan and the tax on each case of cigarettes has increased from 306.8 yuan to 313 yuan. The province has now overfulfilled its quotas for taxes on cigarettes and brews for this year. The amount of taxes on textiles, edible oil, chemicals, coal, electricity, metallurgical industry and construction materials is more than in the corresponding period of last year. All places have seriously inspected tax evasion and arrears of taxes and achieved good results in taxation. [HK180841 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 16 Nov 81 HK]

CSO: 4006/144

BRIEFS

XINJIANG SALT PRODUCTION--By the end of August, crude salt production in Xinjiang region was some 290,000 tons, 85.4 percent of the quota for the year and 13.18 percent more than in the corresponding period of last year. The quality of salt has been improved. [HK260803 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Oct 81 HK]

XINJIANG INCREASES GOLD PRODUCTION--Xinjiang has scored pleasing achievements in this year's gold production. The region's gold production for January to September had fulfilled 284 percent of the annual plan, equivalent to the production of more than 5 years from 1976 to 1980. This year, the region readjusted the procurement price for gold and implemented various policies concerned, thus mobilizing the enthusiasm of the peasants and herdsmen in panning gold and promoting the development of gold production in the region. At present, Alatai, Tacheng and Hetian prefectures have fulfilled this year's gold production tasks ahead of schedule. [Urumqi Xinjiang Regional Service in Mandarin 1650 GMT 2 Nov 81 HK]

SICHUAN GOLD PRODUCTION--Sichuan Province has achieved outstanding results in gold production. From January to October, the province overfulfilled its gold production quota for 1981 by 145.7 percent ahead of schedule. The province's gold output in this period was 71.2 percent more than in the corresponding period of last year. [HK250927 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Nov 81]

XINJIANG METALS--The Xinjiang region nonferrous and rare metals industry has steadily advanced. By the end of September, the quotas for the production of six of the nine main products for this year had been fulfilled ahead of schedule. The region had also fulfilled some 30 percent of the quotas for the production of the other three products for this year. The quality of these products had been remarkably improved. The region has overfulfilled its quota for profits for this year. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Oct 81 HK]

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JILIN CONFERENCE URGES INCREASED PRODUCTION

SK280902 Changchun Jilin Provincial Service in Mandarin 1100 GMT 27 Nov 81

[Text] According to our reporters, the provincial work conference on industrial and communications production, which ended on 26 November, urged the staff and workers on the province's industrial and communications front to enhance their enthusiasm, resolutely adopt effective measures and try everything possible to wage a successful battle in industrial production during the first quarter of 1982 and gain the initiative in 1982 industrial production.

The conference began on 24 November in Changchun. Comrade (Li Dhongpu), vice chairman of the provincial economic commission, set forth a plan for 1982 first quarter industrial production. Leading comrades in charge of industrial production from municipalities and prefectures and responsible persons of the provincial bureaus, commissions, departments and offices concerned attended the meeting.

The conference earnestly summed up the experiences and lessons in this year's industrial production and devised an initial plan on 1982 first quarter industrial production. It also studied measures for fulfilling the plan. In line with the guidelines of the instructions issued by the state and provincial authorities, the conference pointed out that the guiding principle for 1982 first quarter industrial production is to comprehensively implement the eight-character policy on economic readjustment, increase the production of small commodities, daily consumer goods and small farm tools, readjust the service orientation of heavy industry, vigorously execute enterprise readjustment, improve the economic responsibility system in industrial production, improve product quality, increase the variety of goods and improve economic efficiency.

Comrade Dong Xin and (Li Zhenjiang), deputy governors, spoke. They urged leading bodies at all levels to proceed from the reality and attend to the current production task and the arrangements for next year's production. Planning, supply, commercial, financial and other relevant departments must closely cooperate with each other to fulfill the 1982 first quarter industrial production. They emphatically noted the need to devise production plans, establish contact between the producing and marketing departments, arrange raw materials and make the projects for consolidating, reforming and tapping the potential of enterprises produce the desired result as early as possible. We must strive to achieve real, unexaggerated industrial growth.

They pointed out: Fulfilling the 1982 first quarter industrial production plan is an arduous and difficult task. Leading bodies at all levels must overcome the unhealthy practice of discussing production without taking any action, discussing something without reaching a decision or adopting a decision but making no efforts to implement it. Efforts should be made to foster a fine and realistic work style, firmly strive to fulfill the 1982 first quarter industrial production plan and make a good beginning toward fulfilling next year's industrial production plans.

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BRIEFS

SHAANXI PREFECTURE INDUSTRIAL OUTPUT--From January to October this year, Xianyang Prefecture topped all other areas in Shaanxi Province in industrial output. The total industrial output in the prefecture amounted to 359.19 million yuan, showing an increase of 6.2 percent over the corresponding period last year. The reason for this is that leaders at all levels in Xianyang Prefecture have enthusiastically helped workers and enterprises solve practical problems and seriously implement the production responsibility systems, thus enhancing the workers' enthusiasm for production. At the end of October, some units in the prefecture had already overfulfilled the year's production quotas. [HK271326 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 23 Nov 81 HK]

SHANXI INDUSTRIAL PRODUCTION--In October, Shanxi Province's total industrial output value was some 955 million yuan, 2 percent more than September and 9.4 percent more than October last year. The industrial output value of the enterprises run by the central authorities, the province, prefectures. municipalities and counties in October was more than October last year. The province-run enterprises' industrial output value in October was 15 percent more than October last year and 5 percent more than September. The province's light industrial output value in October was 17 percent more than October last year while its heavy industrial output value in October was 5.8 percent more than October last year and 3.6 percent more than September. The province's output of raw coal in October was 11.46 million tons, 6 percent more than September, 16.6 percent more than October last year and some 2 million tons more than the monthly planned output. The province's electricity output in October was some 1.03 billion kilowatt-hours, 11.6 percent more than September and 8.7 percent more than October last year. [HK140742 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 8 Nov 81 HK]

BEIJING STEEL PRODUCTION--From January to October, the Capital Iron and Steel Company earned a profit of some 250 million yuan, which was some 13 million yuan more than in the corresponding period last year. In implementing the principle of readjustment, the company's output of pig iron for 1981 will be 290,000 tons less than last year and output of steel will be some 100,000 tons less than last year. This will be a reduction of some 9 percent in the production volume of the two products compared to last year. Thus, the profit of this company for 1981 should be 8.7 percent less than last year. However, the company has decided to increase income although it has reduced production. The company originally wanted to submit a profit of 260 million yuan to the state. When the company began implementing the economic responsibility system in June, it decided to increase its anticipated profit to 270 million yuan, which will be 8.7 percent more than last year. [HK140742 Beijing City Service in Mandarin 2300 GMT 2 Nov 81 HK]

NEI MONGGOL INDUSTRIAL OUTPUT--Nei Monggol Autonomous Region has made great progress in industrial production since the beginning of the fourth quarter. According to statistics, the regional industrial output value in October was over 493 million yuan, a 6.41 percent increase over the corresponding 1980 period. By the end of October, the per quarter output value was over 4.3 billion yuan. The region fulfilled its annual industrial production plan by 80.95 percent. It fulfilled or overfulfilled its annual production plans for the 17 products, including chemical fibers, cigarettes, and leather. [SK131115 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 12 Nov 81 SK]

HEILONGJIANG INDUSTRIAL OUTPUT--Heilongjiang Province made steady progress in industrial production in October. Its output value surpassed that of corresponding 1980 period by 6.2 percent. In the January-October period, the average increase of the three quarters' output value over the corresponding 1980 periods was 2.5 percent. The increase of light and textile industrial enterprises was 15.2 percent. In the same period, the output of daily consumer goods such as wristwatches, bicycles, chemical fibers, dairy products, leather shoes and televisions surpassed that of the corresponding 1980 period by over 20 percent. In October, the province overfulfilled its monthly raw coal production plan by over 167,000 tons or 4 percent. [SK090730 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 8 Nov 81 SK]

HUBEI INDUSTRIAL PRODUCTION--The total industrial output value of Hubei Province in October was 2.31 billion yuan, 5.8 percent more than in September and 25.1 percent more than in October last year. Due to increased production in October, the province fulfilled 81.48 percent of the quota for industrial production for this year in the period from January to October this year. Its industrial output was 7.1 percent more than in the corresponding period last year. The province has overfulfilled its quotas for the production of 29 products, including bicycles, watches, TV sets, cigarettes and sulphuric acid for this year. The profits which the state enterprises in the province submitted to the state in October were 21.3 percent more than in September. [HK140826 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 6 Nov 81 HK]

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'JINGJI YANJIU' DISCUSSES CAPITAL CONSTRUCTION

HK010233 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 10, 20 Oct 81 pp 62-64

[Article by Liang Wensen [2733 2429 2773] and Tian Jianghai [3944 3068 3189] of the Economic Research Institute of the Chinese Academy of Social Sciences: "What Is Capital Construction?"]

[Text] What is capital construction and what categories of things does it include? At present, people's theoretical understanding of this question is far from unified. In practice, there is considerable confusion about the range of things included in capital construction. This greatly hinders the strict control of the scale of capital construction and the scientific planning of the relationship between production and construction. Therefore, there is an urgent need in real economic life to clarify the meaning of capital construction. We will put forth some preliminary views for our comrades to consider.

At present, there are different concepts as to the economic category of capital construction.

The first concept is that capital construction is the expanded reproduction of fixed capital assets.

The second concept is that capital construction is simply the reproduction of fixed capital assets; that is, it includes both the expanded reproduction and the simple reproduction of fixed capital assets. Some people express this concept in the following specific terms: capital construction is the process of producing fixed capital assets and includes the renewal (including partial renewal), reconstruction, expansion and building of productive and nonproductive fixed assets in various national economic sectors.

We believe that it is incorrect to equate capital construction to the expanded reproduction of fixed assets, where the element of simple reproduction is completely precluded. However, it is also questionable whether all activities of simple reproduction of fixed assets should be included in capital construction.

As an economic activity in which fixed assets are created, capital construction specifically refers to the reproduction of fixed assets rather than the reproduction of social products in general. People's understanding on this point is basically unified. The question is whether it includes the entirety, or only a part, of the reproduction of fixed assets. The main arguments of those comrades who hold that all categories of reproduction of fixed assets should be included in capital construction are as follows: 1) Simple reproduction and expanded reproduction are only theoretical abstractions. In real life they cannot be separated. The replacement and accumulation of fixed assets are often carried out together. The formation of fixed assets, whether the replacement or for accumulation, is identical in content. Therefore, the difference between replacement and accumulation cannot be taken as a criterion for distinguishing capital construction from non-capital construction. 2) At present, the capital construction front is becoming increasingly more extensive precisely because capital construction is artificially separated from the tapping of potential, innovation and transformation. The main argument of those comrades who advocate the concept that capital construction should only include the expanded reproduction of fixed assets is that, theoretically speaking, the nature and role of simple reproduction are different from those of expanded reproduction; capital construction should belong to the category of accumulation and should be distinguished from the kind of reproduction aimed at maintaining the existing scale.

According to the first view, the renewal of, and major repairs to, fixed assets as well as the tapping of potential, innovation and transformation taking place in enterprises all belong to the category of capital construction. If so, then during the past 2 years, the scale of our country's capital construction expenditure has far exceeded 50 billion yuan, and this year the scale of capital construction expenditure cannot be kept within the limit of 30 billion yuan. If we make the scope of capital construction very wide, is this favorable to centralized administration? In particular, during the period of readjustment, is this favorable to the strict control of the scale of capital construction? On the other hand, according to the second view, there really exists the problem of how to clearly draw a line of distinction. If there is no clear line of distinction, then what one considers as a capital construction activity may be considered as an activity of tapping potential or innovation or transformation by another, and an activity that one considers should be discontinued, may need to be commenced, according to another's view. Is this conducive to controlling the scale of capital construction and to attaining an overall balance in the national economy? Because of these problems, some comrades have raised the question of whether the determination of the nature and scope of capital construction should be based on the simple reproduction and expanded reproduction of fixed assets or be based on expediency in administration? In other words, should we take it as an abstract theoretical category or as a concept related to administration?

We think that, when we study the question of what capital construction is, we should really consider many complicated factors and strive to make a specific analysis on the basis of a close integration of theory with practice. We must neither depart from the basic principle of scientifically distinguishing simple reproduction from expanded reproduction, nor simply take the difference between the simple reproduction and the expanded reproduction of fixed assets as an absolute criterion for classifying what is capital construction and what is not, thus ignoring the need for workable requirements in actual administration.

The term capital construction first appeared in the Soviet Union, in a report written by Stalin in 1926. This concept was not used by Marx, Engels or Lenin in their works. In capitalist countries, the term capital construction is not used. Instead, the concept of investment in fixed assets is used. Socialist capital construction refers to investment in fixed assets, but it cannot be thus deduced that all categories of investment in fixed assets are capital construction activities. Some comrades think that Stalin put forth the term capital construction to refer, in a sense, to the more important construction activities. We believe that capital construction is something relative to current production. It has certain qualitative characteristics. It is a special realm and an important part of national economic and social reproduction activities. Capital construction is a kind of economic activity in which fixed assets are created. Generally speaking, its substance and nature is that it involves a series of processes such as surveying, designing, construction, the purchasing and installation of machinery and equipment, and so on. From the time when preparatory work for construction is done and materials are secured, to the time when the completed fixed assets are made available to the users, there is a considerably long cycle (or time lag).

There are different categories of reproduction for fixed assets of different natures. One category involves the replacement of the means of labor, which have been accumulated in the past, so that the existing scale, in real terms, is maintained. The other category involves accumulation, with the scale of the means of labor, in real terms, being expanded. The former is the simple reproduction of fixed assets, whereas the latter is the expanded reproduction of fixed assets. The two categories are often interwoven. However, the former is the basis, and the latter expands and develops on this basis. Objectively, the process of social reproduction is very complicated. Amid these complicated phenomena and the continuous process of reproduction, those people involved in theoretical work must make abstract theoretical analyses and generalizations. They must not deal with things indiscriminately, obliterate the characteristics of, or the distinctions between various things, nor regard phenomena as the essence of things or put the incidental before the fundamental. This is disadvantageous to practical work. It is necessary and correct to consider the expanded reproduction of fixed assets as capital construction. However, it is unworkable in practice to exclude, from capital construction, all simple reproduction of fixed assets, and we also lack an adequate theoretical basis to do so. This is because some activities, such as building new mines to replace old ones, civil engineering projects undertaken to transform the existing fixed assets and so on, which belong to the category of simple reproduction of fixed assets, must be accomplished through capital construction.

If we include all the reproduction of fixed assets in capital construction, there will be many problems which cannot be satisfactorily solved.

First, comrades who adhere to the view that all reproduction must be included in capital construction, hold that it is both difficult and unnecessary to distinguish the simple reproduction of fixed assets from expanded reproduction. Actually, this is not so. The question is, what criteria are to be used for the categorization? The categorization can be made on the basis of value. (Reproduction that maintains the existing value of capital funds is simple reproduction, whereas expanded reproduction causes the value of capital funds to exceed the original level.) The categorization can also be made on the basis of use value (production capacity). (Simple reproduction results in the maintenance of the existing scale of production capacity, whereas expanded reproduction causes the scale of production capacity to surpass the original level.) The difficulty is that if technology is advancing, simple reproduction in terms of the value of capital funds often amounts to expanded reproduction in terms of use value. The converse may also occur. Under these circumstances, should a particular kind of reproduction be regarded as simple or expanded? We think that under the condition of socialism, because the aim of production is to satisfy society's and the people's needs, we should take use value as the main criterion. However, we must not ignore the reproduction of value or refrain from undertaking economic accounting. Of course, although theoretically we clearly assert that the simple reproduction of fixed assets can be distinguished from expanded reproduction, in actual work many specific problems need to be studied and solved. However, we must not negate the necessity of making a distinction, just because it is difficult to do so. Under general circumstances, in principle, the question of whether the simple reproduction of fixed assets should be carried out does not arise, because if simple reproduction is not maintained, the capital stock will diminish and production will decline. As for expanded reproduction, because it affects the ratio between accumulation and consumption, because it is related to changes in the structure of production governing various sectors or changes in the distribution of productive forces, and so on, we must exercise strict control over matters such as whether planning is necessary, what should be planned, and the quantitative aspects of our planning. Those capital construction projects which mainly belong to the category of expanded reproduction, in particular large- and medium-scale projects, affect the overall balance of the national economy, and therefore the power of making decisions about them should be centralized in the central authorities. In practive, our neglect of the renewal and transformation of old enterprises and our one-sided pursuit of starting new projects are not caused by the drawing of a line of distinction between simple reproduction and expanded reproduction. On the contrary, the cause is the neglect of the distinction between simple reproduction and expanded reproduction.

Second, there are contradictions in the arguments of those comrades who hold that all reproduction must be included in capital construction. For example, they also admit that capital construction involves processes of productive consumption which involve large quantities and long cycles. That is, magnitude and length of time are the basic characteristics which distinguish it from other categories of current production. Magnitude can be interpreted as high value of investment, large volume of work and large-scale activities. Length of time means long cycles of construction, usually exceeding 1 year. This is undoubtedly correct. However, are these basic characteristics displayed in all cases of production and reproduction of fixed assets? No, for example, these basic characteristics are not necessarily displayed when an enterprise replaces certain items of machinery or equipment on the basis of maintaining the existing scale. This may not involve a large investment, a very long construction cycle, surveying, designing or civil engineering projects. Obviously, in these circumstances, we must not regard this as a form of capital construction. However, this is a replacement of fixed assets and is a form of production and reproduction of fixed assets. As to small-scale transformations of, or innovations in, the enterprises' fixed assets, or occasional purchases of fixed assets and so on, these do not possess the above-mentioned basic characteristics, but these are instances of the production and reproduction of fixed assets.

Furthermore, those comrades who hold that all reproduction must be included in capital construction also agree that in planning, we should implement the principle of "assigning priority to simple reproduction over expanded reproduction" and "assigning priority to replacement over accumulation." However, if we adhere to the view that it is difficult and unnecessary to distinguish simple reproduction from expanded reproduction, how can such priorities exist? But facts tell us that it is impossible for us not to follow these principles. Therefore, we still need to classify capital construction activities into different forms, such as renewal, restoration, reconstruction, expansion, new projects and so on.

Subjectively, one may think that people can be reminded of the importance of capital construction. But, if various forms of reproduction of fixed assets are not studied and differentiated and if all these forms are included in the category of capital construction, the actual results will be contrary to expectations. The capital construction departments have to concern themselves with all matters, important or trivial, concerning the reproduction of fixed assets. Consequently, the satisfactory grasping and management of those capital construction projects which exhibit the above-mentioned basic characteristics is affected. "Attention is paid to the sesame seeds but the watermelons are overlooked." The gains cannot offset the losses. Moreover, the importance of capital construction, and also its important role in the achievement of the expanded reproduction of fixed assets, are weakened. Actually, this amounts to obliterating the economic nature of capital construction as the principal form of accumulation of fixed assets.

Our overall view is that capital construction mainly refers to the construction, acquisition and installation of new fixed assets. Generally, it involves a series of processes such as surveying, designing, construction, the purchase of equipment, installation and so on. It exhibits characteristics such as relatively long construction cycles and relatively large investments. All such economic activities, in which fixed assets are created, including a part of the replacement of fixed assets and the entirety of the accumulation of fixed assets, should be regarded as capital construction. However, capital construction is principally the accumulation of fixed assets. That is to say, although it may include a certain part of the simple reproduction of fixed assets, its principal form is the expanded reproduction of fixed assets.

After recognizing its qualitative characteristics, we should also assign quantitative characteristics to it. For example, in the light of different industries and different circumstances, we should specify certain investment figures, or certain sizes of construction areas, or certain quantitative increases in the production capacity. We should also sort out those technological measures which belong to the realm of capital construction and thus eliminate the state of confusion caused by "small-scale capital construction employing large-scale projects technological measures." In real life, some specific limits will be accompanied by a lack of clear-cut delimitation or by the existence of borderline cases. However, various items can still be categorized on a broad basis. For example, certain categories of major repairs (such as major repairs to blast furnaces, the rebuilding of factory buildings and so on), the overall transformation of old factories, the building of principal or independent workshops and so on, should be included in capital construction. The simple reproduction of some other fixed assets should not be included in capital construction. If we can relatively clearly define the nature and scope of capital construction on the basis of integration of theory with practice, this will be conducive to reducing the overly large scale of capital construction and fulfilling the task of further readjusting the national economy. Moreover, we can correctly plan the relationship between production and construction in our long-term planning.

[Footnote]: Whether the use of the term "capital construction" should be continued has been discussed in other articles. Even if it is replaced by some other term, some practical problems which were raised in this article require further study.

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BRIEFS

KUNMING URBAN CONSTRUCTION MEETING--On 11 November, the Kunming Municipal CCP Committee sponsored and held a meeting on urban construction management. The meeting put forward specific measures for doing well in urban construction management and demanded that all units support this work in the municipality. Kunming Municipal CCP Committee first secretary Li Yuan gave a report on the situation of urban construction management in the municipality over the past few years and on the development of urban construction management. Governor Liu Minghui attended and spoke. [HK250927 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 15 Nov 81 HK]

SHENYANG UNDERGROUND PASSAGE--A new underground passage has been constructed near the Shenyang railway station. The underground passage has two outlets, each of which is 64.8 meters long, 6 meters wide and 3.2 meters high. The inauguration ceremony was held 14 November. It was attended by provincial and Shenyang municipal leading comrades, including Li Tao, Xie Huangtian, Zhu Weiren, Xiao Zuohan and Deng Zhongru. Wang Danpo, acting mayor of Shenyang Municipality, cut the ribbon. [SK170558 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 14 Nov 81 SK]

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DOMESTIC TRADE

BRIEFS

LIAONING SCRAP MATERIALS--Liaoning Province has prefulfilled and overfulfilled its annual purchase and sale plans for old and scrap materials. According to statistics compiled at the end of October, purchase value reached 160,700,000 yuan, a 6.2 percent increase over the corresponding 1980 period. Sale value was 189,150,000 yuan, a 3.9 percent increase over the annual sale plan and an 8.1 percent increase over the corresponding 1980 period. In the first 10 months of the year, the province supplied 798,000 tons of raw materials derived from old and scrap materials to its industrial enterprises, a 5.3 percent increase over the corresponding 1980 period. [SK171154 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 16 Nov 81]

HEILONGJIANG PRICE READJUSTMENT--In accordance with the guidelines of the State Council circular, the Heilongjiang provincial people's government issued a circular that the province will lower prices for polyster-cotton and ployster-viscose fabrics and increase prices for alcoholic drinks and cigarettes on 18 November. In recent years, our country has witnessed rapid development of the chemical fiber industry. Both the output and production capacity of the chemical fiber industry have doubled. However, higher existing prices have discouraged consumption somewhat. Therefore, the State Council decided to lower the selling prices for polyster-cotton and ployster-viscose fabrics to boost the sales of chemical fabrics. [SK182234 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 17 Nov 81]

GUANGDONG INSPECTING MARKET PRICES--On 19 November, the Guangdong Provincial People's Government issued a circular on inspecting market prices. The circular pointed out that the inspection aimed at investigating the supply and management of the consumer goods and aquatic products for which the prices should remain stable according to a circular of the provincial people's government on stabilizing market prices. Anyone violating the regulations of the circular must be rectified, while models should be recommended. The price inspection group will conduct inspections in the three municipalities of Guangzhou, Shantou and Zhanjiang. The provincial people's government demanded that all commission offices and all county and municipal people's governments organize the relevant departments to launch inspection of market prices. It also plans to convene a meeting to study how to further stabilize market prices in late November. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 20 Nov 81 HK]

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FOREIGN TRADE

PROSPECTS OF FOREIGN TRADE IN 1980's STUDIED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3, 1981 pp 13-16

[Article by Xu Ziangquan [1776 6343 2938]: "Changes in China's Trade Terms in the 1970's and Their Outlook in the 1980's"]

[Text]

I

Trade terms, also called the comparative prices of import and export goods, refer to a comparison between the total export price level with the total import price level of a country (or a region). It is an important comprehensive index reflecting and measuring the advantages and disadvantages brought about by the import and export prices in the foreign trade of a country, and serves as a guidance in the development of its foreign trade.

In the 1970's, changes in the terms of foreign trade in our country were as follows:

Chinese Trade Terms 1970-1980
(197- = 100)

Year	Total Export Index	Total Import Index	Trade Terms
71	95.0	93.6	101.5
72	102.0	96.7	105.5
73	156.7	125.1	125.3
74	206.6	176.0	117.4
75	198.2	188.8	105.0
76	186.0	159.7	116.5
77	219.3	160.7	136.5
78	236.7	177.1	133.7
79	264.1	220.2	119.9
80	292.3	257.8	113.4

The above trade terms are based on the price indexes of the principal import and export commodities from 1970 to 1980 in our country as compiled by the Comprehensive Planning Bureau of the Ministry of Foreign Trade. A total of 73 principal exported items were selected for compiling the export price index, and their export value amounted to approximately 50-60 percent of our total export value. Therefore, the trade terms computed on this basis have a representative character.

Judging from the entire 1970's, we can see that our trade terms were on the whole favorable. If 100 is used as the base figure in 1970, then the comparative prices throughout the 10 years were more than 100. In other words, for every 100 units of exported goods, we could bring back more than 100 units of imported goods. In the last 3 years, however, the terms turned out to be unfavorable. If 100 serves as the base figure of 1977, then the figures for the years 1978, 1979 and 1980 would be below 100.

The changes of comparative prices in our imports and exports from 1970 to 1972 were insignificant. In 1973, when the Western economy was on a periodical rise, the worldwide currency inflation became intensified, and the world market prices soared. There was a general increase of 53.6 percent in our export prices against a general increase of 29.3 percent of our import prices. Since our export prices rose much faster than our import prices, our comparative import-export prices rose to 125.3. In 1974 and 1975, when the Western countries faced a very serious economic crisis after the war, there was a marked reduction of commodity prices in the world market. In 1975, our general export prices dropped by 4.1 percent, but the general import prices did not show any corresponding drop. Therefore, the comparative import-export prices dropped to 105.0. In 1976, our general export prices continued to drop by 6.2 percent, but the drop in the general import prices was even bigger--as much as 15.3 percent--and our comparative import-export price rose to 116.5. In 1976, the Western economy began to recover with an upswing in world market prices. In 1977, our comparative import-export price rose by 17.9 percent, and the rise of the general im port price was very minor. Thus our comparative import-export price rose to 136.5, the peak figure in the 1970's. After 1978, the rise of our export prices was not so much as that of our import prices. In the 3 years from 1978 to 1980, the general export prices rose by 7.9 percent, 11.5 percent and 10.6 percent respectively, while the general import price rose by 10.2 percent, 24.3 percent and 17 percent respectively. Therefore, our trade terms turned unfavorable. If we changed the base period, the unfavorable situation would be even more obvious. Now, if we take 100 as the base figure for 1977, the figures for 1978, 1979 and 1980 will be down to 97.9, 76.9 and 83.1, with a marked downward trend every year. This change should deserve due attention. (Refer to the following table)

China's Trade Terms 1977-1978
[as published]

Year	Total Export Index	Total Import Index	Trade Terms
77	100	100	100
78	107.9	110.2	97.9
79	120.4	137.0	87.9
80	133.3	160.4	83.1

The changes in our trade terms during the 1970's were different from those of many developing countries. Aside from the effects of price changes in the world market, our changes were largely related to the structure of our exported products which was neither vertical nor horizontal. Unlike many other developing countries which mainly carried on the exchange of primary products for finished products, or simply the exchange of finished products, ours is mostly an exchange of primary products.

In the 1970's, our main export products were agricultural byproducts, native and animal products, foodstuffs, processed agricultural byproducts, primary petroleum and mineral products and primary light and textile industrial products. Primary products accounted for more than one-half of our total exports. Our imported products were mainly industrial raw materials and consumer goods, such as wheat, cotton, sugar, animal and plant oil, iron ores, pig iron, rolled steel, chemical fertilizers, chemical fibers, wool, artificial cotton, rubber, paper pulp, paper, plastic raw materials, copper, aluminum, lead, nickel, phosphate, timber, leather and jute. All these raw materials and agricultural products were primary products, and they accounted for more than one-half of our total imports. Machinery, electrical appliances, instruments, complete sets of equipment and advanced technology amounted to only about 20 percent of our imports. Since the changes in the varieties and specifications of these imported commodities almost every year made a comparison difficult, we have excluded them from the import price indexes listed in the above tables. If they are included, the comparative prices may turn out to be even more unfavorable. Since more than one-half of our imported and exported goods were primary products, it can be said that our import and export is mainly the exchange of primary products (agricultural byproducts, native products, special products, mineral products and fuel), for other primary products (industrial raw materials, food, cotton, sugar and other agricultural products in large amounts).

Based on this structure of import-export commodities, the changes in our trade terms are different from those of many developing countries as well as those of many developed countries. Before 1977, our export prices generally rose faster than our import prices. From 1970 to 1977, the export prices of our native and animal products and foodstuff, such as rice, broad beans, edible oil, peanuts, pond fish, miscellaneous beans, tung oil, rabbit meat, pork, tea, honey, almond, edible fungus, while melon seeds, cured tobacco, tangerines, apples, frozen prawns, dried chilli, down, rabbit fur, cashmere, goatskin and rugs were more than doubled, and some of them were even trebled or quadrupled. The prices of mineral products, such as tin, tungsten ores, coal, coke, cement, tar and paraffin were also more than doubled. The margin of price increase for some light industrial goods was quite wide because their previous prices had been set too low. The increase of handicraft product prices was also quite large. Furthermore, some raw materials and foodstuff were changed to semifinished products, processed products and small packaged commodities for export with higher prices. Except for cobalt, phosphate, iron ores, paper, cotton, wool, artificial silk, artificial cotton, coffee, cocoa, sisal hemp, rolled steel, copper, aluminum and some other nonferrous metals, the import prices of many principal items such a rubber, pulp, timbers, wheat, animal and plant oil, sugar, jute and mahy others were never more than doubled throughout the period 1970-77. Therefore, the trade terms in 1977 were favorable to us.

The situation, however, changed after 1977, and the favorable conditions turned unfavorable. The in crease in import prices was more than in export prices, because of the sharp rise in the world market prices of grain, sugar, oil, cotton, chemical fertilizer, chemical fibers, rubber, iron ore, phosphate, and paper--which accounted for more than one-half of our total imports. On the other hand, with the exception of petroleum which was sold at a largely increased price, our main exported products, such as light and textile industrial goods, chemical industrial products, machinery, mineral metals, agricultural byproducts, native and animal products, handicraft products, handicraft products, edible oil and some foodstuff, were sold at only slightly increased prices, although world market prices for these items were, generally, on an upward trend. The main reasons were as follows: First, most of our exported finished products and processed agricultural byproducts were of a low grade. Because of inferior quality or performance, lack of variety and poor packing, they failed to meet the foreign market demand. Therefore, the margin of price increase for these products continued to shrink. Our export price index is based on the average per-unit price of exported products. Since these products were of a low grade and had a small range of specifications, the average per-unit price had to be low. In the present world market, there is an increasing demand for goods of a high grade, fine quality and large variety. The better the quality of high-grade goods, the greater wll be the sales, and the wider will be the margin of price increase. On the other hand, sales of low-grade goods are poor and their prices cannot be high. Our exported light and textile industrial goods, for example, were generally goods of the lower-middle grade or semiprocessed products with little improvement in quality or change in specifications and style for many years. Some light industrial products remained unchanged for as long as 10 or 20 years, while our chemical-industrial products were mostly of the inorganic type in a primary form. Most of the machinery exported was also a primary product. In view of the odds against us in a competition in which "only fine quality counts," it was hard for us to increase our prices. The quality of some agricultural byproducts, such as black tea, tobacco, honey and pork, has also remained unchanged for many years. That is why since 1977, the average price of our exported goods, with the exception of animal products, has increased only slightly. This was particularly true of foodstuff and processed foodstuff. Secondly, in view of the keen competition in the world market and the rise of trade protectionism, restriction on imports continued to tighten. The United States and the European Common Market even imposed import quotas on textile goods, thus adding to the difficulties of our sales. In the case of light and textile industrial products of the lower-middle grade, not only have there been strict restrictions on imports but also growing competition from many developing countries whose light and textile industrial products are now finding their way into the world market in increasing quantities. All this was unfavorable for our price increase. Thirdly, our export trade was penalized by the terms of delivery. Since our delivery was always behind date, customers did not receive goods intended for the summer season until the arrival of winter, and the goods received did not measure up to the standards of quality and packing as specified in the contracts. Furthermore, not many of our products were readily marketable, and if we had to push the sales of our slow-selling products in the face of strong competition, it would be very difficult to increase their prices. To offset these disadvantages, it was even neessary to cut our prices in order to clear up the overstocked goods. Fourthly, the processing of imported materials contributed to the major portion of our total export value. In recent years, increase in the prices of imported raw materials was larger than the increase of the prices of our exported finished products. Thus the price differential between our exported finished products and our imported raw materials (mainly imported cotton and exported cotton textile goods) became reduced. In other words, the additional value of our products became lower, and this accounted for the unfavorable trend of the comparative prices of imported and exported goods of this type in the past 3 years. Furthermore, the export of some traditional agricultural products, such as rice, broad beans, tung oil and edible oil--which were exported in huge quantities and which brought in a great deal of foreign exchange earnings--has been reduced, and there were certain problems with our foreign trade system, our business management and our pricing.

These were the main reasons for the unfavorable trend of our trade terms in the past 3 years as well as the main obstacle to the futther expansion of our export trade.

II

In the 1980's, unfavorable trade terms for the majority of developing countries are expected to continue. The main cause of this unfavorable trend is that in addition to the disadvantage brought about by the exchange of primary products for finished products to the country which exports primary products, in international trade there is still a disadvantage to developing countries in their exchange of their finished products for the finished products of the industrially developed countries. During the 1980's predictably the developing countries will further increase the export of their finished products to developed countries. Since these exported products mostly consist of light and textile industrial goods and primary machinery, all calling for high labor intensity and having a low additional value, while, on the other hand, the finished products exported by the advanced industrial countries to the developing countries are mostly heavy industrial products of high precision calling for a concentration of technical and financial resources, and having a high additional value, the exchange between high-grade and low-grade finished products will become an exchange of unequal values. South Korea, for example, became one of the regions with the fastest growth of export trade in the 1970's. Its exports consisted mostly of light and textile industrial products and primary machinery products, which accounted for more than 60 percent of its total exports. Since increase in the prices of these exported low-grade products of high labor intensity was far less than that of the imported heavy industrial goods of high-precision and high-grade, or that of imported capital equipment and energy, its trade terms tended to be unfavorable. In Taiwan, again, there was a fairly rapid growth in the export of finished products, mainly light and textile industrial products of high labor intensity. As a result of the exchange between low-grade finished products on the one hand and capital equipment of high technology, expensive energy and industrial raw materials on the other, its import price index last year was up 22.5 percent, while its export price was up only 11.2 percent--an obvious deterioration of trade terms. Similar conditions existed in other fairly rapidly developing countries and regions.

There are many similarities as well as differences between the trade terms of China and those of many other developing countries in the 1980's. The extent of these similarities and differences will be determined by the changes in the structure of our exports and the improvement of our foreign trade management. At present, there is backwardness not only in our export trade, but also in our import structure which is even low grade. Because of the further readjustment of our national economy now going on, no major changes in these structures are expected in the first half of the 1980's. It is anticipated that along with the readjustment and rationalization of the production structure at home, there will be a corresponding growth of exports. The demand of a population of 1 billion on the home market will bring about a continued drop in the export of food and raw materials, and large-scale exports of traditional agricultural products can hardly be expected to increase. The growth of energy export may not continue; instead, it may level off or even decline. As for imports, it is not likely that the large transactions of industrial raw materials, chemical fertilizers, grain, cotton, oil and other agricultural products will be reduced in the near future. Furthermore, the importation of durable consumer goods, such as TV sets, radio-recorders, wrist watches, refrigerators, and so forth, will be further increased as a support for the home market and to help in currency withdrawal. There will however be no appreciable increase in the importation of such capital goods as machinery, electrical appliances, instruments and complete sets of equipment for some time because of the reduction of capital construction projects and the reorganization of heavy industry. Under such conditions, our trade terms may continue to deteriorate. In the 1980's commodity prices in the world market will tend to rise, and the prices of heavy industrial, high technology products, capital equipment and other high-grade finished products will increase faster than those of the light and textile industrial products of high labor intensity. Therefore, the prices of high-grade and high-precision machinery will increase faster than that of the primary and common machinery, and the prices of industrial raw materials, chemical fertilizers, and grain which are imported in large quantities will rise faster than those of our agricultural byproducts, native products and light and textile industrial products. Even the prices of animal products will not increase in the way they did in the 1970's. It is estimated that during the second half of the 1980's, there will be increases in the export of our light and textile industrial products and machinery along with the increased importation of advanced technology and capital equipment; and it may be difficult to turn the trade terms to our advantage. This question will however be decided by: (1) the improvement of quality, specifications, performances, designs and packings of our exported light and textile industrial products and machinery; a continual upgrading of these products; and a reform of our product mix with the addition of more easily marketable, high-grade and fine quality goods and the reduction of low-grade and low-price products for export along with the improvement of management and constant reduction of production costs; (2) a gradual production for export; (3) the increase of the additional value of finished products made from processed imported materials; and (4) the gradual reduction of importation of consumer goods and agricultural products now being imported in large quantities. We must fundamentally change the structure of our exported goods before we can achieve favorable trade terms.

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CSO: 4006/78

FOREIGN TRADE

THIRTY MEMBER TEAM INVESTIGATES GUANGDONG SPECIAL ECONOMIC ZONES

Guangzhou YANGCHENG WANBAO in Chinese 30 Sep 81 p 2

[Article by Zeng Muye [2582 3668 6851]: "An Investigative Study of the Special Economic Zones]

[Text] In order to do a good job of building the special economic zones, the relevant departments in Guangdong Province recently organized nearly thirty economists and economic workers to go to the Shenzhen and Zhuhai special zones to carry out an 18-day investigative study. This activity has made us feel deeply the necessity and urgency of developing investigative studies on the economic zones.

One of the significances of these investigative studies is that they deepen our understanding of the Historical Resolution of the Central Committee. Two years have passed since we resolved to set up "special economic zones." During these two years, the province has persisted in carrying out the strategic decision of the Central Committee and gained valuable experience. In addition, the municipalities of Shenzhen and Zhuhai as well as the cadres and workers of the two special zones have moved heaven and earth, blazed the tough new trail, dared to innovate and achieved preliminary results. Over the past two years, Shenzhen Municipality has taken in 720 foreign capital import projects with a total investment capital of over 2.3 billion Hong Kong dollars according to the signed contracts. Included among these are projects to process and assemble imported materials, to cultivate imported aquatic products and for compensatory trade. There are cooperative ventures, joint-capital ventures and single investor ventures. In the past more than two years Zhuhai Municipality has imported 200 projects with a total capital investment of over U.S. $150,000,000. Of particular value has been that the "trailblazers" have acted in the spirit to "seize the day, seize the hour" and simultaneously drafted plans, signed contracts, engaged in construction and put projects into operation. Shenzhen Municipality has already finished deliberations on 720 imported projects of which 548 are already in operation and 95 are being built. Although some larger projects are still being built in Zhuhai Municipality, the majority of projects are now in operation. In both of these cities the original industrial and agricultural base was relatively weak, but after two years of importing and construction, they have already set up industries for home electrical appliances, light industrial and textile goods, construction materials, food and beverages, everyday furniture and tourism. They have developed export trade, aquatic products and commune and brigade industries. Industrial and agricultural production and financial revenue have all greatly increased, creating an impressive foreign exchange income for the state. At the same time, all of the initiative and management powers for economic activities within the special zones have remained in our hands, that is to say that it is the Chinese government which exercises sovereignty and all of the economic activities within the zones must operate within the bounds permitted by China's laws (including the special regulations for the zones). In no way is it the "colonial economy" that some have called it. It is extremely important to unify our understanding on this question as a prerequisite to our correctly summing up our experience in our present and future studies of the relevant policies, institutions and theoretical questions pertaining to the speical economic zones. It will also help us resolve some splits in theoretical viewpoints. Of course, we do not want to sidestep the deficiencies in our work and pave the way for some passive social phenomena and social questions which the zones have brought with them.

The second significance of these investigative studies is that they sum up and investigate experiences in building up the special economic zones. Besides the general aspects of clarifying the nature, position and function of the zones together with their forms, economic structures and struggles against corruption, it is extremely necessary to focus our study and summing up on the following questions. In production: 1. enterprise management in the zones, particularly the management experiences of the jointly operated and single investor ventures; 2. reforms in labor management and the wage systems in the zones; 3. how agricultural production outside the zones in the two municipalities of Shenzhen and Zhuhai meets the demands of zonal development; 4. the development of tourism in the special zones; 5. land prices in the zones; 6. the economic results of zonal importing work and the interrelationship between zonal imports and the development of economic alliances domestically; and 7. the relationship between zonal construction and that of the inland or the core city (Guangzhou). In circulation: 1. how the special economic zones can make the transition from the present system where regulation by plan is primary to one where market regulation is primary; 2. expanding the export foreign exchange receipts of the zones and enlarging their self-determination in foreign trade; 3. market supply, price management and the arrangements for people's livelihood in the zones. In finance and banking: 1. the monetary system, banking system and foreign exchange management in the zones; zonal tax collection policies and systems as well as financial management systems; together with experiences in negotiating and signing contracts, the economic effects of second line construction, and the like.

It has been two years since Guangdong Province set up the Shenzhen and Zhuhai special zones (plans and preparations are now being made for the Shantou special economic zone). The numerous phenomena which have developed before our eyes require us to go look into them, refine them and generalize them so as to form a theory on the construction of Chinese-style "special economic zones." This task has been set before us repeatedly by the party. During the "four modernizations" we should continuously study new situations, sum up new experiences and seek out a highly effective path for developing the economy. Systematically developing our investigative studies of the special economic zones and proposing a set of theories on their construction is our long-term task. Our economic theorists and practicioners have an unshirkable responsibility. We should spare no effort to complete this glorious task ahead of time.

11723
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GUANGZHOU NOT MAKING FULL USE OF ZHUHAI SPECIAL ECONOMIC ZONE

Guangzhou GUANGZHOU RIBAO in Chinese 29 Sep 81 p 2

[Article: "Zhuhai Special Zone Urgently Needs Guangzhou Support"]

[Text] A reporter for this newspaper recently interviewed relevant leading comrades of Zhuhai Municipality and some comrades from Guangdong Province and Guangzhou Municipality who were in Zhuhai on business. They all felt that Guangzhou has a responsibility to support Zhuhai and that it can reap rewards from making use of Zhuhai.

Zhuhai is a new city with a population of 150,000, the vast majority of whom are peasants, fishers and floating fishers. The urban population is only 38,000.

Zhuhai, at the estuary of the Pearl River, is linked by land to Macao and by sea to Hong Kong. Besides being an important port of entry for Hong Kong and Macao, it is a scenic tourist spot with excellent prospects for development. Since the CCP Central Committee and the State Council approved the trial establishment of a special economic zone in Zhuhai in 1979, the local people have been resolved to make full use of the advantages of their zone to transform Zhuhai into an export commodity base which combines agriculture and industry at a relatively high level, a tourist area for visitors from Hong Kong and Macao and a new-style border city and special economic zone. Relevant leading comrades of Zhuhai Municipality told our reporter that the city's total value of agricultural, industrial and fishery output last year was over 60 percent greater than in 1978 and that electronics, woolens, cotton textile and clothing industries are mushrooming. Last year they received a total of 390,000 visits from foreigners, overseas Chinese and tourists from Hong Kong and Macao. The first half of this year the number of visits was double that of the same period last year. The municipality's construction is developing like bamboo shoots after a spring rain.

Zhuhai has run into one especially noteworty problem in developing its economic construction and tourist industry, a shortage of skilled labor. It urgently needs the forceful support of order cities, in particular, Guangzhou. The comrades in Zhuhai Municipality said that when First Secretary Liang Lingguang and others of the Guangzhou CCP Municipal Committee have come to visit, they have expressed the notion that Guangzhou must make great efforts to support Zhuhai, and in reality Guangzhou has given quite a bit of support to Zhuhai. During the course of his visit, our reporter discovered many areas where Zhuhai's capabilities are weak and where Guangzhou is responsible for helping them. For example, Zhuhai's industry is developing from nothing. Besides entering into cooperative arrangements with Hong Kong and Macao, they would like to cooperate with Guangzhou. In the entire municipality of Zhuhai, there is not one Western-style clothing store, high-level haircutting establishment or photographic studio which can develop and print color film, and there are very few high-level physicians. In all these areas Zhuhai urgently needs Guangzhou's help. Construction development is quite rapid in Zhuhai, where 20 tourist spots are planned or being built; this also urgently requires further help from Guangzhou.

As our reporter saw, some facts show that some units in Guangzhou have already begun to pay serious attention to utilizing Zhuhai. For example, in Gongbei, billboards have been posted advertising Qingnian brand ballpoint pens, pearl ointment, Mingzhu brand watches, essence of Chinese caterpillar fungus and chicken and Chinese angelica essence, all Guangzhou products, yet the actual utilization of the favorable conditions of Zhuhai has yet to begin. In Gongbei, Xiangzhou and Qianshan, our reporter only saw one salesroom from Guangzhou, for the educated youth farm of the Yuzhu lumber yard. Upon inquiring, he found that this salesroom does not actually belong to Guangzhou Municipality, but is under the management of the provincial Forestry Department. In their briefing, comrades of Zhuhai Municipality said that Beijing's Chinese medicine trades and the renowned Quanjude Beijing Duck Restaurant are preparing to set up stores in Gongbei with all of the merchandise as well as the raw materials and materials for preparation being shipped directly from Beijing. Before long a roast duck branch may be operating, but our reporter heard no reports in Zhuhai of Guangzhou Municipality making similar plans. People commented that our comrades in Beijing could see the 14,000 Chinese and foreign visitors now entering Gongbei daily from Macao and have come from far away to set up stores to sell Chinese medicine and roast duck, so why is it impossible for Guangzhou which is close at hand to come here and set up stores and restaurants to sell Chinese medicines and Guangdong chicken specialties such as Wenchang chicken, cuipi [crispy skin] chicken, yanju [salt baked] chicken or Taiye chicken? Why can't some renowned restaurants from Guangdong, Hong Kong or Macao set up a branch in Zhuhai?

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BRIEFS

GUANGDONG FOREIGN TRADE--By the end of October, the Guangdong provincial foreign trade system had fulfilled its quotas for procuring and exporting products. The amount of products procured in this period for export was an increase of 13.2 percent over the same period last year. The amount of foreign currency income derived from exports increased by some 20 percent. The quantity of goods exported to Hong Kong and Macao increased by 27.4 percent. [HK140820 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 11 Nov 81 HK]

SHANDONG PIG IRON EXPORTS--Pig iron produced by Shandong Province has made inroads into the international markets and earned large amounts of foreign exchange for the state. Pig iron was until recently not listed as an export item. Since the beginning of this year, the Shandong metals and minerals import and export corporation has made vigorous efforts to promote pig iron exports. By the end of October, the corporation had exported 40,000 tons of pig iron to Japan, Hong Kong, Malaysia and other areas or countries. [SK182230 Jinan Shandong Provincial Service in Mandarin 2300 GMT 17 Nov 81 SK]

TOURISTS IN SHANGHAI--Beijing, 8 Nov (XINHUA)--Shanghai received to total of 217,900 foreign and overseas Chinese tourists in the first ten months of this year, 25.92 percent more than in the same 1980 period, according to the CHINA FINANCE AND TRADE JOURNAL. The total income in foreign exchange that the city earned from tourism in the January-September period was equivalent to 115.3 million yuan (RMB), 30.6 percent up compared to the corresponding 1980 figure, said the Beijing-based journal. The annual rate of increase over the past three years in the number of tourists that Shanghai has received is greater than the average rate for the world, the journal said. Deputy Mayor Han Zheyi said last week that Shanghai is determined to expand tourism taking advantage of its favourable conditions, including a fairly developed industry and relatively sufficient accommodation facilities. [Excerpt] [OW100813 Beijing XINHUA in English 0254 GMT 9 Nov 81 OW]

SHAANXI PROMOTES EXPORTS--At the 50th Chinese Export Commodity Fair in Guangzhou, many transactions for Shaanxi Province's exported goods were concluded. By 10 November, transactions for 14 million dollars worth of this province's exported goods had been concluded. This amount exceeded the total amount of this province's goods exported at last falls Guangzhou fair. These exported goods included cashmere, melon seeds, cotton yarn, red beans, knitwear, minerals and light industrial products. [Xian Shaanxi Provincial Service in Mandarin 0500 GMT 15 Nov 81]

GUANGDONG FOREIGN TRADE--Guangdong scored good results in foreign trade. By the end of October, the province had already fulfilled 102.2 percent of the year's quota, which is 19.17 percent up on the same period last year. Guangzhou, Huiyang, Foshan, Zhaoqing, Zhanjiang, Hainan, Shenzhen and Zhuhai have all fulfilled export quotas ahead of schedule. The processing industry using imported materials has increased by 62.6 percent over the same period last year. Compensation trade has increased by 191.4 percent over the same period last year. [Guangzhou Guangdong Provincial Service in Mandarin 2330 GMT 18 Nov 81 HK]

CSO: 4006/144

BRIEFS

SICHUAN EMPLOYMENT TASK--The labor departments of all localities in Sichuan Province have scored good results in arranging jobs by integrating the policies of having the labor departments assigning people to certain posts, having the individuals organizing themselves to run collectives and having the individuals set up self-employed businesses. From January to October this year, jobs have been arranged for some 190,000 people. In some localities and counties, people who were unemployed since 1979 have now been assigned jobs. This plays an important role in promoting social security and enlivening economy. In implementing the policy to arrange jobs, all localities have focused on encouraging the unemployed youths to organize themselves to run collective businesses. At the same time, they are encouraged to seek jobs themselves and set up self-employed businesses. [HK271252 Changdu Sichuan Provincial Service in Mandarin 2300 GMT 25 Nov 81 HK]

CSO: 4006/147

BRIEFS

FUJIAN AIRPORT EXPANSION--The Fuzhou airport expansion project is making good progress. The project, including extension of the runway, taxiways and so forth, involves pouring 58,000 cubic meters of concrete and 98,000 cubic meters of earthwork. The project is scheduled for completion before 1 May 1982. [OW091027 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 7 Nov 81 OW]

SICHUAN PASSENGER TRANSPORT--Since the beginning of this year, shipping departments in Sichuan Province have done well in developing industrial and agricultural production, urban and rural trade and tourism. They have vigorously done well in passenger transport. Eighty-four state and collective shipping enterprises in 12 prefectures and municipalities, including Leshan, Yibin, Nanchong, Yongchuan, Daxian, Fuling, Wanxian, Mianyang, Neijiang and Chongqing, in the province are engaged in passenger transport. They have 234 passenger ships, which sail on 26 large and small rivers, including the Changjiang, Jinshajiang, Jialingjiang, Minjiang, Tuojiang and Daninghe. These ships transport about 80,000 passengers every day. From January to October this year, these ships transported some 28.6 million passengers, 112 percent of the passenger transport quota for 1981. The province overfulfilled its passenger transport quota for this year 2 months ahead of schedule. [HK250927 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 14 Nov 81 HK]

LIAONING AVIATION PERSONNEL--On 9 November 1949, about 3,000 personnel of the former China Air Lines and Central Air Lines under the Kuomintang revolted in Hong Kong. Some of them flew 12 planes to new China. In the past 30 years, these personnel coming to our country have studied and worked diligently under the leadership of the party and have made due contributions to the socialist revolution and construction. Some have become engineers, accountants and communist party members. On the morning of 23 November, the Shenyang Civil Aviation Administrative Bureau held a meeting to issue certificates to 11 persons to identify them as personnel who revolted in Hong Kong and crossed over to China in 1949. Attending the meeting were Zhu Chuan, Standing Committee member of the provincial CCP committee and deputy governor of the province; Fang Ming, vice chairman of the provincial CPPCC committee; and (Liu Xingkui), deputy director of the united front work department of the provincial CCP committee. [SK240538 Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 23 Nov 81 SK]

CSO: 4006/147

GENERAL

EXPERIMENTS IN ECONOMIC RESPONSIBILITY SYSTEM REPORTED

Beijing ZHONGGUO CAIMAO BAO in Chinese 29 Sep 81 p 3

[Article by Wan Dianwu [8001 0368 2976] and Zhang Caiqing [1728 6846 1987]: "Results Remarkable; More Active Guidance Needed--Investigative Report on Experiments in System of Management Responsibility Among Liaoning Provincial Commercial Departments"]

> [Text] Editorial note: Adopting a system of management responsibility in commerce is a great event which must be actively and yet cautiously dealt with in the spirit of "subjecting everything to a practical test." We will continue to publish articles and investigative reports [on this subject] for our readers' study and reference.

Adoption of the system of management responsibility by commercial departments is an important reform in commercial work. From May to July, the Liaoning Provincial Commercial Bureau conducted experiments in the system of responsibility for business management among its 2,676 affiliated units. Although the experimental period was very brief, and the system needs to be further improved, remarkable economic results have already been gained. This is a proof of the correctness of the reform.

1. The integration of authority, responsibility and benefits has aroused the enthusiasm of the enterprises and their workers in business management. In the past, the enterprises and workers practiced equalitarianism by "eating out of the same pot." Since the enforcement of the system of responsibility for business management, the passive position of the enterprises has been replaced by an active one, while the attitude of workers has turned from negative to positive. Both the enterprise and the workers outlook has changed markedly, and many longstanding problems have been rapidly solved. Previously, the cadres and workers chose only the easy jobs and avoided the hard ones. This practice is now rare, and the number of those taking sick leave or showing up only to loaf around is much reduced. Now, the workers are coming on duty early, leaving late, and working on Sundays. Even minor ailments do not keep them away from work. Many loafers have become hard workers, and the attendance rate has increased from 80 percent to approximately 95 percent. In June, 88 stores under the Dadong District Nonstaple Food Company of Shenyang dispatched 1,690 mobile vendor carts--the largest number of carts ever dispatched--[to serve the public]. The system of awarding a bonus in relation to the curtailment of expenses encouraged the workers to practice economy in running their stores. Such unhealthy tendencies as helping oneself to the stores' merchandise or causing

damage to store property have taken a healthy turn. In the past, the loss was only to the "public"; now all workers have to share the loss and therefore they supervise one another.

2. The state receives more revenue, the enterprise retains more profits, and the workers have a better income. Except for some isolated cases where the units' shares are too low and the workers' shares are too high, the vast majority of the experimental units have increased their profits by a wide margin and distributed more for the state and the enterprises than for the workers, so that all three parties are duly rewarded. The Fushun Municipal Nonstaple Food Company, for example, adopted the responsibility system among its 89 affiliated units in June. Compared with the preceding month, the profits handed over to the state increased from 46,000 yuan to 65,000 yuan; the retained profits increased from 10,000 to 25,000 yuan; and the profits shared by the workers and staff members increased from 20,000 to 35,000 yuan. The bonus received by each worker to staff member was increased from 8 yuan to 20.01 yuan. In July, the chain of food and drink stores in Shenhe District of Shenyang Municipality tried out the system of responsibility for sales to be undertaken by each group (and individual) whereby above-quota sales would be rewarded and failure to fulfill the quota would be punished. Compared with June, the volume of sales in July increased by 13.5 percent; the expenditures were reduced by 1.14 percent; and the profits increased from 2,580 to 5,320 yuan, at a rate of 106 percent. In the distribution of profits, the amount of tax increased by 131 percent; the enterprise accumulations increased by 106 percent; the share of workers and staff members increased by 104 percent, with the average individual share increased from 14 yuan to 28.55 yuan (including the pay for overtime and working on Sundays).

3. The expansion of sales was welcomed by the customers. In the experiment of the system of management responsibility among commercial departments, the volume of sales has become the main index with a direct bearing on the economic benefits for the state, the enterprises and the workers and staff members. For this reason, the workers and staff members generally try every possible way to overfulfill the sales targets by opening early, closing late, setting up a network of vendor stalls, dispatching itinerant sales teams, and adopting various methods to suit the convenience of customers as a means of boosting sales. Even though retail sales through other channels were increased, the sales of the units with responsibility for business management also increased by a wide margin instead of dropping. In June, the sales volume of 15 experimental units under the Fushun Municipality Food Company amounted to 275,300 yuan, a 39.4 percent increase over the amount before the experiment in May, when a loss of 458 yuan was sustained. Thus the experiment quickly turned the loss into a profit of 16,300 yuan. The increased sales of food and nonstaple food items and sundry goods eased the strain on supply in the market and helped satisfy the wants of the consumers.

4. It helps to overcome the bureaucratic style in commerce and to improve the quality of service by changing the workers' attitude toward work. In view of the competition on the market, there is the need to improve the work style in order to win over the customers. Since adopting the system of responsibility, many units have begun to pay attention to the quality of goods, to prolong their hours of operation, to increase the varieties of their goods, to set up more vendor stalls, to dispatch more push carts for door-to-door deliveries, and to offer other services as they once did. In the past, the Talian Nonstaple Food Store and the Beancurd

Processing Factory of Fushun Municipality were unwilling to sell their goods in the early morning. Now their workers are starting out at 4 o'clock in the morning to peddle their wares along the streets and small lanes. Nearly all experimental units have prolonged their operation hours, and the masses are praising them as "bureaucratic stores" turned "convenience stores." The attitude of commercial workers toward the customers has also been greatly improved. Cold receptions from these workers have diminished, while wranglings followed by the exchange of blows are now practically nonexistent.

Practice of the system of management responsibility has given rise to many new problems concerning cadres, labor, wages, fringe benefits, planning, finance and even the commercial system as a whole. In the case of Liaoning, the following problems in particular should be noted and carefully handled:

1. Political and ideological work must be stepped up in the practice of the management responsibility system. This system however should not be regarded as a solution to all problems, and it is necessary to guard against the tendency toward "obsession with money," and the "one-track mind" with "profit as the primary concern." Besides endeavoring to attend to the interests of the state, the collective and the individuals, we should also encourage all the cadres and workers to cultivate the overall and mass concepts, to oppose the capitalist business style of being concerned only with profits, to overcome departmentalism and individualism, and to refrain from violating state policies to the detriment of mass interests. In active collaboration with the financial departments, they should safeguard state taxes and profits and also protect the interests of the customers. An important new problem is about the way to protect the customers' interests with regard to the quantity, quality and prices of goods, the sanitary conditions, and the quality of services. As a means of circulation, commerce has a direct link with millions upon millions of people. Thus it must be guided by government policies and planning, and be carried out with a sense of responsibility to the people and in the consumers' interests. If it fails to meet these requirements, there cannot be any socialist commerce to speak of.

2. In practicing the responsibility system, different forms must be adopted according to different trades, different enterpirses and different conditions. There cannot be a single solution to all problems, and should not be any mass action taken on the spur of the moment. The food trade carried out both production and marketing and its business volume is so small that it generally involves no major issues. Large retail stores and specialty sotries deal with large transactions with high profits, but their work is complex and subject to restrictions from the source of material supplies. For the operation of these stores, there should be full preparations and cautious measures, while hasty action can easily lead down the wrong path. Vegetables, fruits and aquatic products are susceptible to seasonal changes. Because of their perishable nature and unstable yields, it is difficult to fully protect the consumers' interests. Therefore, continued research and summing up of experiences are necessary in determining the quotas, the ratios of profit sharing, and the measures to be adopted. If we rely on a single formula for the solution of all problems, or rush into large-scale action on the spur of the moment, we may commit grave errors and turn good into evil.

3. The relationship between the responsibility system and the various exisitng policies should be carefully handled. Adoption of the responsibility system neces-

sarily calls for the revision of many existing policies, systems and regulations. At present, the workers and staff members of enterprises under the responsibility system are demanding the abolition of central stores, the change of managers and the regrouping of work teams on a voluntary basis. Besides rejecting the plans passed down level by level for yearly production increases, they also demand greater flexibility in pricing and revision of the rules restricting the bonus awards, medical expenses, retirement benefits and so forth, which involve many important policies. In addition to approval by higher authorities for the enterprises and workers to conduct these experiemnts, there should also be a cautious approach and a timely summing up of experiences in order to determine the pros and cons of these new methods. Popularization should be carried out selectively, and if any serious mistake is detected, the enterprises and workers should be convinced of the need for prompt remedy. The total share of profits of the workers should be divided among them according to the principle of more pay for more work, and not in any crooked way. We should also be mindful of the feelings of those all around us. If the above-quota reward is too large, we should increase the public accumulation instead of dividing it all among the individuals.

4. There should be a program of rotational training for the cadres, workers and staff members. At present, there are too many cadres, workers and staff members on the one hand, and on the other hand, the management level is too low. There are also many young workers who lack even rudimentary vocational knowledge. In practicing the system of management responsibility, the basic level enterprises should first have a fairly good leading body, and the political and vocation levels of their workers and staff members should be raised a great deal. Therefore, it is necessary energetically to launch a program of rotational training for cadres, workers and staff members. There should be coordinated training programs inside and outside the enterprise, with greater stress on the former. Every effort should be made to provide facilities for more training classes of 3 or 5 months' duration to be held for cadres, workers, new workers and the professional personnel. Particular attention should be paid to the training of cadres and the consolidation of their ranks. The enterprises experimenting with the system of management responsibility should have fairly strong leading bodies. If they are soft, lazy and lax, it will be hard to make this important reform a success.

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CSO: 4006/59

GENERAL

GUANGZHOU HOLDS ADVERTISING FORUM

Guangzhou GUANGZHOU RIBAO in Chinese 7 Oct 81 p 1

[Article by Lu Yongjiang [7120 3057 3068]: "Industrial Enterprises Should Count Advertising Expenses as a Part of Production Cost"]

[Text] "Industrial enterprises should count advertising expenses as a part of production costs." This demand was made yesterday evening by a leading comrade of the municipal economic commission at the Guangzhou Municipal Economic Advertising Work Forum in discussing the deployments for developing advertising in the economy.

The Guangzhou Municipal Economic Advertising Work Forum was jointly convened by the Guangzhou Municipal Economic Commission, the Guangzhou Municipal Advertising Company, Guangdong People's Radio Station, Guangdong Television Station, NANFANG RIBAO, YANGCHENG WANBAO and GUANGZHOU RIBAO. Participating were over 400 pertinent personnel from various industrial bureaus, districts and counties as well as industrial companies and enterprises. At the forum, the advertising company and the advertising departments of the various news organizations gave introductions on the nature and role of advertising publicity, the municipal pharmaceutical industry bureau presented its results in developing economically-oriented advertising, and the municipal economic commission made arrangements for future economically-oriented advertising work.

The forum opined that market competition is becoming ever keener. Some commodities formerly in short supply have begun to be available in unlimited quantities, even leading progressively to excess inventories. Relying in the past on sales personnel to market commodities was too narrow in scope, took too long and had an inadequate payoff. It also ran up costs. Therefore, industrial enterprises should make thorough use of various channels and multiple media such as the newspapers, radio broadcasts and television as well as street signs, display windows, neon lights, slide shows, lanterns, motorized vehicles and streetcars to develop advertising publicity for industrial products and strengthen the competitive power of their products. This would help promote production, provide direction to consumption and forge links between production and sales.

At the forum it was pointed out that not all of the leaders at various levels have the same level of understanding of the development of advertising publicity by industrial enterprises. For example, some feel that there is no need to advertise products which are selling well and that advertising is only for products whose sales are lagging. Others feel that advertising costs are too large and are not rational economically. For these and other reasons, economically-oriented advertising is well behind the level of market competition. According to incomplete statistics, last year the advertising expenditures of Guangzhou's industrial enterprises was not even 0.01 percent of the municipality's total industrial output value. Last year only 35 percent of its Guangzhou customers continued advertising with the advertising company. Many enterprises have not entered advertising into their daily agenda. Over the past several years, an increasing number of advertising customers have come to Guangzhou from outside and commodities from elsewhere have made progressive inroads into the Guangzhou market. This situation must be of great concern to the leaders of our municipality's enterprises.

At the forum, the municipal pharmaceutical industry bureau, which has long paid serious attention to product advertising, reported that the 18 enterprises in its system spent 1 million yuan on advertising last year and plans to spend 1.6 million yuan this year, about 0.58 percent of total output value. The advertising outlay is not large, but the economic results are marked. For example, after advertising publicity was stepped up on Qianbai [Thousand Cypress] rhinitis tablets, a new product of the No 5 Chinese medicine plant, over 6,000 letters and orders came in from outside requesting to buy the medicine. Jiere zhitong san [6043 3583 2972 4027 2414: fever and pain relief powder], an old product of the Hejigong pharmaceuticals plant, has been in great demand nationwide since it was advertised.

A leading comrade of the municipal economic commission set forth the following demands at the forum for future development of economically-oriented advertising by our industrial enterprises: One, we must thoroughly utilize advertising publicity measures, advertise ordinary products and advertise famous-name products which have been awarded gold or silver seals as well. Two, operational departments at all levels must set up specific organs or full-time cadres to be responsible for product advertising publicity planning. Three, advertising expenditures are to be entered into production outlay plans. Four, advertising methods still need to be improved. We should strive to work together with the sports departments and literature and art groups to do this work well. Five, advertising should seek truth from facts and oppose misrepresentation or falsehood.

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BRIEFS

XINJIANG PERSONNEL BUREAU MEETING--The Xinjiang Regional Personnel Bureau recently held a meeting to solve the problem of cadres and their spouses having to live in two separate places. Personnel bureaus at all levels in the province have tried hard to solve the problem of cadres and their spouses having to live in two separate places since the 3d plenary session of the 11th CCP Central Committee. Over the past 2 years, the region has helped some 2,150 couples to live together again. This meeting summed up the region's achievements in helping couples to live together again and made arrangements for future work in the new situation. In conclusion, the meeting demanded that responsible comrades at all levels seriously grasp this task. [HK101346 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 5 Nov 81 HK]

SHAANXI MODEL WORKERS RALLY--The Shaanxi provincial people's government recently issued a circular on the decision to hold a rally in March 1982 to commend advanced enterprises and model workers. This rally will commend advanced enterprises which are owned by the whole people or by collectives and model workers on the fronts of industry, communications, capital construction, agriculture, forestry, finance, trade, scientific research, culture, education, public health and tourism. The provincial people's government will confer the title of "Shaanxi provincial advanced enterprise" on the advanced enterprises and award citations to them. The provincial people's government will confer the title of "Shaanxi provincial model workers" on the model workers and award honorary certificates and badges to them. [HK140710 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 10 Nov 81 HK]

BEIJING CIRCULAR BANNING MALPRACTICES--The Beijing Municipal People's Government recently issued a circular strictly prohibiting construction enterprises from privately and indiscriminately employing peasants from other places and from carrying out unlawful activities. Recently, contrary to the state regulations, some construction enterprises in this municipality privately and indiscriminately employed peasants from other places to do construction work, sought profits by subcontracting projects to others and reaped staggering profits by speculation, profiteering and other illegal methods like signing contracts on behalf of others. Some people offered and received bribes. Investigation revealed that the number of peasants various enterprises have illegally and privately employed from other places is more than 40,000. The circular reiterated that construction teams from other places must obtain the approval of the State Capital Construction Commission or the Beijing Municipal Construction Committee before they do construction work in the municipality. No unit is allowed to privately employ peasants or construction units from other places. All construction teams which have come to Beijing with approval must leave the municipality after they have completed the projects. The peasants and construction teams which have come from other places without approval must quickly leave the municipality after the phase of the project on which they are employed has been completed. They are not allowed to begin a new project. [HK101333 Beijing City Service in Mandarin 2300 GMT 1 Nov 81 HK]

HENAN FINANCE CONFERENCE--The Henan Provincial Finance Committee recently held a conference of the chairmen of all prefectual and municipal finance committees. The conference seriously looked into and analyzed the new situation and new problems of this province's financial and trade work. The conference also formulated the feasible measures to do financial and trade work well. Li Qingwei, provincial CCP committee secretary and vice governor; and Wang Bingzhang, provincial CCP committee Standing Committee member, attended and spoke. In his speech, Li Qingwei emphatically pointed out that it is necessary to arrange the markets well and do well in procuring agricultural produce, grain, cotton, oil, hemp, pigs and other native products and in market supplies of industrial products and consumer goods, such as bicycles, sewing machines, watches, cigarettes and beer. It is also necessary to protect local industrial products. [HK030410 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 15 Oct 81 HK]

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China Report

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FBIS FOREIGN BROADCAST INFORMATION SERVICE

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ECONOMIST ON NEW ROAD IN ECONOMIC DEVELOPMENT

OW051217 Beijing XINHUA in English 1201 GMT 5 Dec 81

[Text] Beijing, 5 Dec (XINHUA)--"China is blazing a new road in developing its national economy," a noted northeast China economist said to XINHUA here today.

Professor Sung Zexing, vice-president of Liaoning University in Liaoning Province who has studied and taught economics for over thirty years, is now attending the National People's Congress in Beijing as a deputy.

"The new road, as mentioned by Premier Zhao Ziyang in his report to the congress, will give steady speed and good benefits to economic development, and more welfare to the people," the economist said. "China has been looking for such a new road over the years."

"After nationwide liberation in 1949," the professor recalled, "China followed Soviet Union's pattern in developing its economy, and later was influenced by a left deviationist line. It took a road of great speed and high targets, not tallying with the actual conditions of the country, which had a big population and a weak and backward economy. Heavy industry was given first priority at the expense of agriculture and light industry, causing imbalance in major proportions of the economy as a whole. Production cost was high and efficiency low. People's needs and welfare were overlooked."

"Since 1978," the 64-year-old professor said, striking a match to light a cigarette, "we have learned from past lessons, summed up experience, and repudiated the old road.

"The new road conforms with China's actual circumstances and objective economic laws. Its essence is raising economic benefits as mentioned in the premier's government work report. This means achieving the best possible economic effectiveness at the least possible cost in production, construction, circulation and all other spheres of economic endeavour. This is the way to truly benefit the people."

"As for heavy industry," he said, "efforts should be made to gear it to producing for agriculture and light industries. The weak links in economy, namely energy, communications and transportation, should be reinforced."

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ECONOMIC RATIONALITY MUST ACCOMPANY TECHNICAL ADVANCEMENT

Tianjin KEXUEXUE in Chinese No 2, 20 Aug 81 pp 11-14

[Article by Lu Taihong [4151 1132 1347]: "Technical Advancement and Economic Rationalization"]

[Text] The three elements of economic growth are: an increase in labor, an increase in capital and adoption of new technology. Adoption of new technology occupies a more and more important position among these three elements with the rapid development of science and technology. Take Japan, for example. The contribution to its economic growth from the end of the war to 1960 was approximately 52 percent due to the labor force, 43 percent due to technological development and only 5 percent due to increase in capital. The period 1965-1970 was a period in which Japan's economy showed a very rapid growth rate--an average annual rate of 11.6 percent, of which 4.4 percent was achieved with an aid of science and technology. According to many forecasts, 65 percent of Japan's economic growth during the 1980's will be due to the power of science and technology. According to a study made by an American economist, E. F. Denison [phonetic], adoption of advanced technology constitutes 44 percent of the weight of various factors contributing toward increased production. In fact, 40 to 60 percent, or even 80 percent, of the economic growth achieved by a few advanced nations is due to the adoption of new technology. Therefore, a large amount of advanced technology must be employed in order to develop the economy. However, can every concrete technological advance bring about economic benefit? The answer appears to be affirmative, but in fact, it is not. Here are a number of examples attesting to this effect:

The solar energy hot water heater, distributed by Beijing service enterprises, which has been praised as "a new blossom of science and technology" and widely propagandized by the newspapers and radio stations, was awarded a national science conference award. A total of 41 units of this solar energy hot water heater were built, as a result of which 700-800 tons of coal could be saved a year and air pollution could be eliminated at the same time. However, since the cost of operating the solar energy hot water heater comes to almost twice the cost of heating water with a conventional boiler, many units which are in possession of such equipment often opt not to use it. A certain unit spent over 10 million foreign exchange units in order to import an advanced computer. But because of its low rate of utilization, a few hours each day at most, the economic profit it earns is not even enough to make up its depreciation cost. Various types of advanced numerically controlled lathes and work centers developed and manufactured in China during the 1970's have not been popular among the users in spite of their high degree of automation and superior capability. On the other hand, a type of numerically controlled linear cutting lathe which is far simpler in design (so it is not counted as part of the numerically controlled lathes nationwide) has become so popular that the supply could not meet the demand for a time.

Many similar phenomena have been observed during the process of our technological development. Which prompts one ot ask: Why? Where is the grave illness of the problem? This article will not attempt to provide an overall answer to these questions. It merely intends to start out from a number of important facts related to technological development and economic growth and to analyze and discuss one side of the problem--technical advancement and economical rationalization--with the hope of contributing in a very small way toward establishment of a technological policy.

1. Three Foundations for the Establishment of Technological Policies

If the body of science and technology is compared to a tree, then science is the root and trunk, while technology is the branches and fruits. Technology depends on science for survival, while science is materialized through technology. The measure for science is truthfulness while the measure for technology consists of advancement, economy and safety. Since the end of World War II, science and technology have grown into a giant tree with an abundance of branches and leaves reaching into the blue sky. Therefore, it has become more and more difficult to give an overall evaluation of the entire body of science and technology or to make an accurate prediction about it. As a result, technology policies which define the direction and guide the development of technology were necessary. The facts concerning the world's technological development indicated that a correct technology policy could bring about an enormous strategic profit to a nation, while unaccountable losses were also brought about as a result of wrong technology policies. For example, the Soviet Union made a mistake on technology policy related to the raw material used in the electronics industry. While the semiconductor industries of the technologically advanced nations were quickly converting from germanium to silicon as the main raw material for semiconductors, the Soviet Union preferred germanium and continued to pursue germanium technology. Later on, when it too decided to make the conversion, it had already lost a considerable amount of time, manpower and material power, and a state of backwardness in the electronics industry resulted. In the field of chemical industry, the Soviet Union failed to recognize the importance of the petrochemical industry, so not enough effort was made. As a result, the Soviet Union was still dependent on imported technology in the 1970's. China, during the 1950's and 1960's, failed to assess the true strategic significance of the electronics industry, so, in addition to the "congenital disorder," "malnutrition" at a later time created a severely backward state of electronics industry in China today. However, in the field of oil resources, a new view presented by Comrade Li Siguang concerning the existence of an oil-bearing basin in the depression belt of the New Huaxia system in China's northeast area provided a basis for policy-making by the central government and thus steered China away from entering the very expensive road of synthetic fuels. The United States is the country in which research into machine translation was done the earliest. It is in possession of enormous power for carrying out research. However, after a white paper was published in 1966 pointing out the mistaken trend of machine translation, the development of machine translation has declined. In recent years, more and more nations have begun to attach greater importance to technological policies and their development. In the United States, a law was enacted in 1972 establishing a mechanism so that all important technological policies (such as energy resources) will be decided by the president personally. There are many technology policy problems which are related to the realization of the four modernizations in China today. A leading comrade of the Academy of Sciences says: "Research into technology policy is an important undertaking having strategic significance not only for China's science and technology but also for the economy."

What should be the bases for doing research and drafting in order to produce technology policies which are as correct as possible? The following results have been obtained from an analysis of a large volume of facts throughout the history of development of science and technology: technological evaluation, economic evaluation and damage evaluation are the three indispensable bases for drafting correct technology policies. The technological evaluation weighs the advancement of technology; economic evaluation weighs the economic advnatages and disadvantages of the technology; and the damage evaluation weighs the damages that the technology may bring about. Without evaluating the advancement of technology, technological development may produce a large number of repetitions and waste, or introduce obsolete equipment, or engage in research into technologies which have long been solved. There are numerous examples of unnecessary losses incurred as a result of lack of information and neglect in evaluating the advancement of technology. Yang Zhenning once estimated that "at least 40 percent of China's research topics are subjects which have already been solved abroad." Without evaluating the economic rationality, the various probable courses the technology may follow cannot be compared and the best course chosen among them; nor is it possible to find out whether the advanced technology can enter into a practical application stage, or become popularized and widespread; nor is it possible to expose any latent weaknesses that the technology may possess. Is an advanced technology adoptable? We must find the answer in how economically rational the technology is. This is a commonly known principle understood by everybody in the course of our own daily lives. The reasons why nylon stockings so quickly replaced silk stockings is not only because nylon stockings have appeal and durability (advancement), but also because nylon stockings are economically profitable. Although the airplane is one of the means of transportation with a highly advanced technology, many people still prefer to ride on trains or steamships. One of the reasons is that the air fare is too expensive (economically irrational). A pity! Such a simple yet important principle has never been sufficiently applied to our technology management in the past. Scientific research project proposals are often found without an estimation and comparison of economic cost and a prediction of the technological and economic effects. In screening the project proposals, little attention has been paid to the economic rationality of the project. In evaluating the achievement or popularization of a new technology, we lack the figures of competitive economic indexes as a guide for passing judgment. A few years ago, there was even a mistaken notion or slogan which ignored the economic evaluation completely. For example: "It does not matter how much money is spent as long as it can be developed." Or, some projects which have been completed domestically are used "to fill the gap in this province (or this district, etc)." Using this kind of standard in screening and awarding, many projects which were neither advanced technologically nor rational economically were simply copied. Without evaluating the damage that a technology may bring about, no preventive measures and warnings against the side effects of a technology can be issued, so in the end, the loss may become greater than the gain. As a result of severe air pollution created by the industrialization in and around London, England, in the early 1950's, a tragedy of 4,000 deaths within 4 days was recorded. The accident which took place at the Three Mile Island nuclear power plant in the United States in 1979 sent ripples all over the world, causing those nations with nuclear power plants to reevaluate their technology policies. A great number of small automobiles solved the transportation problem, but at the same time, created a shortage of energy resources and air pollution. Advanced automation technology can significantly increase labor productivity, but is also capable of creating employment problems in a country like China with a large population. An irrational way of creating rice paddies from lakes, hydraulic engineering projects without a bioenvironmental concept, and excessive fishing and water pollution can all contribute to a significantly reduced yield of fresh water fish.

Moreover, we can also understand how inseparable these three foundations--evaluations of technological advancement, economic rationality and possible damage--are from the study of a few special phenomena observed during the course of technological development. For example, utilization of solar energy is overwhelmingly superior to any other energy resources, and technical feasibility has long been confirmed. But why is not the technology for utilization of solar energy popular all over the world? In contrast, the microprocessor is a technology which appeared only in the early 1970's. Why was it able within the short period of only a few years to enter into commercial production and undergo four generations of changes, with production reaching 400,000-500,000 units in 1975, an annual growth rate as high as 52-55 percent (estimated over the period of 1975-1980) and spread over a very broad area with surprising speed? The United States is a country with highly advanced electronic computer technology which is in possession of the most advanced technology of the fourth-generation computers. Why then during the late 1960's and early 1970's did it develop and manufacture a large number of sequential control devices, which require much less advanced technology than the computers, and popularize them? Among the numerically controlled technologies developed by the United States in the early 1950's, the closed-loop control was an advanced technology. However, after the closed-loop control technology had matured, why did Japan begin research and development of a technologically simpler open-loop control technology? And since 1965, why did the United States itself also develop a kind of numerical control device with a lower degree of control power using the open-loop control as its main feature? In the summer of 1970, a gigantic Aswan Dam was built on the upper Nile River, increasing Egypt's farm area by 20 percent and producing 8 billion kW of electric power a year. The project was acclaimed as a "great technological" victory at the time. Buy why, only 2 years later, was the project judged by the United Nations environmental conference as "a failure in hindsight"?

During the process of drafting technology policy, the weight assigned to the three--technological evaluation, economic evaluation, and damage evaluation--may vary according to the objectives and emphases. In certain circumstances, one of these three may have to be dominant. For example, military requirement emphasizes advancement of technology. However, the present trend tends to emphasize evaluation of advancement of technology and neglect evaluation of economic rationalization and damage. The science and technology management neglects economic evaluation, while the economic management neglects technological evaluation. As one of the leading comrades of the State Science Commission observed: "Generally speaking, the comrades who are engaged in economic work lack understanding of science and technology matters and so are unable to think deeply about technological advancement and possibilities." We shall put aside the damage evaluation for a while and concentrate on an analysis of the interrelationship between technological evaluation and economic evaluation.

2. Four types of Technology and Four Stages of Technological Development

In order to take into consideration both technology and economy, the foreign management field has developed the concepts of "performance-cost ratio" and "performance-cost curve." These useful concepts are employed to express the different economic prices required by the different technologies to achieve the same performance. Starting out with this concept, various types of technologies may be grouped into four groups. When we select technology from an ocean of technologies, we can choose from one of these four groups.

First group: Backward technology and high economic price.

Second group: Relatively backward technology with some economic profit. For example, coal as an energy source used in some old equipment and old technology engaged in production.

Third group: Advanced technology with high economic cost and high price. For example, solar energy utilization equipment developed in the 1970's; the magnetically suspended high-speed train; and the direct steel smelting method.

Fourth group: Advanced technology and low economic cost. Typical examples include the microprocessors and the minicomputers which appeared in the early 1970's. A minicomputer priced at $300 is more advanced in technology than the first large-scale computer (ENIAC) built in the world. It is 20 times faster, several thousand times more reliable, 30,000 times smaller in size, and a millionth the price. A history of computer development spanning more than 30 years indicates that approximately every 5-8 years the computer speed is raised 10 times, the size is reduced 10 times, and the cost is also reduced 10 times. The cost of the storage device, among all the computer components, has been reduced most significantly. The performance-cost ratio of the dynamic storage onboard the computer dropped from 1 penny/bit in 1972 to 0.04 penny/bit in 1979.

Therefore, technological advancement and economic rationality do not always go hand in hand. The most advanced technology is not necessarily also economically rational. An advanced technology without economic rationality cannot endure. At a certain time and in a certain domain, it will be replaced by a relatively less advanced technology which is economically more rational. For example, Sweden is a country in which the electronic communications technology is relatively advanced. During the 1970's, it already grasped the advanced technology of an all-electronic automatic exchange. However, it did not mass-produce this device and utilize it immediately because it learned from the performance-cost curve that, compared with the existing old equipment, the new equipment could become economically rational only in the 1980's.

Furthermore, every single new technology has its life cycle, as is evident from a study of the process of technological development itself. Each life cycle has four stages, including the inception stage, the growth stage, the mature stage and the decline stage. Technology in the inception stage has an uncertain future. An advanced technology with important economic profit can emerge if a breakthrough can be made and if it can ride out the technological and economic storms (risks). For example, controlled thermonuclear reaction, magnetohydrodynamic power generation, generic engineering, and intelligence modeling of the 1970's. Technology in the growth stage has life power and is also in possession of a potential economic competitive power. For example, applications of optic fiber communications technology and the microprocessors of the 1970's. According to a Japanese analysis, if the profit growth rate of a technology at this stage is above a horizontal line, then a steady economic profit over a period of time can be obtained. Technology in the mature stage is an established technology, and it may have already been commercialized. Therefore, it is a waste of money to repeat research work on this type of technology. It is more profitable economically to import the technology and try to expand it horizontally according to a certain specific need. For example, civilian applications of military technology; household applications of electronics technology; and importation of a television production line by China. Both the technological advancement and the economic profit can be further increased if a new technology can be created on the foundation of the imported technology (such as the steel making technology of Japan and the computer software technology of Rumania). Technology in the decline stage is an obsolete technology which belongs to the first group described above.

3. Horizontal Expansion and Vertical Penetration of Technology

In carrying out the technological evaluation, the first group and the fourth group described above are relatively easier to deal with, because the technological advancement and the economic rationality are in agreement in these two groups. The second group and the third group are more difficult to evaluate, because the technological advancement contradicts the economic rationality in these two groups. The purpose of applications research and development research is, for the most part, an effort to transform this pair of contradictions. If the factors causing the failure of an advanced technology to be adopted are called the risk factors, then there are two kinds of risk factors. The first kind is technological risk: failure is brought about by insufficiently verified technology, insufficient technological power, and insufficient ability to assimilate the technology. The second kind is economic risk: failure is brought about by irrational economics. The tasks of technology policy in such circumstances are to select a technological objective and chart the course to achieve this objective in spite of the risks. In selecting the technological objective, one concept which has become popular in recent years involves adoption of "intermediate technology" or "appropriate technology." According to this concept, a relatively advanced technology, situated between the most advanced technology and the existing traditional technology, which is most appropriate for the existing circumstances should be selected, because this technology is more mature and will be able to bring about large economic advantage.

Large numbers of facts accumulated over the history of development of technology and economy have proven that horizontal expansion and vertical penetration of technology are the means employed to reconcile the disagreement between technological advancement and economic rationality. Horizontal expansion of technology means application of the same technological invention in different areas. Horizontal expansion of large-scale integrated circuit technology has produced electronic watches, intelligent machines, intelligent robots, household electronic brains and minicomputers. Laser technology has seen a similar expansion. A very large economic advantage can be brought about when new products are manufactured from the combination of a number of technologies in the mature stage. The Japanese call this "combination technology," and they consider that this is one of the trends of technological development today. China should especially emphasize this trend in its economic management today and exert efforts to develop new products by extending the useful economic life of the existing mature technology. Vertical penetration of technology means to dig deeper into the technology and to make it more advanced. Economic irrationality can be transformed into rationality through technological breakthroughs. Electronic computers used to be very expensive, but the price came down as a result of the breakthrough of the large-scale integrated circuit. A huge economic advantage has been brought about by the appearance of the large-scale technology since the 1950's, and large-scaling has become a trend as well. For example, the manufacturing cost per unit of power output of a 6 million kW generator unit is 10-20 percent lower than that of a 200,000 kW unit. A synthetic ammonia facility with an annual capacity of 200,000 tons consumes energy amounting to 1,450 kWh per ton, while a synthetic ammonia facility with an annual capacity of 460,000 tons consumes only 50 kWh per ton. A number of breakthroughs made in the petrochemical industry (consisting mainly of direct synthesis technology and new types of catalysts) have likewise made the economic index change toward greater rationality. For example, a method of manufacturing acetaldehyde from ethylene by means of direct oxidation has brought down the cost by 16 percent, increased the profit by 65 percent, and reduced the equipment cost by 25 percent. The production of hexanolactam using the toluene method has brought down the cost by 25 percent, increased the profit by 100 percent and reduced the equipment cost by 33 percent.

Another approach to transforming the contradiction between technology and economy is to import technology. As long as the policy for technology import is correct, we cannot only gain time and advancement but also obtain economic profit and rationality. Take Japan, for example. Japan spent $6 billion on the importation and popularization of foreign technologies over the period 1945-1970. As a result, a project could be concluded in 2-3 years based on the imported technologies. On the other hand, the research expenditure of the original technologies was as high as $180-200 billion with a time period of 12-15 years for a project to be concluded. Therefore, the cost for importation of technology is only 1/30 of the original cost and the time is also 4/5 shorter. To further illustrate this point using specific products as an example: Japan's Toyo Rayon Company spent $7 million to buy a license for the production of nylon, and earned from the export of nylon $90 million within 2 years. The profit amounted to approximately 13 times the cost of licensing the patent. On the other hand, the Du Pont Company spent more than $250 million and 11 years in order to develop this patented technology.

It is evident from the above that technological advancement and economic rationality do not always go hand in hand. Whether a certain technology policy is correct, or whether a certain manager is really able is measured by whether the policy or the manager is capable of grasping the optimum point at which to carry out this transformation of contradiction, to achieve the maximum economic effect by adopting the advanced technology at the optimum time.

4. A Few Suggestions

A. Technological policy should favor the development of technologies belonging to the fourth group (advanced technology with economic rationality). Application screening and evaluation of scientific research projects must include economic indexes, and a prediction of the economic rationality and the probable damage must be made.

B. Technological policy should protect and financially support those technologies which are technologically advanced and economically competitive. These technologies, which are in the growth stage, will hopefully bring about relatively large economic effect. The economic measures and price policies which in practice protect the backward technologies should be abanoned as soon as possible.

C. In selecting scientific research projects, special attention must be paid to those key technologies which can create obstacles to economic rationality. For example, the key technology in the utilization of solar energy is the search for better materials with higher conversion efficiency and not different types of converters.

D. The fund controlled by the Economic Commission for developmental research and the fund controlled by the Science Commission for scientific research must be clearly differentiated according to the subjects for funding. The Economic Commission fund should be spent mainly on the horizontal expansion of technology in accordance with market demand in order to achieve the maximum economic profit in a short period of time. Therefore, its subjects should consist mainly of technologies in the mature stage. The fund of the Science Commission should be spent mainly on the vertical penetration of technology in order to achieve breakthroughs. Therefore, its subjects should consist mainly of technologies belonging to the third group, or technologies in the growth stage.

E. The economic department should strengthen the upgrading and renewal of products. As a result of rapid progress in modern science and technology, the period from the appearance of a new technology to a product being produced industrially is becoming shorter, so is the period for upgrading and renewal of new products, and also the period for an equipment or a technology becoming obsolete. For example, the life of a new product in the United States, West Germany and Japan is in general 6-8 years, and no more than 2-3 years for certain most advanced technologies (such as the onboard storage device). The life of new materials is approximately 10 years. The life of new technologies is approximately 7 years, and the life of new instruments is approximately 5 years. About one-fourth of the 3,500 products of the 3M Company of the United States were unheard of 5 years ago. In contrast, some products in China have been "continuously in production for several decades." Large economic profit cannot be achieved from the use of technologies which are in the decline stage.

(Edited by Zeng Ruyu [2582 3067 1946])

9113
CSO: 8111/0188

NATIONAL POLICY AND ISSUES

'GUANGMING RIBAO' STRESSES SPEED, ECONOMIC RESULTS

HK071047 Beijing GUANGMING RIBAO in Chinese 28 Nov 81 p 3

[Article by Li Yu [2621 1878]: "Speed and Results"]

[Text] The matter of speed and results has all along been a major problem that must be given attention and properly solved in our economic construction. The speed of economic growth is an important condition for the socialist system to ultimately triumph over the capitalist system and for backward countries to catch up with and surpass industrially developed countries. In achieving the four modernizations, it will not do if the speed of economic development is incompatible with national conditions and national resources. Even during the period of the readjustment of the national economy, we must maintain a given speed of growth. Improved economic results remain the starting point and the final aim of all economic work. Satisfactory of unsatisfactory results are the ultimate mark and measure of all economic work.

Then, what is the central problem in our current economic development? In light of both positive and negative experiences in economic construction summed up in the past 30 or more years, I believe that the central problem in our economic development remains the improvement of economic results. The aim is to enable the national economy to maintain a given speed of growth through improved economic results. We must resolutely rectify the mistake of ignoring economic results. Meanwhile, we must guard against and oppose any tendency toward disregarding the speed of growth. Through an "input" of our existing manpower and financial and material resources, we seek the kind of "output" allowing still better national economic results and a maintained speed of growth.

In the current process of the readjustment of the national economy, what is the main way of improving economic results and maintaining a given speed of growth? We cannot seek capital construction and the development of heavy industry by relying on the method of increasing the financial deficit. Nor can we effect major reforms in economic management without being equipped with the necessary conditions. To solve the problems that have accumulated in the unbalanced development of various economic sectors over the past several decades takes a given period of time and involves a process. The only way out for us is to do things according to objective economic laws and carry out construction in line with the principle of "acting according to our capability and seeking gradual progress," as pointed out by Comrade Chen Yun. Given our existing limited manpower and financial and material resources and a meager amount of money invested in capital construction every year, the main way out for us is not to seek a greater "input" but to lay the emphasis on how to get a greater "output" from the existing "input." Expanded reproduction by extension, which is indispensable, must be promoted. But we should chiefly promote expanded reproduction by intension. This is to say that we must make the fullest use of existing basic conditions and follow the road calling for a rational economic structure and the rational organization of social production to improve the economic results of the whole society and seek speed through results.

Only such economic results can promote the results of the development of the national economy. And only such a speed of growth can be a realistic and feasible speed --a speed compatible with out national conditions and national resources.

To correctly handle the relations between speed and results, achieve a benevolent cycle in the national economy and accelerate the process of modernization, we should at present lay particular emphasis on the following four basic viewpoints:

1. We Are Advocates of the Viewpoint of Dialectical Unity Between Speed and Results

Speed and results are not unrelated and mutually exclusive. Instead, they form a unity of opposites. The speed we seek is speed with good economic results. The economic results we seek are economic results at a given speed of growth. A speed of growth really compatible with national conditions and national resources can bring good economic results for the national economy. With the achievement of good economic results, there will inevitably be a given speed of growth. Any view or approach seeking to separate results from speed and set the two in opposition is wrong. If we just pay attention to economic results regardless of the speed of growth, such economic results are not really good economic results. Conversely, if we just pay attention to speed regardless of economic results, we are liable to repeat previous mistakes and invite trouble for the sake of appearances.

2. We Are Also Advocates of the Idea of Priority in Regard to the Relations Between Speed and Results

Generally speaking, speed and results are synonymous. But in actual practice, there often appear contradictions in their demands. Sometimes, the speed of growth is very high but economic results are very poor. Under these circumstances, there arisesthe problem of which is subordinate to which. Should the demand for speed be subordinate to the demand for results, or the demand for results be subordinate to the demand for speed? Experience shows that we should subordinate the demand for speed to the demand for results. Only in this way can we achieve speed. And only in this way can there be a scientific basis for speed, can speed be feasible and marked with actual results.

On the other hand, if where there are contradictions between the demand for speed and the demand for results, we subordinate the demand for improved economic results to the demand for increased speed, then such a speed can only be one divorced from reality, false and devoid of actual results. If high speed is accompanied by poor economic results, this means that we have expanded our labor and obtained an increase in output but much of our labor has been wasted. This is because the products throughout are useless and fall short of the needs of society and the people. This is like the situation that appeared before. To maintain speed and pursue output value, everyone ended up with a speed for growth that worked out many times higher. But the quality of products was often neglected. The variety of products was reduced. The consumption of various materials increased. The costs of products went up and profits dropped. Economic results as a whole were relatively poor. Therefore, we must not reverse what should be given priority in regard to the relations between speed and results.

3. We Must Achieve Speed Through Results

How should we seek and from where should we start, in order to better conform with actual conditions and better realize a virtuous cycle in the development of the national economy? There are two approaches with two different kinds of results involved here.

One approach is to seek speed through speed. With higher speed as the center and the goal, pressure is brought to bear at all levels to fulfill the quotas for output value. In this way, there often appears the situation in which everyone concerns themselves only with an increase in output value without taking the trouble to study how to improve economic results, or without ever giving a thought to the problem of improving economic results. For this very reason, we cannot achieve good economic results. If good economic results are not achieved, the speed of growth demanded cannot be achieved as a result either.

Another approach is to seek speed through results. With improved economic results as the starting point of all economic work, we seek speed starting with an improvement in economic results. Of all the indicators of economic results, the most important index is the quantity of products provided for national construction and for the people in their everyday life--products which are of the right kind, which are of high quality, which call for the consumption of not much material, which are low in cost, which allow a big margin of profit, which are delivered in time and which are cheap and good. Output value and other indicators only serve as a supplementary pointer. Economic results with the end products used as a main indicator can surely bring about an appropriate increase in the speed of growth. Only such a speed is compatible with reality and is realistic and reliable.

In sum, economic results unaccompanied by an increase in speed are not real results. The ultimate indicator or measure of whether or not the speed of growth is rational can only be satisfactory or unsatisfactory economic results.

4. There Is Great Potential in Improving Results and Maintaining the Speed of Growth

From January to September this year, the output value of light industry showed an increase of 12.4 percent. But due to a drop in the output value of heavy industry, the total industrial output value had risen by only 1.5 percent compared with the corresponding period last year. Economic results were not ideal either. We must strive to achieve still better economic results in the development of the national economy next year, achieve a relatively satisfactory speed, such as can be obtained after effort, and advance at a more steady and brisk pace. To do so, we should further tap the potential in increasing production. We must pay particular attention to tapping the potential in the growth of heavy industry. This is because the output value of heavy industry is relatively large and has a relatively great effect on the speed of growth of industrial production and economic results.

In tapping the potential in heavy industry to increase production, the emphasis should be put on readjusting its service orientation, enlarging its scope of service, strengthening its adaptability and overcoming the contradictions between those sectors which are operating below capacity and those which are overburdened with work. Take the machine-building industry for example. It must complete the switchover from serving itself to serving agriculture, light industry, the people's livelihood, export business and technological reform. As quickly as possible. It must also direct efforts toward the development of the scope of its field, the development of techniques, the development of products, the development of services and the expansion of the market. In particular, it must provide the right machinery and equipment for the benefit of existing enterprises in regard to technological restructuring and renewal of equipment. In this way, the output value of our machine-building industry can rise and the speed and the results can also be raised. Besides, there is much room for development for the machine-building industry in such fields as environmental protection, the production of unique handicrafts and special native products, packing, serving the assembly of parts, providing repair services, foreign trade, and so forth, and in satisfying urban and rural residents' demand for mechanical and electrical products for everyday use, for consumer durables, and so forth.

The same is true of the light and textile industries. As the sources of materials for our light and textile industries and the market and production capacity expand, the economic results of our light and textile industries can also be further improved and the speed of growth also can be further accelerated. Due to a bumper harvest of cotton and silk worm cocoons achieved throughout the country last year, production of cotton, wool, silk, hemp, and so forth, is expected to increase this year. With a series of newly built large and medium-sized chemical fiber factories being put into operation, there will also be an increase in the output of chemical fibers. The shortage of raw and other materials for light and textile industries will be further relieved. Due to an increase in the income of urban and rural residents and especially an increase in the purchasing power of the masses of peasants, there is a greater demand for a greater variety of clothing, bedcovers, garments and various daily necessities. There is thus a broader market for the light and textile industries. Because various areas have turned some heavy industrial enterprises without production tasks to the light and textile industries, there will be a further increase in the latter's production capacity.

At present, to properly consolidate enterprises and raise their existing management level is an important part of the effort to improve results and maintain the speed of growth of both heavy and light industry. We can surely succeed in this respect, so long as we strengthen fundamental work and management and consolidate financial discipline and labor discipline.

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NPC DEPUTIES DISCUSS ZHAO'S ECONOMIC PRINCIPLES

OW060909 Beijing XINHUA Domestic Service in Chinese 1631 GMT 5 Dec 81

[Text] Beijing, 5 Dec (XINHUA)--In group discussions over the past few days, deputies to the fourth session of the Fifth NPC have deliberated the 10 principles for economic construction presented by Premier Zhao Ziyang. It is their view that these principles contain substance, that they are effective measures suited to China's actual situation and that they reflect the aspirations of the people of the whole country.

Ma Yaoji, Beijing's deputy, said: The 10 principles presented by Premier Zhao Ziyang in his report are a solution to important theoretical and practical problems in socialist economic construction. They specify the problems in economic construction expounded in the "Resolution on Certain Questions in the History of our Party Since the Founding of the PRC." Li Tinggui and Wu Chengqing, deputies of Quizhou, maintained: Premier Zhao's report is "truthful in affirming the achievements, precise in pinpointing the problems, realistic in its planning and well-rounded in forecasting the future."

Liu Tianfu, NPC deputy and Guangdong provincial governor, and Guo Shaoyi, deputy director of the Qingdao Municipal Textile Industry Bureau, said: The 10 principles presented by Premier Zhao Ziyang are a program for China's socialist construction. Demonstrating the superiority of the socialist system, they are a basic guarantee for the accomplishment of the four modernizations. Following these 10 principles will certainly lead China's economy into an unprecedented state marked by big improvements in economic results.

Lin Zongtang, NPC ceputy and deputy director of the scientific and technological bureau of the State Machine Building Industry Commission, said: There are no proud, empty words or demogogic slogans in these 10 principles, each of which is an important, effective measure for releasing and developing the productive forces. If we work in a down-to-earth manner by following these 10 principles, China will certainly increase its "stamina" in developing the national economy. Wang Bingqin, NPC deputy and vice chairman of the investigation and research office of the Shandong Provincial CCP Committee, said: The 10 principles are guidelines for generating enthusiasm and doing concrete work. They are readily understandable and can be practiced in all trades and professions. Practicing these principles is sue to yield good results.

Some deputies who perform economic work reviewed how they had taken the beaten track for years under the guidance of the "leftist" ideas--a track that sought high speed exclusively, that laid undue emphasis on heavy industry and a high accumulation rate and that yielded very poor economic results. According to these deputies, the root cause of this situation was that subjective desire was divorced from objective realities and from the most important considerations in China--its huge population and poor foundation. The desire to make quick success resulted in waste. The deputies said: To correct the past maladies in economic work, the present 10 principles have been formualted through years of intensive investigations, studies, extensive explorations and by means of earnestly summing up experiences and lessons. This is a new road for China's socialist construction.

Song Zexing, NPC deputy and well-known professor of economics of Liaoning University, analyzed the 10 principles one by one. He said: The first, second, third and eighth principles are for solving the previous irrationalities in the economic structure, industrial structure and economic management system. The fourth and fifth principles are measures for transforming and consolidating the existing enterprises in view of their present problems. The sixth and seventh principles, which take into consideration China's inadequate funds and poor foundation, indicate ways to make good use of domestic and foreign capital in enhancing benefits. The ninth principle on raising the workers' scientific and cultural level was formulated in view of the disproportionate relationship between China's backward education and science on the one hand and the additional sectors of the national economy on the other. The last principle on the concept of doing everyting for the people reflects the objective law in China's socialist economy. Song Zexing said: In short, each of these 10 principles is well-founded. These principles respect the requirements of objective economic laws and fully bring out the superiority of China's socialist system.

Shanxi deputies said: In the past we did not clearly understand what China's conditions were, which road we should take and what it means to do things within one's power in economic construction. Now the 10 principles make things clear and give us a free hand in doing our work in the future.

In the course of deliberation, deputies from Shanghai, Shandong, Tianjin, Sichuan, Guangdong, Liaoning and Heilongjiang warmly praised Hu Yaobang, Zhao Ziyang and other party and state leaders for their leadership style of conducting investigations and studies in practical situations. They said: Some of our leading comrades in the central authorities are men of action. It is precisely because of their realistic attitude in earnestly summing up the practical experience of all localities and extensively listening to the masses' opinions that the 10 principles could be promptly formulated within a short time to ensure a realistically rapid development of China's national economy. The deputies said: The leading comrades of the central authorities have taken the lead. We must work in the same down-to-earth manner, study and publicize the 10 principles, earnestly strengthen investigations and studies, vigorously enhance our enthusiasm, meticulously and successfully perform our work in all fields and boost the national economy according to the requirements of the 10 principles.

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NPC DEPUTIES ON PETROCHEMICAL, RAILWAY PROJECTS

OW061241 Beijing XINHUA in English 1227 GMT 6 Dec 81

["NPC Deputies Propose Construction of More Petro-Chemical and Railway Projects"--XINHUA headline]

[Text] Beijing, 6 Dec (XINHUA)--More petro-chemical projects should be built to make better use of China's petroleum, increase national income and provide more jobs.

This was proposed by Chief Engineer Huang Nongning from the planning bureau of the Ministry of Chemical Industry at a group meeting of the current session of the National People's Congress here.

In discussing Premier Zhao Ziyang's report, he said he agreed to the report's stress on making rational use of the 100 million tons of oil that China produces every year.

Using petroleum as fuel is a great waste, the chief engineer said. If the crude oil now being burned in China is turned into plastics, synthetic fibers and synthetic rubber, and then processed into clothing and other goods, this would bring an additional income to 39,000 million yuan a year and provide jobs for over one million people.

Since there are good prospects for developing China's offshore petroleum, the chief engineer said, work should be started right now to make preliminary feasibility studies on the construction of petro-chemical works.

Experts in the chemical, petroleum, textile and light industries should coordinate their efforts in these studies to provide a better basis for deliberation by the government, he added.

Chief Engineer Tax Baoxian of the construction bureau of the Ministry of Railways pointed out that, like energy, transport is now a major limiting factor in China's economic development.

The total length of railways now in operation in China has increased 2.4 times since 1949 and the number of locomotives, 2.5 times. However, the total volume of railway freight in 1980 exceeded 1,000 million tons, ten times that of 30 years ago. This has put great strains on the railways, he said. Tan Baoxian predicted that railway freight would at least be doubled in 20 years. Therefore, he said, new railway lines must be added while existing ones should be improved.
CSO: 4020/46

NPC PRAISE FOR ECONOMIC CONSTRUCTION PRINCIPLES

OW070457 Beijing XINHUA in English [no time given] 6 Dec 81

[Text] Beijing, 6 Dec (XINHUA)--At the panel discussion of the fourth session of the Fifth NPC on the report on the work of government, the deputies universally commented that the 10 principles for economic construction put forward by Premier Zhao Ziyang stressed, from beginning to end, the central idea of raising economic results. The deputies have called them excellent plans and sound strategies for pursuing the four modernizations and for bringing benefits to the people.

The deputies pointed out: The 10 principles put forward by Premier Zhao Ziyang embodied in every way the spirit of raising economic results for the benefit of the people. These principles have, in a sure sense, initiated the road of development of a Chinese-style socialist economy.

In the course of discussion, deputies from Shanghai, Sichuan, Heilongjiang, Xinjiang, Nei Monggol and other provinces, municipalities and autonomous regions have all mentioned this situation: in the course of further readjusting the national economy this year, even the scale of capital construction has been trimmed greatly and the development of heavy industry slowed down; however, because attention has been paid to agricultural and light industrial production, the supply of major goods remained abundant, in spite of brisk buying and selling, and the volume of goods sold and that stockpiled in the warehouses has also increased. Some deputies held: This shows that, as long as the policy is correct and the speed of economic development is set in a practical manner, it is possible to improve economic results to equably benefit the people.

In discussion, deputies from Tianjin mentioned the opinion expressed by Premier Zhao in February this year, when he visited Tianjin during an investigation and study tour. They said: Premier Zhao touched on the ideas of the 10 principles at that time. Since the beginning of this year, in accordance with central instructions and based on market demand, Tianjin Municipality has successively organized more than 180 enterprises to take up other forms of production because they currently do not have enough to do or are producing unsaleable goods. At the same time, steps have also been taken to organize heavy industry to readjust its service orientation and actively develop the production of consumer goods by means of technical renovations and specialized coordination to give a relatively high rate of increase in the entire industrial production. The deputies from Tianjin said:

Although some progress has been made industrially, the economic results achieved are far behind Shanghai. They pledged to learn from Shanghai's good experience, together with cadres and workers throughout the municipality and to find out where they have lagged behind, by comparing each and every trade and enterprise with Shanghai, to quickly raise the economic results in accordance with the demands of the 10 principles.

In the course of discussions, Hu Anfu [5170 1344 1122], secretary of the Huimin County CCP Committee, Shandong Province, vividly described the importance of paying attention to economic effects by citing a host of examples in Huimin. He said: Owing to "left" interference in the past, production in our county has always lagged behind. However, by conscientiously implementing the party's rural economic policy, by universally establishing the production responsibility system in the rural production teams and by planting according to local conditions during the past 2 years, cotton production in the whole county this year has increased 100,000 dan and grain production has also increased by 80 million jin; the average income per commune member to be distributed this year is expected to increase from 72 yuan last year to 150 yuan--more than double.

In discussion, some deputies singled out industrial production in 1960 and 1965 for comparison: judged on national industrial output value, 1960 surpassed 1965 by 25.6 billion yuan, but because light industrial goods only took up 1/3 of industrial production in 1960, many products were of poor quality, the source of supply was limited, supply fell short of demand and tremendous difficulties were experienced in state construction and the people's livelihood. On the other hand, even though the 1965 total industrial output value was 25.6 billion yuan less than 1960, because the proportion of light industrial products rose 50.4 percent and the products were of good quality and marketable, the tense supply and demand had eased to satisfy the need in both production and in the people's livelihood. The deputies pointed out: Historical experience has shown us that economic construction proceeds steadily and develops healthily whenever we pay attention to economic results. By ignoring them, we make mistakes and encounter setbacks in economic construction.

In discussing the way to raise economic results, many deputies suggested that resolute efforts should be made to consolidate enterprise management and oppose waste. They held that confusion in enterprise management, poor quality of products, high fuel and raw materials consumption, serious waste, low profit margins, and operating at a loss were incompatible with the demands of the 10 principles. If such problems were not solved quickly, it would be impossible to improve economic results.

On settling accounts, some deputies said: In 1980, the profits realized by our enterprises from every 100 yuan in output value was 1/3 less than in record years; there was a long wait for capital construction, the effect of investment was poor and the cost of business operations was also high. It would be entirely possible to save thousands of dun of petroleum, several million dun of coal and scores of billion yuan in capital, if we consolidate these fields and put economic results into full play.

The deputies have put forward numerous suggestions for tapping potential in coping with the current situation in the enterprises. Deputy Liu Zhenghao [0491 2582 3185], secretary of the Shenyang Municipal CCP Committee, said: As far as the present situation in enterprises is concerned, there are four areas in which we can tap potential to taise economic results--by readjusting the structure of products, by improving enterprise management, by carrying out technical renovation and by enlarging foreign trade exports. Some deputies also said: Our country has a solid foundation for economic construction; we have nearly 400,000 industrial enterprises. But, a considerable number of enterprises' economic results either lag behind the international advanced level or have not reached the record level attained in the past. The 10 principles elaborated by Premier Zhao are indeed the magic weapon to make the country prosperous, the people wealthy and are a good way to make, accumulate and use money. Implementing these 10 principles well, greater social wealth will be produced on the existing economic base in our country, thereby bringing about a great advance in the entire national economy and in raising the level of the people's material and cultural life.

CSO: 4006/161

GUANGDONG ADOPTS OPEN HAINAN DEVELOPMENT POLICY

OW031416 Beijing XINHUA in English 1224 GMT 3 Dec 81

[Text] Guangzhou, 3 Dec (XINHUA)--The Guangdong provincial government has recently decided to adopt an open-door policy for the development of tropical Hainan Island which has abudnant natural resources. Preferential treatment will be given to overseas investors starting enterprises or joint ventures with China on the island as in special economic zones, authorities of the province announced.

The provincial government plans to use foreign investment in the development of Hainan Island in accordance with the state external economic policy and unified planning of the province. Foreign trade and tourist industry will be expanded. At the same time, provincial authorities said, special shares for construction will be issued and the rate of interest for bank savings deposits raised to pool unused money for the same purpose.

Hainan Island, with a total area of 32,200 square kilometers, is second only to Taiwan in size.

Foreign capital and technology will be used mainly to expand cultivation of tropical and subtropical plants, tropical forestry and timber industry, animal husbandry, breeding of aquatic products and tourism, and to improve energy production, communications and traffic. South of the Tropic of Cancer, the island is noted for rubber, cocoa, coffee and other tropical plants.

As far as income tax is concerned, foreign investors will enjoy preferential treatment as in the province's special economic zones of Shenzhen and Zhuhai. The rate of income tax levied on the enterprises in the special economic zones is, in general, 15 percent, according to the regulations on special economic zones in Guangdong Province adopted in August last year.

The Chinese side in a joint venture or an enterprise undertaking cooperative production on Hainan Island will claim a smaller proportion of the total profits than it does in an enterprise in a special economic zone. Charges for the use of land for new enterprises on the island will be less and the workers' wages lower, authorites added.

In addition to starting enterprises or joint ventures with China, foreign and overseas Chinese business people are welcome to undertake compensation trade or contract processing orders.

CSO: 4020/43

SOLUTIONS TO RURAL ENERGY PROBLEMS IN ARID NORTHWEST AREA

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMICS] No 10, 1981
pp 57-58

[Article by Zhang Qinghai [1728 1987 3189] of the Agricultural Engineering Research and Design Institute: "Practical Solutions to Rural Energy Problems in Arid Areas of Northwest China"]

[Text] In our study of practical solutions to the structure of the rural energy problem, we recently conducted some investigations in Yongjing County of Gangsu Province.

I. Present Condition of Rural Energy in Yongjing County

Although the natural and geographic conditions of Yongjing County are representative of the arid areas in northwest China, there are unique characteristics in transportation and electric power as well. In the area of conventional utilization of energy resources, Liujiaxia Hydroelectric Power Station--China's largest--is located in Yongjing County. Because of the advantage of location, all the communes in the county are wired for electricity and 50 percent of the production brigades are equipped with electric lights; on the other hand, not much oil is used and although coal is available, there are large subsidies by the state. Because life is difficult for the peasants, few households use coal. Food and fuel are the two biggest problems today. There circulates a saying in the villages: "When housewives face the stove, tears come to their eyes." The lack of firewood has caused many serious problems in the peasants' living and production. Food and fuel are two closely tied facets of one problem. Take Xiaoling Commune in Yongjing County as an example: The per mu grain yield in 1980 was only 170 jin; average grain allocation per person was 440 jin; each person could only have 100 jin of crop stalk per year for burning and a household of 5 or 6 could have 500-600 jin of crop stalk per year. After the policies are put on a solid basis, basically 1 jin of stalk for 1 jin of grain can be realized. A household of 5 or 6 can have 1,200-1,500 jin of stalk per year. How is this fuel used? If burning coal, a household of 5 needs 300 jin per month. If using stalks as fuel, at least 500 jin are required, only 16-17 jin are available per day. (Each kilogram of stalk has 3,500 kilocalories of heat of combustion). In other words, in the past, the yearly share of stalk per household could only last 1 month, and their share now can last 2 to 3 months at the most. But today each household keeps an average of 1 to 1.5 donkeys. They say now is the time for old cattle to plug along and for the donkey to bear a heavy load, and yet each donkey needs at least 800 jin of feed per year, therefore, the crop stalks appropriated to each household must now be used as feed, as well as burning fuel.

Where does the peasants' cooking fuel come from? There are three sources: (1) Go up to the mountains to dig up the sod and grass roots, break tree branches, and strip tree barks. (Provincial comrades said that people at some places use tractors to dig up roots of red willow are well developed and commonly known as the underground forest.) (2) Use livestock dung as fuel, and (3) Exchange grain and potatoes for coal (one jin of potato for 2 jins of coal).

In the search for fuel, the peasants not only spend great amounts of labor each year but the vegetation suffers damages, the ecological environment increasingly deteriorates and the ability to resist natural disaster becomes weaker. If this situation continues, the question of whether our descendents can still live on this land is really worth studying.

Are we pessimistic? No! There are ways out of this and hope can be restored, the key is to recognize the problems and make a great effort to do something. We are convinced that with strengthened leadership, correct method and policy, and the hard work of the industrious and courageous northwestern people, the "adverse situation" can be changed.

II. Energy Structure and Construction Method in Arid Rural Areas

On the surface, fuel shortage in the arid rural areas in northwest China may appear to be a problem in the livelihood of the peasants, but it is in essence an agriculture production problem. Destruction of the fundamental conditions for production leads to a vicious cycle between production and livelihood. In order to check and change this situation, there is but one solution in the long-term interest and that is to plant trees, work on afforestation, maintain the mountains and plant grass. When trees and grass grow up, they will not only provide good production conditions for agriculture, create a sound ecological environment but they will also provide people with lumber and firewood.

Concerning afforestation, some people say: "Distant water does not relieve immediate thirst." But a journey of a thousand miles starts with just one step, we must work on "distant water" now, otherwise it will never be available. "Immediate thirst" must be solved as well, and it takes something realistic and reliable. In this respect solar furnaces and economic wood- and coal-burning stoves are the most realistic and practical solutions. In 1980 Yongjing County introduced 2,976 solar furnaces, the public response has been very good and there are urgent demands for popularization. "Solar furnaces are great, they can boil water, make flapjacks and cook rice and they don't need firewood or coal," comments the public, "with a solar furnace in the house, it takes a load off the women's backs." Some people even bought solar furnaces for their daughters as wedding presents. Why are solar furnaces so popular among the peasants? A study shows the following reasons:

1. The northwest loessial plateau is located deep inland, far from oceans and at a high altitude, there is abundant sunshine. The annual rainfall is only

about 250-500 mm, the weather is dry and there are 2,500-2,900 hours of sunshine per year, the total annual radiation is 145 kilocalories per square centimeter, all these have provided a strong material basis for effective development and utilization of solar energy. There are about 210 days in a year when solar furnaces can be used.

2. Solar furnaces are compatible with the working and eating habits of the local public. Here people are used to eating steamed buns, noodles and potatoes as their main staple, potatoes serve as bread as well as a vegetable. The work schedule of commune members generally calls for working in the fields beginning at 5 or 6 o'clock in the morning and going home for breakfast at 8 or 9 o'clock. At breakfast time the solar energy efficiency is high and can be used to steam buns, boil potatoes or make flapjacks. At lunch the solar heat efficiency is even better and it takes only a short time to steam buns or boil water. It solves the problem of making tea and steaming buns for lunch and it also provides abundant boiled water for use at night. After going home at night, boiled water is put into the pot and noodles are cooked without using much firewood. On sunny days there is essentially no need or very little need for any other fuel. At least 50 percent of the fuel can be saved over the year.

3. Solar furnaces are technically simple and convenient to operate. The solar furnaces in Yongjing County have an opening area of 2.2 square meters and a projection area of 1.9 square meters, they have basically been standardized. The furnace body is small and light, the height of the pot and tilt of the furnace can be freely adjusted according to the angle of the sun so the peasants found them safe and convenient.

4. Solar furnaces require little investment and have high thermal efficiency. Each furnace requires only 35 kilograms of concrete, 22.5 kilograms of steel, 2 square meters of mirror and costs 50-60 yuan. When the sunshine is good, it takes only 20 minutes to boil 3 to 4 kiloliters of water. Its power is equivalent to a 1 kilowatt electric furnace.

Today in the villages the furnaces that burn firewood directly are passed down from generation to generation. Judging from the situation and ability in China, these furnaces still need to be used for another 10 to 20 years. Practically speaking, furnaces will still be used no matter what energy sources are being developed, northwest arid areas are no exception. In recent years there are two problems in the use of rural furnaces: first they consume large quantities of firewood and second their thermal efficiency is too low (only about 10 percent). In the past few years a number of places in China have modified and produced some fuel economical and thermally efficient furnaces; if they can be popularized in the northwest region, the value will be even greater. Based on the discussion given above we can see that although there are some variations in geographic and natural conditions and energy resources in the entire northwest area, there is one thing in common, namely, from the viewpoint of long-term interests, great efforts must be made in afforestation, protection of the mountain and planting grass. Based on the practical conditions, solar furnaces and economic wood-burning and coal-burning stoves must be promoted actively. As for small hydroelectric power, small coal pits and wind energy, some of the regions in northwest China are quite promising. Places with favorable conditions for these energy sources should exploit these advantages sufficiently and combine them in a flexible way so that they can gradually stop the practices of breaking tree branches, stripping tree barks, digging up grass land and roots, and burning livestock dung; let trees and weeds grow quickly and restore ecological equilibrium. This is the structure of energy construction and solution to the energy problem of rural areas in northwest China.

9698
CSO: 4006/101

MINERAL RESOURCES

BRIEFS

GOLD DEPOSIT DISCOVERY--Beijing, 27 Nov (XINHUA)--A gold prospecting unit under the PLA capital construction enginner corps in the past 2 years has located 11 large or medium-sized gold deposits in Heilongjiang, Shandong, Henan, Sichuan and other provinces. Some of them have been turned over to the government for mining. [OW041315 Beijing XINHUA Domestic Service in Chinese 1412 GMT 27 Nov 81]

CSO: 4006/161

IMPROVEMENT OF CEMENT QUALITY STUDIED

State Council Notice

Beijing SHUINI [CEMENT] in Chinese No 10, 10 Oct 81 p 2

[State Council Notice on Further Improvement of Product Quality by Small Cement Enterprises as Proposed by the Ministry of Building Materials and State Economic Commission--State Document No 125, 1981]

[Text] To all provincial, municipal and autonomous regional people's governments and all ministries, commissions and other relevant organs directly under the State Council:

The State Council has approved the "Report on Further Improving the Product Quality by Small Cement Enterprises" submitted by the Ministry of Building Materials, the State Economic Commission, the Ministry of Agriculture, the Industry and Commerce Central Bureau and the State Standardization Bureau, now being forwarded for careful study and implementation.

Cement is one of the principal materials for state construction as well as housing construction for people in urban and rural areas, and its quality has a direct bearing on the national economy and the people's livelihood. At present, the poor quality of the products of some small cement enterprises should be carefully attended to. All localities and departments concerned should adopt positive measures of improvement and strive to raise the quality of the products of small cement enterprises. With a keen sense of responsibility to the state and the people, they should guarantee that the quality of cement leaving the factories is up to the required standard, and strictly forbid any product without a fitness certificate from leaving the factory.

The State Council of the
People's Republic of China.

20 August 1981

Report to State Council

Beijing SHUINI [CEMENT] in Chinese No 10, 10 Oct 81 pp 3-5

[Report on Further Improvement of Product Quality by Small Cement Enterprises]

[Text] To the State Council:

The small cement industry has developed rapidly in our country. In 1980, their output was 54.27 million tons, 68 percent of the total cement output. This output has helped ease the contradiction between supply and demand in cement; and because of its orientation to the countryside, it has also played a great role in satisfying the needs of 800 million peasants. Along with the development of the rural economy and the enlarged scope of rural housing construction, the task for the small cement industry will be even heavier.

The small cement industry developed under crude conditions with limited self-raised local funds, at a time when the contradiction between supply and demand was acute and conditions were difficult with regard to funds, equipment and material. Therefore, most of these enterprises are using backward equipment with incomplete technical accessories. They are weak in technology and poor in management, and these factors generally account for the inferior quality of their products and their high production costs. In the past several years, particularly since the 3d Plenary Session of the 11th Party Central Committee, the construction materials departments and small cement enterprises in various localities have earnestly implemented the policy of readjustment, restructuring, consolidation and improvement, and have done a great deal of work in consolidating and improving the enterprises, in building up a technical force, and in strengthening business management with particular emphasis on improving the product quality and lowering the production costs. The situation has now begun to improve. In 1980, 85 percent of the products--12 percent higher than in 1978--of small cement factories at or above the county levels throughout the country were up to the required standard. However, many small enterprises are still attaching more importance to the output than to the quality, and in 1980, more than 3 million tons of rejects were delivered from these factories, while some 9 million tons did not go through any quality check according to state standards in the factories (and 80 percent of the products of small cement enterprises run by communes or production brigades and teams were not checked on at all). This practice has seriously affected the quality of construction engineering.

The quality of cement has a close bearing on the national economy and the people's livelihood, and particularly on the immediate interests of the 800 million peasants. Therefore, streamlining and improving the quality of products by small cement enterprises are extremely important tasks for the cement industry, and these tasks must be carefully attended to during the period of readjustment.

Here are our views on further improving the quality of cement:

1. The laboratories should be reorganized, and means of quality control and inspection should be adopted and perfected in order to insure that the quality

of products is up to state standards. A thorough reorganization should be conducted on existing laboratories of enterprises before the end of 1982 according to state standards and as required by the regulations for quality control in small cement enterprises. After the reorganization, the laboratories should be inspected by the provincial, municipal or autonomous regional departments in charge, and be given "certificates of fitness." Any enterprise without a laboratory must set up one before the end of 1982. If any enterprise fails to obtain a "certificate of fitness," the provincial, municipal, or autonomous regional bureau (in combination with the commune and production brigade enterprise administration bureau of the province in the case of a commune- or production brigade-run enterprise) will refer this enterprise to its local industrial-commercial department together with a signed recommendation by the standardization bureau, for the business license of the enterprise to be revoked. This enterprise will then have to suspend its business operation for a consolidation to be completed within a time-limit. It can resume production only after its products have passed the required inspection and after approval and a new business license have been obtained from the provincial bureau of construction materials, the standardization bureau and the industrial-commercial administration bureau.

2. Selling rejects must be strictly forbidden. Beginning from 1 January 1982, any enterprise permitting its rejects to leave the factory, besides accepting the returned goods for a full refund, replacing these goods and compensating the customers' losses, will be suitably dealt with by the industrial-commercial department. It may be warned, punished or it may forfeit its business license according to the seriousness of the offence. Any enterprise found to be fraudulently covering up problems of product quality will receive disciplinary action from its department in charge. The disciplinary action or criticism will be publicized throughout the province. Should any untoward incident result from the use of inferior materials in engineering projects, the responsible person would be severely dealt with.

3. Supervision and inspection of the quality of small cement products should be strengthened. The local cement inspection organs being set up or already set up will serve as the core of inspection for the quality of these products (including the small cement products of communes and production brigades and various trades). While the business administration of these small enterprises are under the joint leadership of the provincial standardization bureau and the provincial building materials bureau, the task of supervision and inspection o the quality of small cement products will be undertaken by these inspection organs throughout the province. Whenever there is any complaint from the users on the quality of the cement, the local cement inspection organ in the province, municipality or autonomous region will act as the arbitrator. If the quality is found to be inferior, then the producer will have to accept the returned goods and pay the compensation. If the producer resorts to any unethical tactics (such as cutting off the supply of goods) instead of making any restitution, the user may appeal to the local economic arbitrating organ or the department in charge of the enterprise which, in collaboration with the industrial-commercial administration department, will mete out punishment for the enterprise, revoke its business license, or take other forms of disciplinary action.

4. In accordance with plans for development and distribution in the small cement industry, there will be no building of new plants (including small cement factories run by communes, production brigades and various trades and undertakings). Application for the building of new plants must be approved by the provincial, municipal or autonomous regional authorities; otherwise it will not be registered by the industrial-commercial administration department.

The small cement factories (including those built by the communes, production brigades and various trades and undertakings) must be reported to and approved by the provincial, municipal or autonomous regional building materials bureau (or the enterprise administration bureau of communes or production brigades) prior to their operation. The building materials bureau (or the enterprise administration bureau of communes or production brigades) must have ascertained that these factories are in a condition for the regular production of a certain type of cement according to state standards before approving their operation, registering them with the local industrial-commercial administration departments, and issuing them the business licenses. Cement factories having no valid business licenses are not permitted to operate or to open bank accounts.

5. Economic means should be employed for quality control by the small cement enterprises run by communes and production brigades. These small cement enterprises should compute their output in light of quality, pay wages according to the output, hold everyone responsible for the quality, and distribute benefits according to the work done. Finished or semifinished products whose quality fails to meet the required standard are not to be included in the output, and will not be paid for, since the quality of products should be linked with the material benefits of the workers and staff members. The enterprise administration bureaus of all provinces, municipalities, autonomous regions, communes or production brigades should assign special persons to strengthen the control of commune- and production brigade-run small cement enterprises, while the building materials bureaus should provide them various forms of technical assistance.

To do a good job in consolidating the small cement enterprises, all provincial, municipal and autonomous regional people's governments should provide more active leadership in improving the quality of small cement products, and provide the necessary facilities for setting up local cement inspection organs and the means of quality inspection. The economic commission, building materials bureaus and standardization bureaus at the provincial, municipal and autonomous regional levels; the enterprise administration bureaus of communes and production brigades; and the industrial-commercial administration departments should closely cooperate with one another to do this work well.

Should this report be considered satisfactory, please relay it to various provincial, municipal and autonomous regional people's governments together with your comments for their study and compliance.

Ministry of Building Materials,
State Economic Commission,
Ministry of Forestry, and
Industry and Commerce Central Bureau.

9411
CSO: 4006/83

FOREIGN TRADE

PROVINCES INCREASE MACHINERY EXPORTS

OW030906 Beijing XINHUA in English 0721 GMT 3 Dec 81

[Text] Beijing, 3 Dec (XINHUA)--Shandong, Zhejiang and Liaoning provinces have increased exports of machinery products this year, according to local branches of the China National Machinery Import and Export Corporation.

In the first 10 months of this year, Shandong in East China, exported 60 varieties of machinery products including tractors and bearings worth more than 15 million U.S. dollars, 33 percent more than 1980's total. The province also has processed three million U.S. dollars worth of machines, bench drills and desk fans according to designs and samples supplied by foreign businessmen.

Shandong's machinery industry produces a wide range of products. The local branch of the China National Machinery Import and Export Corporation, established in 1979, has direct trade relations with more than 20 countries and regions in Southeast Asia, Middle East, Europe and America.

Another East China province, Zhejiang, has signed this year 278 contracts to supply goods to 109 firms in 35 countries and regions. The transactions are expected to treble the 1980 export volume by the end of this year. Trade for processing materials supplied by customers based on their designs and samples and the production of brands specified by users also have been introduced in the province.

Zhejiang's machinery industry has 20,000 machine tools and employs 100,000 workers. Previously, the industry mainly exported standard parts and tools. The province now produces complete sets of machines, electrical equipment, instruments and meters, including equipment for hydroelectric power stations, air separation equipment and diesel generating equipment. Varieties of exports have increased to 300, the local branch of the Import and Export Corporation reported.

The Shenyang No 1 machine tools plant in northeast China's heavy industry base, Liaoning Province, this year exported one-fifth of the province's total machinery for export. In the first 9 months, the plant concluded contracts worth nearly 6.8 million U.S. dollars with foreign businessmen, the local branch said.

Lathes exported by the plant are in 15 varieties, and they are sold to 40 countries and regions.

CSO: 4020/43

LABOR AND WAGES

'RENMIN RIBAO' ON EMPLOYMENT, LABOR PRODUCTIVITY

HK020606 Beijing RENMIN RIBAO in Chinese 23 Nov 81 p 5

[Article by Yue Guangzhao [1878 0342 2507]: "Several Questions on Increasing Employment and Raising Labor Productivity"--initial capitalized passages published in boldface]

[Text] For many years, a marked contradiction has existed between the expansion of labor employment in our nation's towns and cities on one hand, and the raising of labor productivity on the other. The satisfactory resolution of this contradiction is related to stability and unity in society and the overall situation of our socialist modernization construction. Therefore, people have generally been concerned with this question.

Undoubtedly, our country has achieved tremendous success in providing employment for workers in the towns and cities. Over the period of 31 years since the founding of the PRC, the total number of workers and self-employed urban laborers has increased from 15.33 million at the end of 1949 to 105.25 million at the end of 1980, an increase of nearly 590 percent. Because of the expansion in employment, the number of persons supported by each employed person in a worker's family (and this includes the worker) has decreased from 3.6 in 1952 to 1.83 in 1980. This change has played a very important role in ensuring the availability of a labor force needed for production and construction, the maintenance of stability and unity in society, and the improvement of the livelihood of urban workers' families.

However, the productivity of workers of the enterprises has grown rather slowly. If one considers the industrial enterprises under the system of ownership by the whole people, their labor productivity increased from 3,004 yuan in 1949 to 12,031 yuan in 1980, an increase of over 300 percent. If the total value of the output of our country's industrial enterprises under the ownership by the whole people was taken as 100 in 1949, then in 1980 it was 3,520, more than 35 times the 1949 figure. During the 31-year period, the total value of industrial output increased by some 3,400 percent, but labor productivity increased by only some 300 percent or more. Naturally, there are many factors affecting increases in the productivity of workers of enterprises. However, excessive increases in the number of workers employed by enterprises constitute a very important factor.

Can we choose between expanding employment of urban labor and raising of labor productivity by striving to achieve one at the expense of the other? This is possible under special circumstances. For example, during the decade of turmoil, tens of millions of urban young people awaiting employment remained unemployed. After the smashing of the gang of four, various essential economic conditions were not yet ripe. The expansion of employment had to be taken as a very important task in an attempt to achieve stability and unity in society. Another example was that in 1959 to 1961, our country experienced grave difficulties in its national economy. Yet, after this, in 1961 to 1964, we reduced our work force. Consequently, during the 1963 to 1965 period, the overall labor productivity of the industrial enterprises rose by an average annual rate of 23.1 percent. The time needed for overcoming the economic difficulties was greatly reduced. However, basically speaking, a protracted neglect of either the expansion of employment, or the raising of labor productivity, will bring about undesirable results.

The problem facing us is whether we can rather substantially raise the productivity of workers of enterprises while, at the same time, we are working to expand labor employment. I think this is possible. However, to turn possibility into reality, we must formulate appropriate principles and policies and adopt appropriate measures on the basis of unified ideology and understanding.

1. We Must Readjust the Industrial Structure and Ownership Structure. Regarding our industrial structure, for a considerable number of years after the founding of the PRC, we overly stressed the development of industry. Moreover, we overly stressed the development of certain heavy industries and relatively neglected the development of light industry, commerce and the service trades. Regarding the ownership structure, we developed the economy solely under the ownership of the whole people. We placed restrictions on the collective economy and suppressed and banned the individual economy, Consequently, the development of the entire national economy was affected and many channels of labor employment were blocked. The irrational industrial structure has led to an irrational distribution of workers. On one hand, over 50 percent of the new workers are assigned to the industrial sector, and moreover, 70 percent of these workers are assigned to the sector of heavy industry, so that the raising of labor productivity in these sectors is affected. On the other hand, many service trades and some of the trades that produce consumer goods lack workers. Because the ownership structure is irrational, the urban young people awaiting employment very often can only seek employment in the enterprises under the ownership of the whole people, and thus the personnel of these enterprises continue to increase. However, in society, there are many kinds of work which there is no one to perform. Conditions can be created for expanding employment only if the industrial structure and the ownership structure become rational through readjustment. The number of workers who can be accommodated is limited if we expand employment merely by developing heavy industry. Moreover, our country is incapable of doing this with its available financial and economic resources. In developing light industry, the handicraft industry, commerce, the service trades and the production of other consumer goods, we whould minimize resorting to the form of state-operated units whenever collectively or individually run units are appropriate. Then, the urban young people awaiting employment will not continue to surge into the heavy industry sector and the enterprises under the ownership of the whole people, where the personnel are already in excessive numbers. Thus, the contradiction between expanding employment and raising the productivity of workers of the enterprises can be relatively satisfactorily resolved.

2. We Must Implement the New Employment Policy. Since the founding of the PRC, a system of labor employment whereby the labor departments monopolize the employment and the allocation of labor has gradually been formed. This is very closely related to the system of ownership by the whole people, marked by reliance on a single economic sector. By practicing this system, the labor departments intend to rationally allocate the labor force in a planned way and according to enterprises' needs, so that all those awaiting employment can be appropriately accommodated. However, the actual results turn out to be contrary to this subjective desire. In fact, the technical conditions and professional work of various trades are extremely complicated, and the professional skills and interests of those awaiting employment differ vastly. The labor departments are incapable of allocating the workers very rationally. In particular, the labor departments neither possess the ability to undertake the assignment of jobs to all those in the towns and cities awaiting employment, nor will permit those awaiting employment to find their own ways to earn a living. It is obviously unwise for them to adopt such a policy. In 1980, the party Central Committee called a national work conference on labor employment, at which a policy for solving the problem of urban labor employment was put forth; namely, to integrate the arrangement of employment by the labor departments with the creation of employment on the basis of voluntary organization and with the seeking of jobs through people's own efforts, under the guidance of overall state planning. Moreover, when the enterprises need to recruit workers, they should be encouraged to invite applications from the public and to choose the better candidates for employment. The practice over the past year has proved that this policy is absolutely correct. Aside from the recommendation of jobs to young people, awaiting employment by the labor departments and in the light of the needs of enterprises and various institutions and so on, many young people previously awaiting job assignments have established enterprises which are under collective ownership, or have worked on a self-employed basis, according to the principles of voluntary association, assuming sole responsibility for profits and losses, distribution according to work done, democratic management and so on. Thus, their employment problem has been solved.

3. We Must Reform the Labor System and the Wage and Welfare System. In employing workers, the state enterprises only recruit workers and do not dismiss any. In the distribution of wages, they indulge in egalitarianism. They are also too involved with labor insurance and welfare. This is disadvantageous to rousing the staff's and workers' enthusiasm in work and ensuring the satisfactory running of the socialist enterprises. A policy formulated in the past stipulates that with regard to standard wages, labor insurance and welfare, workers of the state enterprises must enjoy superiority over those of enterprises run by larger collectives, who in turn must enjoy superiority over workers of enterprises run by smaller collectives. There is no social insurance for self-employed workers. Thus, the urban young people awaiting employment naturally aim to work in the state enterprises, or at least the enterprises run by larger collectives (because even though the workers of such enterprises earn less than those of the state enterprises in terms of wages and other benefits, they earn more than workers of the enterprises run by smaller collectives and self-employed workers). They are not interested in, and have misgivings about, joining the enterprises run by smaller collectives or becoming self-employed workers. To put an end to these undesirable phenomena, for one thing, we must create conditions for the gradual reform of the labor system and wage and welfare system adopted by the state enterprises, and for another thing,

we must give the requisite support and assistance to the workers of enterprises run by collectives and self-employed workers, so that their income will not be lower than the remuneration of workers of state enterprises and the opening up of many channels of employment will be facilitated.

4. We Must Do a Good Job of Operating Labor Services Companies. For one thing, this can help reduce the workload of the enterprises in accommodating young people awaiting employment. For another, this can enable the enterprises to expand or reduce their personnel according to their needs. By satisfactorily running labor services companies the regulation of labor force will be assisted. Such companies are like "reservoirs." The labor services companies under the leadership of local labor departments can perform a number of functions, such as helping those awaiting employment to develop the collective economy or to seek employment by themselves, launching prevocational training, recommending workers to enterprises, exercising supervision over young people awaiting employment and educating them, helping enterprises accommodate surplus manpower when conditions are ripe, and so on. Moreover, all those factories, mines, enterprises, agencies, organizations and schools which are in a position to establish their own labor services companies may also run such companies, so that they can accommodate the surplus manpower in their own units and also organize and provide guidance to the children of their staff and workers who are awaiting employment so that these young people may help establish collective economic units which undertake independent accounting and assume sole responsibility for their own profits and losses, or work on a self-employed basis. To this end, the authorities concerned must provide the necessary support and assistance in connection with things such as funds for establishing such companies, channels of supply, production and marketing, premises for operating such companies, financial and taxation policies, and so on.

5. We Must Adopt an Appropriate Policy Regarding Technology. Our country has a large population and every year there are large numbers of new workers in the towns and cities who need the government's help in finding jobs. On the other hand, our country must adopt modern and advanced technology and continuously raise labor productivity so that it can achieve the magnificent goal of the four modernizations. To resolve this contradiction, we can only proceed from our country's real circumstances and adopt an appropriate policy regarding technology. We may consider the following idea. In principle, those key enterprises which are important to the overall situation of our national economy or important in relation to the modernization of national defense must adopt modern and advanced technology. We must vigorously grasp the technological transformation of all such enterprises which are currently technologically backward and enable them to gradually attain advanced world standards. These units must employ personnel according to advanced and rational criteria for fixing the number of staff members, and must strive to achieve higher labor productivity. Other categories of enterprises can pay greater attention to the expansion of employment. They do not necessarily need to use advanced technological equipment to reduce the employment of manpower. Our country has an abundant labor force and labor costs are low. Therefore, we have particularly favorable conditions for developing the labor-intensive types of production such as handicrafts. We should strive to bring this superiority into play.

6. We Must Strengthen Prevocational Training. At present, except for the graduates of universities, colleges, secondary technical schools and other schools for training mechanics and technicians, who are subject to centralized allocation, most of the urban young people awaiting employment are given training before they are employed. This will be advantageous to production. This will enable them to relatively quickly begin to play a positive role in production. On the other hand, the employment by enterprises of large numbers of untrained young people awaiting employment will inevitably lead to a fall in the political and ideological quality as well as technical and professional standard of the staff and workers of enterprises, and will inevitably impede the consolidation of labor discipline and the raising of labor productivity at enterprises. Generally, the urban young people awaiting employment have only received secondary education and do not possess technical and professional knowledge. Without undergoing the requisite training, they will not only be incompatible with the needs of enterprises under ownership by the whole people and enterprises run by the collectives, but will find it difficult to organize collectively-run enterprises by themselves or to work on a self-employed basis. Therefore, we must resolutely and vogorously start prevocational training work.

7. We must Rigorously Control the Urban Population. To resolve the contradiction between expanding urban labor employment and raising the productivity of workers of the enterprises, we must grasp the control of the urban population as a major task. The methods of control are: First, adhering to birth control; second, rigorously controlling the flow of rural workers into the cities; and third, adopting measures to encourage the urban young people awaiting employment to undertake farming and the breeding of aquatic products in those towns, cities, forest regions and industrial or mining regions with suitable conditions. The practical experience gained in many localities has proved that this is feasible.

8. We Must Bring the Expansion of Employment and the Raising of Labor Productivity in Enterprises in Line With National Economic Planning. The expansion of employment and the raising of labor productivity are related to the overall situation of the national economy. Such questions should be an important part of national economic planning. What we call bringing these matters into the scope of planning naturally does not amount to simply including a few figures in our plans. It requires us to formulate practical and effective measures. Such matters as the strengthening of prevocational training, the readjustment of our industrial structure and ownership structure, the adoption of appropriate policies regarding technology, the reform of the labor system and wage and welfare system, the satisfactory operation of labor services companies, and so on, involve the attainment of comprehensive equilibrium in human, financial and material resources in our national economic planning. Our national economic plans must provide the necessary human, material and financial resources so that the successful handling of these matters can be ensured.

CSO: 4006/161

LABOR AND WAGES

TU OFFICIAL STRESSES NEED FOR MODEL WORKERS

OW081214 Beijing XINHUA in English 1200 GMT 8 Dec 81

[text] Beijing, 8 Dec (XINHUA)--Wang Chonglun, noted national model worker and vice-president of the All-China Federation of Trade Unions, today called for attention to the bringing up of a large number of young model workers.

Wang Chonglun is now attending the National People's Congress as a deputy from Liaoning, northeast China. "Without young models," he said, "our cause will be greatly affected."

"Advanced workers are a vital force in production. They can help to improve economic performance and productivity and speed up the entire national economy as a whole," he said.

Wang Chonglun distinguished himself in the early fifties by introducing a universal fixture which greatly raised productivity, when he was working in the Anshan Iron and Steel Company in northeast China. At that time, he was only a little over twenty in age. Later, he made more innovations.

Most of the older model workers, who contributed a lot to China's industrial growth, are no longer working in the forefront of production, he said. The average age of the model workers who attended the national worker-peasant-soldier model labourers conference in 1950 is now 68, and over 70 percent of the model workers attending the 1956 national advanced workers' conference have reached the age for retirement.

"There is only a small number of model workers under 30 among the several million young workers," he said.

"This is because in the twenty years between 1960 and 1979 no national model workers' conferences were held," he said. China held four model workers conferences in the fifties.

He proposed to convene another national model workers' conference as soon as possible and commend a large number of young model workers.

He also made the following points:

First, correct criteria must be followed in choosing model workers. Those who are selected as model workers must have made outstanding contributions in socialist construction and have played a big role in raising productivity and improving economic performance.

Second. The outstanding deeds of the model workers must be widely publicized as an important part of the effort to enhance the socialist mentality.

Spreading their advanced skills and experience is a good method for increasing industrial output, improving quality and lowering cost without adding investment.

Third. Leading organs at various levels must strengthen their work to educate the model workers and help solve their difficulties.

"Model workers should not be asked to attend too many social activities, neither should they be assigned too much administrative work. They should spend most of their time in production," he demanded.

CSO: 4020/46

TRANSPORTATION

BRIEFS

CAAC TARGET ACHIEVEMENTS--Beijing, 30 Nov (XINHUA)--The General Administration of Civil Aviation of China (CAAC) had met its 1981 quotas by 10 November, CAAC announced today. The total income drawn by CAAC from 1 January to 10 November from passenger, cargo and mail transport surpassed the quota for the entire 1981 by 15 percent. The total amount of passengers, cargo and mail calculated in terms of ton/kilometers that CAAC handled during the same period was 112 percent of the annual target. CAAC attributed its success to redoubled efforts made in 1981 to improve its service. This year CAAC has opened two international air lines (Beijing-Shanghai-San Francisco and Beijing-Shanghai-San Francisco-New York) and three regional air lines (Tianjin-Hong Kong, Nanjing-Hong Kong and Kunming-Hong Kong). Chartered services were established between Hong Kong and some tourist spots. [Text] [OW041229 Beijing XINHUA in English 0813 GMT 30 Nov 81]

DEVELOPING WATER RESOURCES--Beijing, 7 Dec (XINHUA)--Central and local governments, factories and mines are urged to build wharves at sea and river ports to develop China's water transport, reported today's WORKERS DAILY which carried a statement made by a central government leader at a forum in mid-November. The forum was attended by leading members of the State Economic Commission, State Planning Commission, State Capital Construction Commission and ministries of railways and communications. He suggested to open more ports to serve the growth of foreign trade and other external economic activities. The construction of large, medium and small projects of water transport should be undertaken simultaneously, he added. Local governments and enterprises should be encouraged to build wharves, set up fleets and more (?ports) for handling cargoes. With its long coast line and crisscrossed inland rivers, China has good conditions for developing water transport, which requires less investment and consumes less energy. It is necessary to make an overall planning for the building of railways, motor roads and water transport. [Text] [OW070941 Beijing XINHUA in English 0835 GMT 7 Dec 81]

CSO: 4020/46

GENERAL

SYMPOSIUM HELD ON EFFECTIVE CONTROL OF PRODUCTION COSTS

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 9, 20 Sep 81 pp 10-12

[Article by unidentified correspondent: "Attach Importance to Cost Control and Cost Research--Summary of Proceedings of the Second Theoretical Discussion Meeting Held by the China Cost Research Association"]

[Text] The second theoretical discussion meeting held by the China Cost Research Association took place recently in Wushi municipality with some 140 representatives attending. A report given in written form by Yu Guangyuan [0060 0342 6678], honorary president of the China Cost Research Association, on the way to strengthen cost control during the economic readjustment as a means of lowering production costs was read out; Xu Yi [6079 3015], president of the China Cost Research Association, and Ji Chongwei [1323 1504 1218], deputy secretary of the China Enterprise Management Association, delivered academic reports on "The Relationship Between Macroeconomic Policy Decisions and Production Costs" and "A Higher Level of Cost Research To Promote Economic Readjustment and the Four Modernizations" respectively. The representatives firmly adhered to the principle of "letting a hundred schools of thought contend" throughout the meeting and particularly stressed the following points in light of the theory and practice of production costs:

I. Great Significance of Cost Control During the Economic Readjustment Period

The representatives unanimously held that strengthening cost control and striving to lower production costs should be highly regarded by all production and business units, because of their great significance particularly during the period of economic readjustment. Besides readjusting the relationship between accumulation and consumption, reducing the scale of capital construction and developing production--especially agricultural, light and textile industrial, energy and raw material industrial production--the basic way to fulfill various tasks during the readjustment period, to bring about financial and credit balances, and to preserve the basic stability of commodity prices is to strengthen management and control, to improve economic results, and to achieve the unity of greater, faster, better and more economic results.

Many representatives emphasized the practical significance of lowering production costs in wiping out financial deficits. For various reasons, for many years great loss and waste have been common in all economic activities. There is great potential in all industries to lower their production costs. If great efforts are made to tap this potential, it is possible to increase our income by billions, tens of billions or even hundreds of billions of yuan by lowering our production costs. A good job in lowering production costs means an important contribution to the success of the economic readjustment.

Some representatives pointed out the laxity and negligence in the work of cost control. To change this situation, it was the general opinion that besides readjustment and restructuring, consolidation was also necessary as a means of improving economic results. In a certain sense, greater attention to consolidation may even produce better effects. Cost control has to be consolidated not only in enterprises where production is sluggish, remains at a standstill, or even declines, but also in the light and textile industries with fairly rapid production growth and various "guarantees," in order to change the lax, perfunctory, chaotic and extravagant methods of cost control.

Some representatives pointed out the need to strengthen cost research in order to lower production costs during the period of economic readjustment. While agreeing on the great potential for all trades to lower their production costs, the participants pointed out certain factors in the rise of such costs (or expenditures). They shared the view that "the higher the level of mechanization, the greater the production cost" was particularly applicable to the mining and lumbering industries. It was generally agreed that in real economic life, further investigations should be carried out into the factors of the changes of various economic conditions and of production costs; into the influence of various policies and measures adopted during the period of economic readjustment on production costs; into the influence of production costs of various trades on one another; and into the trend of development. This method will help strengthen cost control and lower the production costs, and will provide cost data for the decisionmakers.

II. Production Costs as Important Data for Macroeconomic Policy Decisions

Study of cost control through a combination of macroeconomic and microeconomic methods was one of the important topics explored at the theoretical discussion meeting. During the first meeting dealing with production cost theories, it was proposed that the new topic of production costs should be studied from the macroeconomic point of view, and this study was given attention by various quarters for more than half a year. At the present meeting, some comrades further pointed out the importance of production costs as data for macroeconomic policy decisions. They held that for a long time in our country, there has been the problem of heavy investments with poor returns in economic construction, while financial deficits and price instability appeared in recent years as the result of damage from the leftist thinking. One important reason why the leftist thinking was able to play havoc with our national economy was that no cost accounting was conducted on the input, output, consumption and effects in our national economy. Consequently, our macroeconomic policy decisions lacked data, and serious errors ensued. These comrades held that production costs were the basic criterion for the assessment of economic results, and that the use or waste of funds would be reflected in the production costs. To work out a correct macroeconomic policy decision and to find a new way of reducing investment and increasing benefits, therefore, cost control must be strengthened.

Some comrades held that although macroeconomics was closely related to production costs, macroeconomic policy decisions were not solely based on the question of production costs, since there were also the questions of investment returns and social effects to be considered. Therefore, they affirmed, it would be more correct to say that "production cost is one of the important items for macroeconomic policy decisions." Some comrades agreed on this point and further suggested that a correct macroeconomic policy decision should also be an important prerequisite for cost control. They held that errors in a macroeconomic policy decision would cause problems to cost control and place it in a passive position. In making any macroeconomic policy decision, therefore, consideration should be given to the effects of such a decision on microeconomics and the production costs of an enterprise. Other comrades held that, generally speaking, the effects of a macroeconomic policy decision on the production cost of an enterprise should be noted, but not exclusively, since there should be many other questions to be considered in making such a decision. There should be an overall balance, and the choice of a plan promising the best comprehensive economic result. This plan, however, might not necessarily bring about the lowest possible production cost for an enterprise.

Many comrades held that cost control should be strengthened from the macroeconomic point of view, beginning with microeconomics. The "leftist" influence on economic work, the damage from the "10 years of catastrophe," the disproportion of the national economy, the various defects in the economic management system, and the mistakes of economic policies caused tremendous loss and waste and created problems in the work of cost control. These problems should undoubtedly be seriously studied and solved. However, as we must be aware, the low level of our enterprise management, the weakness of our cost control, the poor results of various economic undertakings, and the serious loss and waste are inexorable facts. It would therefore be incorrect for us to be concerned with only the macroeconomic aspect and to wait for the solution of external problems instead of striving to accomplish what can and should be accomplished within the enterprises. Some comrades held that macroeconomics and microeconomics are mutually related as well as mutually contradictory. Generally they are in harmony, but sometimes they are mutually contradictory. In our socialist nation, the principle behind the resolution of this contradiction is the subordination of the part to the whole. At present, from the microeconomic point of view, we can see the serious waste in some enterprises "littered with gold everywhere." Therefore, the enterprises should pay great attention to consolidation and strive for lower production costs. From the macroeconomic point of view, we should pay attention to readjustment and streamline the economic structure, the product mix, the organization pattern and other matters. Cost control can be greatly improved only through a combination of macroeconomics and microeconomics.

Many other comrades also put forward suggestions and tentative plans for strengthening cost control from the macroeconomic point of view.

III. Gradual Formation of a Cost Control System With Typical Chinese Characteristics by Summing Up Experiences

The representatives at the meeting unanimously agreed that an important task in cost research was to sum up the experiences in our country and to form a system of theories and methods of cost control--a system with typical Chinese characteristics. Many of them pointed out that for more than 30 years since the founding of the People's Republic, we have had many successful experiences in cost control, particularly during the first 5-year plan and the 3-year readjustment period. Some departments, localities and enterprises were then very concerned with the job of cost control, and they gradually set up a whole system of cost planning, cost accounting, cost inspection and cost analysis, in addition to undertaking and improving such basic tasks as fixed quotas for fixed personnel, inspection of weights and measurements, and firsthand records, all connected with cost control. As a result, many good forms and methods, such as economic accounting for work teams and work shifts, index analysis and separate control at different levels, were introduced. In recent years, many enterprises have carried out overall economic accounting and obtained many good and new experiences. We are entirely capable of interpreting these experiences in terms of systems and theories, and then forming a science of cost control with typical Chinese characteristics.

During the discussion, some representatives also expressed their views on certain related questions as follows:

1. On setting up a system of responsibility for production costs. Some comrades held that the central task of cost control is to set up a system of responsibility for production costs. The fulfillment of this responsibility calls for the control of production costs both vertically and horizontally. Vertically, it should include the entire process of forecasting, planning, managing, accounting, analyzing and verifying production costs. Horizontally, it should include the work of all departments, production workshops, auxiliary workshops, labor departments in charge of production, business operations, designing, workmanship, technology, equipment, supply and marketing, finance and labor, and even the work teams and work shifts to be held responsible for production costs. There should be a good organic combination of both vertical and horizontal controls in order to make cost control a success.

Some comrades held that cost control as a principal aspect of economic accounting should include not only the entire process of production, but also the experiments to be conducted before production, the process of designing, and the processes of circulation and distribution after production. There should be a system of cost responsibility in each of these links or processes so that there is an integration of technology and economy.

2. On the position occupied by cost accounting in the system of cost control. Many comrades pointed out that since cost accounting is the most basic link in the chain of cost control, we should proceed from the existing realities by first strengthening cost accounting in cost control. It was generally agreed that in addition to implementing the "guidelines," streamlining the party's style, and rectifying the violation of law and discipline and the resort to fraud, the following three links should be carefully attended to in strengthening cost accounting: first, conscientiously carrying out the basic tasks of cost accounting, properly setting up firsthand records, strengthening the inspection of weights and measurements, establishing or consolidating various quotas, strictly controlling all incoming and outgoing materials in the warehouses, and clearly defining the authority for writing off losses; second, seriously studying and reforming the system of financial accounting for cost accounting, prescribing the scope of spending on production costs, improving the methods of accounting for certain

items, and studying the regulations of cost accounting in different trades and for different types of enterprises; and third, carrying out a vigorous training program so as to quickly raise the professional level of cost accounting personnel up to the required standard.

3. On cost control planning. There were two different views on the way to strengthen cost control planning. One of them was that the cost index should be a planned index of a mandatory nature, to be passed from higher to lower levels for verification. These comrades pointed out certain defects in both the substance of the index and the method used in cost planning now being relayed to lower levels, and stressed the need for research to be conducted for an improvement. In this case, particular attention should be paid to studying and solving the problem of coordination between the planned cost index--relayed to the lower levels--and various other planned indexes. The other view was that the enterprise should work out its own cost plans, and that in national economic planning, cost planning should not be used as a mandatory index to be relayed to various localities and departments. In working out an income budget, the financial departments could prescribe a certain margin for the lowering of production costs to be used by all localities and departments for reference. Of course, in planning cost control, the state should still adopt certain measures of reform. For example, for the distribution of productive forces and the building of new enterprises, the planning department and the departments in charge of the enterprises should supply a forecast of the production cost of the enterprises' products; the departments in charge of the enterprises should conduct forecasts and check up on the overall average production costs in their own department; and so forth.

4. On the question of cost verification and the linking of bonuses with cost index. Some comrades held that, to solve the problem of linking bonuses with the cost index in a rational way, the question of cost verification should first be properly handled. Some of them said that since profit touches on pricing and other problems, the use of profit as a yardstick of enterprise management efficiency and as the sole criterion for the appropriation of bonus funds might easily lead to overt or covert increases in prices. This would be inconvenient to management and might lead to an uneven distribution of benefits among different departments and trades. Therefore, they favored a coordination of profit index with the cost index and the forming of a complete index system. What index should be used for verifying costs? Many comrades held that the rate of lowering production costs of comparable items or the comparison of the actual costs with the planned costs now being used could not accurately reflect the expenditure or saving of social labor. Some comrades proposed that it would be feasible for the state (through the various departments in charge) to work out standard production costs for various products to be used by the enterprises as the basis for cost verification.

As to the question of linking bonuses with the production cost index, some comrades believed that this practice would not only add to the innate economic power of the enterprise, but also further strengthen its system of economic responsibility. It would particularly remind the workers and staff members of the enterprise of the need to promote the overall interests, and help avoid, or reduce, the one-sided quest for profits and the indiscriminate payment of bonuses. It would also bring about a closer relationship between bonuses and the practice of economy or extravagance. Other comrades favored the division of the bonus fund into two different portions: one portion as a monthly bonus to be linked with production costs, and the other as a yearend bonus to be linked with profits. Another view was that since there was as yet no standard method of computing production costs or any rational and scientific index for verifying production costs, it would be inadvisable for bonuses to be linked with production costs. Some comrades said that with the present ill-defined scope of production expenditures, it was difficult to correctly assess the amount of production costs, especially for new products now appearing in a continuous stream. Since the production costs of some comparable products show a large "reduction" every year, the payment of bonuses would be greatly increased if they were linked with production costs. Moreover, new problems might crop up because of the difficulty of financial control. The majority of comrades were in favor of further study in the question of linking bonuses with production costs. However, as a material incentive for enterprises to be concerned with their production costs, the use of the production cost index as one of the conditions for the appropriation of bonus funds could be considered.

5. On production cost legislation and the establishment of production cost control organs. The comrades attending the meeting unanimously hoped for the formulation of "production cost laws" by the state in order that production costs and their control could be backed up by law and the present confusion and irresponsibility in the control of production cost expenditures could be overcome. Many comrades proposed that along with production cost legislation, control organs should be set up and perfected at various levels, since reliance on the financial departments alone would not be enough. The planning, economic and capital construction commissions at various levels, and the departments in charge of enterprises should all set up their own organs to be charged with the responsibility for cost control.

6. On learning from foreign experience in production cost control. The comrades at the meeting unanimously agreed on the gratifying results of learning from foreign experience in production cost control after the lifting of a self-imposed blockade. However, in learning from the Soviet Union during the early 1950's, we had to guard against copying mechanically. There is a difference between the socialist and the capitalist systems. The theories and methods of economic management science used in capitalist countries are suitable for the capitalist economic system, and we can only use them for reference. Instead of adopting them wholesale, we should, after learning and digesting them carefully, choose the portions that can be adapted to the realities in our country. Some comrades pointed out that in learning and conducting research on the Western science of management, we should also take our lessons from the experience (including the experience of failure) of the Soviet Union and the East European countries in economic management. Some comrades said that the theories and methods of economic management in foreign countries had developed from lower to higher stages, and that their production cost control was suitable for the development of science and technology (such as electronic computers) and the knowledge and extensive application of mathematics in foreign countries. Many of these developments still remain in textbooks and have not been tried out in practice. To sum up, in learning from or in using a foreign science of production cost control for reference, we should conduct concrete analyses in the light of realities in our country. Schools and research departments can select something from foreign countries for study.

In addition, many heated discussions were conducted at the meeting on the question of the economic character of production costs.

9411
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GENERAL

BRIEFS

MINORITY ECONOMIC RESEARCH SOCIETY--Beijing, 3 Dec (XINHUA)--The Chinese Minority Nationality Research Society was inaugurated in Beijing today. The society's major tasks are to follow the party's leadership, strengthen investigations and studies of the economy in minority nationality areas, engage in theoretical exploration, serve socialist economic and cultural construction in minority nationality areas, promote the party's and government's work on minority nationalities and train economic theorists of minority nationalities. Attending the inauguration ceremony were Yu Guangyuan, vice president of the Chinese Academy of Social Sciences, Yang Dongsheng, vice minister of the state nationalities affairs commission, leading members of the NPC nationalities affairs commission and other units and representatives of all nationalities from various provinces, municipalities and autonomous regions totaling more than 120 people. [Beijing XINHUA Domestic Service in Chinese 1321 GMT 3 Dec 81 OW]

CSO: 4006/161

BRIEFS

CHINA ENTERPRISE DIRECTORY--"China Directory of Industrial and Commerical Enterprises" [Zhongguo Gongshang Qiye Minglu 0022 0948 1562 0794 0120 2814 0682 6922], China's first voluminous commercial reference book compiled and published by Beijing's XINHUA Publishing House, is opened to subscription in Jiangsu Province. The directory gives the scopes of business, specifications and types of major products, scales and locations of some 10,000 enterprises in industry, transportation, commerce and service trades in China. It will help to promote coordination between producing and marketing units, facilitate commodity exchanges and boost economic development. [OW070119 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 4 Dec 81]

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END

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China Report

ECONOMIC AFFAIRS

No. 191

Energy: Status and Developments--II

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CHINA REPORT

ECONOMIC AFFAIRS

No. 191

ENERGY: STATUS AND DEVELOPMENTS--II

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IMPROVED COAL UTILIZATION, PRODUCTION CONTINUES

Research Organization, Management

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] No 9, Sep 81 pp 57-58

[Article by Zhong Kecheng [6945 0344 2052] (edited by the staff of this journal): "The Organization and Management of Research in the Coal Industry"]

[Text] In recent years advanced coal-mining nations in the world are very concerned about the organization and management of coal research and treat the subject as a management science in their investigation. Valuable experiences have been generated for each nation's specific situation which should serve as a reference for us.

I. Organization and Work Division in Coal Research

The reorganization format of coal research should emphasize the proper handling of the interrelationship of research, development and production. Research in the coal industry should be approached from a pragmatic point of view, that is, (1) promoting a close relationship between research and production, (2) strengthening the coordination in scientific research, and (3) urging the industry to actively adopt new technologies.

In recent years foreign countries have taken the following effective measures in their research systems:

1. Establish research-production bases. The advantages of the research-production bases are the intimate matching between research and production and the great reduction in research time. For example, the Russian coal industry built a united company specifically devoted to the investigation of the mechanization of mineshaft auxiliary procedures. It is centered around a large scale research institute and the participation of design, development and production departments has reduced the time for developing new facilities by 50 percent. The United States has established even more research-production bases in government research centers, in corporate research institutes and in universities. Joint research is conducted for some highly interdisciplinary topics and large scale experimental facilities and computer centers are shared with high efficiency.

2. Establish research centers. These modern science and technology centers can not only concentrate man-power and resources in solving major problems in science

and technology but also promotes the intimate combination of scientific research and production. Today such centers are established in America, England, Russia, West Germany, Japan, France and Poland. In the United States, 4 research centers under the Bureau of Mines conduct mining research and the safety regulatory departments in the Labor Department also have technical service departments which carry out scientific research on safety. In West Germany, more than 50 percent of coal research projects are conducted jointly by this type of coal research centers and production plants of the coal industry. This kind of research organization effectively promotes the advancement of coal technology.

3. Adopt the contract system. A number of countries have adopted the contract system in improving the quality and efficiency of their coal research. The contract system is most popular in the United States. There are basically two types of contracts: In one type of contract the investment comes entirely from the government and a fixed compensation is usually made to the contractor in addition to the research costs. In the other type of contract both parties entering the contract share the burden of investment. This latter form of contract usually applied to the case where the production unit provides experimental facilities for the research project. A number of research projects are proposed by the research center which also provides the technical requirements and the work is contracted to private enterprises and universities which carry out the design, development, and testing, and present the research results. The job of the research center is mainly overseeing the technical standards and monitoring the execution of the research contract.

II. Organizing Research Plans and Research Projects

All the major coal-producing nations put great emphasis on the compilation of research proposals and plans. The general belief is that to develop coal research there should first be a proper goal and a practical research proposal. In foreign nations there are special institutions devoted to the study of "futurology" and research plans are made using systems engineering.

1. In a practical research project, there should be first a clear understanding of the key issues which have impacts on the development of the coal industry and then a program with well-defined emphases for short term and long term so that efforts can be focused in attacking the problem. It should be realized in planning a program that scientific research must lead the way for production construction whether the topic is key technical problems or long term economic construction.

2. Research plans in the coal industry are generally divided into short-term, mid-term and long-term projects. In England, for example, the plan is based on the projected production needs from 1985 to the year 2000. Short-term plans consider the topics of improved resource recovery and mining technology and the concentrated layout of mineshafts. Mid-term plans deal with the realization of remotely controlled and automated underground shipment and remote control of mining surface equipments. Long-term planning considers exploring the advanced experiences in other industries and transplanting it to the coal industry and topics such as mechanized mining using hydraulic power, broadened application of laser, and underground coal gasification. In any case, the actual contents of a research plan must be based on the specific situation of the nation and should not be forced to be

forced to be uniform. However, the principles of emphasizing short-term and long-term coordination and well-defined major efforts should be followed.

3. Material requirements of the proposed research plans are stressed in all nations. Budget requests are made simultaneously with the submission of the research proposal and the two are closely linked. Work can only be done within the means of funding. A research proposal that has a solid material backing is unlikely to be fruitless.

One important question in organizing a research plan is how to decide the main emphasis of the research. People abroad have considered this question from two standards, the so called internal standard and the external standard. The internal standard refers to the scientific field the topic belongs to and is concerned with questions such as whether the research has technically matured to the stage ready for development and whether the quality and quantity of the researchers engaged in this research are adequate to carry out the research and development tasks. The external standard can be divided into the scientific merit, the technical value and the social value.

All the major coal-producing nations emphasize basic research in their scientific research planning. The close relationships among coal production, processing and utilization and natural environment have been realized. In countries such as the United States and England, the ratio of basic research, applied research and development is roughly 1:2:5. The ai sen [phonetic] research center for coal in West Germany has approximately 1200 employers, out of which more than 1/3 of the employee efforts are in basic research.

While developing basic research, various nations have also realized that research topics should come from production practice. Many of the research topics in West Germany are technical problems in production urgently waiting for solutions. To solve the problem of excessive yield of coal powder in the rolling cylinder coal cutter, they have developed a disk coal cutter that has a powder yield 30 percent lower than that of a rolling cylinder coal cutter of equal power. The new type of coal cutter reduces the yield of grains 10 millimeter in size or smaller by 10 percent and improves the yield of 50 millimeter or larger coal grains by 27 percent.

The formation of an annual research plan should be based on a detailed study of the research topics of the previous year. Modifications should be made to various degree but the overall thrust should not be greatly different from that of the previous years. Plans are usually made every 2 or 3 years to maintain the stability of the research topics.

III. Organization of the Research Force

Excellence of the research team should be stressed and attention should be given to the development of various research forces. For example, special research companies, technical development departments of plants and mines and mining engineering departments of universities and colleges should each make their own contribution and complement each other. Scientific and research personnel specialties should be kept relatively stable and attention should be given to the cultivation and improvement of the research staff. Periodic training should be held for the researchers whether they are engaged in basic research or in technical work in plants and in mines.

International collaboration should be improved. In organizing the research force, we should not only pay attention to the collaboration with departments outside the coal research system but also stress the effective department of foreign research. For instance, the United States is not familiar with technology of long wall mining, so, in addition to their own investigations they have also invited experts from the luer [phonetic] coal technology consulting company in West Germany and from the British mining consulting company to the United States for mine pressure investigation and solved the technical problems of shielded automatic translating carrier.

Experience shows that strengthened international collaboration in technology is an effective means to improve the quality of researchers, to accelerate the development of scientific research and to obtain research results as quickly as possible. It is receiving increased attention in many countries.

IV. Carrying Out the Research Work

The procedures of scientific research should be rigorously adhered to. In general, different procedures of investigation are proposed for the study of different topics. In England, regulations require that the testing of a research prototype must include laboratory tests, surface tests and running at the production site (including underground).

Scientific research funds should be applied in a concentrated manner and funding for major projects should be guaranteed. The funding sources for scientific research in major coal-producing countries are all allocated from the production cost and sale volume of coal, except for government investments in research. Many research institutes are themselves financially accountable enterprise units.

Modern scientific experiment facilities should be built up. A research unit is different from a production plant or a coal mine. It must have a certain amount of laboratory facilities and measurement equipment in order to develop its specialty, to accept experimental and testing assignments that cannot be achieved at the plants and mines and to present convincing scientific data.

Attention should be given to the role played by scientific and technological information. In the days of a rapidly developing coal technology, the role played by information is becoming increasingly prominent in the modernization of technology. Advanced coal-producing nations have already entered the age of "information-computer-telecommunications" and scientific management of technical information. Extensive information and data can be obtained rapidly and accurately. The strong sense of timing has further accelerated the development of research.

A system of periodic checking should be established. For the purpose of discovering problems in time to make rational adjustments to the project, many countries have established a periodic checking system. The coal mining research and development center in England reviews the research topics once every month and the highlight subjects once every week as a rule. Modified schedules are then printed out by the computer and distributed to the staff. Brief summaries are made every quarter and annual reports are submitted to the bureau of coal management for review.

V. Evaluation, Application and Promotion of Research Results

On the review and evaluation of research results, each country has its own strict requirements and rigorous standards. The evaluation is usually carried out by a special committee or an appointed research institute. In England the general bureau for coal management appoints the institute of coal mining and mining machinery design to conduct certification for all the new coal mining machinery in England. Only the certified products are allowed to begin mass production. This institute has very stringent requirements in evaluating the newly developed automatic translating carrier Ziyi Zhijia [5261-4448-2388-2665]. Numerous tests are performed on the components and on the whole machine, and some new carriers went through as many as 20,000 tests. Once certified, the research results should be fully used and promoted. In the United States, research results of the government become the government's patent and there are specific institutions in charge of the promotion and proliferation in industry. The bureau of mines of the U.S. Department of the Interior established special organizations as early as the beginning of the 1970's to promote research results.

In recent years, science and technology of the coal industry in China have progressed steadily and the management of coal research has also gradually established a regular system. With the benefit of foreign experience, it can be anticipated that the future organization and management of research in the coal industry will become increasingly scientific and modernized and new contributions will be made in promoting the science and technology of the coal industry in China.

9698
CSO: 4006/39

Economic Problems Studied

Beijing MEITAN KEXUE JISHU [COAL SCIENCE AND TECHNOLOGY] in Chinese No 7, Jul 81 pp 2-4

[Article by special commentator: "Actively Develop the Study of the Economic Problems of Coal"]

[Text] The coal industry is an important sector of our nation's national economy. Since the founding of New China, it has developed greatly, and it has contributed what it should to the building of our nation's socialism. At present, there is already a team of several million workers on the coal industry front. Known coal reserves amount to over 600 billion tons. The state invests heavily in the building of the coal industry each year, and the industry has become one with a relatively large amount of fixed assets and with a productive capability second only to the United States and the Soviet Union, ranking third in the world. Now, how to rationally develop and utilize such rich coal resources, how to rationally utilize such huge manpower, material forces, financial strength and productive capabilities, how to rationally transport, distribute and utilize such massive amounts of coal products, and in general, how to develop their greatest efficiency and achieve their greatest economic results are a series of important economic questions regarding coal which confront us and which we must study.

Developing coal must obey the characteristics of the distribution of coal resources and other economic and geographic conditions. For example, the coal resources in Shanxi are superior to all other regions and the construction cycle for developing coal in Shanxi is short, with less investment per ton of coal being required, equivalent only to 1/2 to 1/4 that of Hunan, Hubei and Zhejiang. The cost of exploiting a ton of coal is lower than the national average by 1/3, and lower than that in Hunan and Hubei and Zhejiang by 1/2 to 1/4. The material labor production rate of the coal miners in Shanxi is twice as high as that of Hunan and Hubei and Zhejiang. But, expanding the development of coal in Shanxi is limited by such natural and socio-economic factors as the regional economy, labor force, water resources, and conditions of transportation, etc. As Marx pointed out, the labor production rate is always linked to various natural conditions. "True wealth is to use the least amount of labor and time to create the most material wealth." Therefore, according to coal resources and different socio-economic conditions, studying the use of the same amount of labor (live labor and embodied labor) to obtain more utilization value and to reach the best economic results is one of the important tasks of studying the economics of coal.

But, for a long time, under the guidance and influence of the mistaken leftist ideology, development of the coal industry did not sufficiently follow the situation in our nation, it did not sufficiently follow the objective patterns of the coal industry itself, it was anxious for achievements in its guiding policy, it blindly sought high goals, and development of the coal industry was hindered. Especially during the ten years of the "cultural revolution," the coal industry suffered from serious interference, the leading group, the technical teams, the workers' ideology, the productive conditions, business management, regulations and systems were all severely destroyed. In particular, the imbalanced internal proportions of the coal mines worsened, safety conditions were poor, the loss of coal resources was great, wastefulness in capital construction was serious, the proper procedures of capital construction were violated, and the preparatory work of the early period was neglected. Frequently, projects were started hastily and carried out without preparation, and with the addition of poor management, the economic results were poor. In addition, the price of coal remained unreasonable for a long period, violating the laws of value. Problems of not adhering to the principle of distribution according to work existed in the wages and labor system. The production, supply and marketing system and the management system were not well matched, etc. All these affected the hastened development of the coal industry. These problems show that we have not yet recognized clearly the laws of motion in the economic sector of the coal industry, and this is mainly because we have not launched the study of the economic problems of coal well.

Yet, the important significance of understanding clearly the economic problems of coal in developing the coal industry has not yet been recognized by even more comrades. We believe, for the coal industry to realize modernization, the modernization of technical equipment, the modernization of economic management and high levels of economic results are all important signs.

Obviously, with modernization of coal technology and equipment but with backward economic management, the economic results will be very poor, and we cannot say that the coal industry has truly realized modernization. Technology and economics are mutually stimulating, mutually dependent and mutually limiting. Science and technology serve economic buildup. They are "powerful levers" to stimulate economic development. What the economy needs is a technologically advanced motive force and direction. Technological progress is in turn the important condition and means to push economic development forward. Any technological reform and the realization of technological measures are all inseparable from economic conditions. Similarly, an economy unrelated to science and technology cannot exist. Under all conditions, people must use definite technology to achieve a definite goal and to satisfy a definite need. The social practice of any technology must consume manpower, material force and financial force under all conditions, and it must combine man, materials and technology as well as possible under a definite environment to develop their functions to the maximum extent. A lot of advanced technology frequently produces a very good economic result, but, because of the influence of various internal and external factors, technology and economy frequently possess the mutually limiting side of opposing each other and conflicting with each other. For example, under certain conditions, the technology may be advanced, but the economic results are not good. This limits the development of this type of technology. It can thus be seen, seeking the objective patterns of the rational relationship between technology and the economy and finding the best relationship so that technology and economics can mutually adapt to each other well is precisely the major problem of the economy of coal we want to study. Therefore, to promote the development of coal science and technology and to realize modernization of the coal industry, the development of the study of the problems of the economics of coal is needed even more.

The subject and the goal of studying the economics of coal should be a discussion of the link between the reproductive process of coal and economic problems, and we should take the economic effects and economic management problems in the process of reproduction of coal as the subjects. Coal economics, that is, coal technical economics, is the study of the economic questions of coal production and productivity, while coal economic management is the study of how to rationally organize the productivity of the coal industry, ceaselessly perfecting the economic relations of the coal industry (productive relationships), readjusting the superstructure's timeliness (such as the set up, plans, system, pricing policies, etc.) to suit the needs of development of the productivity of coal. Therefore, to study the economic problems of coal is to study the objective laws of the reproductive process of coal from the economic viewpoint, and using this law to form the best combination between the appropriateness of technology of the reproductive process of coal and the rationality of economics. For this, the task of studying the problem of the economy of coal is to show the economic patterns in the reproductive process of coal, to determine the plans to increase the productive efficiency of coal, to select the best economic results in productive construction, to improve the organization and plans for production, to point out the direction and the path to hasten the development of production, to make decisions to develop the coal industry and to provide a basis for establishing the most suitable technical and economic policies and management systems and to propose theory and methods to study the economics of coal.

We believe the content of studying the economic problems of coal is very broad. We must grasp the key points, emphasize the urgent problems that we face at present in our studies, and we must also consider the need to develop sectoral economics and to carry out overall research according to plans.

First, we should study the concrete theories and scientific methods of economic problems of coal. This should not be neglected. Because, without the guidance of basic theories and scientific methods, other research will not have anything to follow, and it would be difficult to judge their scientific nature and their correctness. The theory and method of studying the economic problems of coal must be guided by the general economic theory of Marxism, to absorb the advanced theory related to sectoral economics abroad and at home, and combine the concrete conditions and characteristics of our nation's coal industry, conscientiously summarize the social practices in the coal industry of 31 years, and to seek out the useful theories and methods from the valuable experiences, both positive and negative.

Second, to study the economics of coal resources, we must mainly study the socioeconomic uses and the technical and economic effects of coal resources. For example: 1. the regional distribution of coal resources and the geo-economic distribution of coal resources, the forecasting of trends and needs for coal resources; 2. economic zoning of coal resources; 3. technical and economic evaluation of coal resources, i.e., to analyze, prove and evaluate the feasibility from the technical and economic viewpoints the usability and ways to utilize coal resources; 4. to explore the value of coal resources in economic theory and the problem of compensatory use, etc.

Third, the development of the economic study of coal technology should emphasize the problem of economic results in the buildup of coal production. This should be the core of studying the economic problems of coal. We must not only study its nature, the system of indicators of economic effects, and the methods of evaluation and calculation, we must also carry out qualitative and quantitative comparison according to scientific regulation in considering concrete problems, determine various technical plans, technical measures and technical policies and their optimization. The subject of the economic problems of coal technology includes many areas, for example: 1. the rational development and distribution of coal resources, i.e., under different conditions, which technical method of development is rational, how to overcome the uneven distribution of the resources and how to effectively develop the desired effects of distribution, how large should the scale be to be economical, what type of wells and what intensity of development and how many years of service would be economical, policies that rationally develop regional coal mines; 2. the study of the effectiveness of investment in capital construction of coal enterprises, including the system of indicators and goals, and the methods of evaluation; 3. the problems in coal production, such as the rational utilization of productivity, the pattern of balanced production and the rational policy of digging for potential, renovation and reform, the rational criteria for the retrieval of coal resources, the ways to increase the labor production rate, etc.; 4. the rational scope of coal processing and washing, the rational structure of products, the rational utilization and comprehensive utilization of coal; 5. the policy questions concerning the development of coal science and technology, for example, whether to develop suitable technology or advanced technology, whether to rely on oneself or to introduce foreign technology, how to adapt introduced technology to our national situation and how can we adapt to the trend of international development, thus hastening the development of coal production in our nation and promoting the development of technology; 6. the study of how to correctly handle direct results and indirect results, immediate results and long term results, the relationship between macroeconomic results and microeconomic results, etc.

Fourth, research in economic management of coal should be carried out. The problems that need to be studied in this regard are broad, mainly problems of business management for coal, the system of economic management, the internal and external economic relationship and the series of economic policies. For example, the policy of protection and utilization of coal resources, the problems of the structure and the management system of coal, the rational system for production, supply and marketing, how to use economic methods to manage the economy of coal, the problems of the export of coal and foreign trade systems for coal, the analytic study of the production costs of coal, the ways to reduce cost, rational labor, wage and welfare policies for coal mines, coal pricing policies and other economic policies, the source and rational utilization of capital for buildup of coal, the policy of international cooperation and joint management, the relationship between the development of the coal industry and science, education and environmental protection, the rational economic relationship between the coal industry and other related sectors of the national economy, and the future for developing coal as the main energy resource and as industrial raw materials, etc.

If the above problems are studied clearly and their patterns grasped, then there will be freedom in managing the coal industry well.

At present, the study of the economic problems of coal is a very important and mighty strategic task. It relates to the future development of the coal industry. Therefore, we must organize our forces well to actively begin research. At present, we should organize appropriate forces in the departments of scientific research, design, geology and various economic management departments and concerned schools, and we should rely on scientific research forces in society, combine their efforts with actual problems, start out by studying specific topics, and after obtaining some results, we must first compile collected works on special topics in the economic research of coal, and on the basis of further systematic study, gradually form a more complete coal economics, then further enrich and improve it. For this, we must have a broad number of people willing to serve as scientific, technological and managerial cadres to widely carry out research, and we must also organize specialized teams to carry out systematic and in-depth research.

The characteristics and demands of research in the economics of coal are different from those in the research of coal technology. To the researcher, he is required to understand technology and also understand economics, the knowledge must be broader, and he must possess the ability to analyze and synthesize. This requires selecting a backbone team from cadres with scientific and technological and managerial experience, and at the same time to provide them with other necessary specialized personnel to carry out research together. In the method of research, the economic research of coal must emphasize investigative research and analysis, comparison and computation.

The other characteristic of economic research of coal is the wide scope and its involvement with the current system and policies of the state and the sector. Economic research is not the proving and the explanation of current policies. It must start out from the actual situation, it must start the engines, conscientiously study, speak the truth, judge by seeking truth from facts and judge scientifically, say whatever comes to mind, have the courage to propose opinions and suggestions of a policy nature having a scientific basis, and contribute towards the realization of modernization with one's own scientific research achievements.

At present, in the development of research in the economy of coal, although there still are some difficulties, for example: a few comrades do not have sufficient understanding and do not place sufficient emphasis on it, the research strength is weak, the organization and agencies are not sufficiently sound, basic work is poor, information is deficient, there is a lack of mature theory and method, etc., but now, there are many beneficial conditions, the party and the state emphasize economic research, there are some economic research agencies that have been established one after the other, such as the National Technology and Economic Research Center, which is the authoritative information and consulting organ on national policies concerned with technology and economic policy. The state has also gradually established some systems to promote the emphasis on economic research. The leadership of the coal ministry has emphasized research in the economy of coal, and recently, it has proposed concrete tasks to the scientific and technical departments to study and establish Chinese coal economics. In addition, the social practices of 30 years by the coal industry have accumulated rich positive and negative experience which can be utilized. The broad numbers of scientific and technical and managerial cadres are enthusiastically concerned with research in the economy of coal, and they have a great enthusiasm. Now, the key is to organize the forces. As long as we act and persist, we will definitely be able to develop research work in the economy of coal, gradually understand clearly the important economic problems facing us, grasp the patterns of the economy of coal in China, and promote the modernized buildup of the coal industry.

9296
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Symposium on Coal Utilization

Beijing MEITAN XUEBAO [JOURNAL OF CHINA COAL SOCIETY] in Chinese No 2, 1981 pp 67-68

[Article by Hang Jinhe [2799 6855 0735]: "Brief Report on the Symposium on Rational Coal Utilization"]

[Text] The China Coal Society, the China Metals Society, the China Chemical Engineering Society, the China Environmental Sciences Society and the Beijing Energy Society held a "Rational Coal Utilization Symposium" from 7 to 13 January 1981 in Changsha, Hunan. Some 150 specialists, professors and engineering and technical personnel involved in coal processing, metallurgy, chemical engineering, combustion engineering, environmental sciences and energy resources technical and economic research from all over the country participated. A total of 75 papers and reports were received. Their contents included: The country's basic coal production and utilization situation; rational utilization of refining coke and metallurgical conservation; new developmental research on coal gasification and liquification and mixed combustion of coal and gas; low caloric content coal combustion techniques and residue utilization; conservation of coal for use by the public; and the development of shaped locomotive fuels and the effects of coal processing and utilization on environmental pollution and environmental protection.

An extensive discussion of techniques and approaches for rational coal utilization was conducted at the conference, and it was concluded that rational coal utilization is a highly integrated scientific-technical and economic-mangement undertaking which includes such problems as production and supply of coal, its processing and utilization, human livelihood, and environmental protection. Performing effectively the work described below in keeping with our country's specific conditions will be an important approach to rational coal utilization.

1. It is necessary to intensify screening and classifying, increase the number of varieties, improve quality, improve the coal product structure, and rationally adjust coal prices. Many representatives pointed out that much industrial equipment which uses coal as a fuel or raw material has specific technical requirements regarding coal quality, and if the coal mines provide varieties of coal suited to the charcteristics of this industrial equipment it will be possible to get full efficiency from it and to achieve outstanding conservation results. It was suggested that the coal production departments should make an effort in this direction and create favorable conditions for coal conservation.

2. The coking industry should be steadily developed in a planned fashion. Setting up joint coking and chemical engineering enterprises in coke-producing mining districts for the purpose of producing various types of coke, municipal coal gas and chemical engineering products is an important way of making rational use of coal. It was suggested that certain local coke producing facilities which waste rather large amounts of coking coal should convert as rapidly as possible to mechanized coking so as to save coal and protect the environment.

3. We should promote actively the use of the blown coal powder technique in blast furnaces. This is an effective way of saving coal in the metallurgical industry, but to extend the use of this technology it is necessary to solve the problem of declining coal powder quality. It was suggested that the metallurgical departments propose quality requirements for coal powder to be used in this technology and that the coal departments set up the requisite classifying and screening plants.

4. An energetic effort should be made to fix the supply of coal for coal-fired electric power stations in terms of quality and amount. Electric power stations may efficiently burn low caloric value coal, but the quality of the coal supplied must be stable to assure normal boiler operation. If this work can be done, a 3 percent economic effect can be realized in coal conservation.

5. This country produces large quantities of low caloric-value coal, including brown coal, coal washings and gangue, which should be used locally in accordance with local conditions, in an effective manner. In addition to using its heat content, effective comprehensive utilization of coal ash and cinders must be achieved; use of coal ash in concrete and other building materials is an important method which should be energetically popularized. This is the key to economical utilization of low caloric-value fuel.

6. Developmental research on new coal conversion technologies such as gasification and liquification must be pursued. Liquification and gasification have the advantages of improving the coal's caloric content and overall utilization efficiency, ease of concentration which solves environmental pollution problems, alleviation of the load on transport facilities, and adding to the supply of fluid fuels and chemical

engineering raw materials. At present, not only must there be no slackening of scientific research work in this area, but an energetic effort must be made with modern techniques. Because the research period for coal conversion technology is rather long, it is suggested that arrangements for this kind of scientific research work be made well in advance.

7. Developing formed fuels is an important approach to efficient utilization of coal by the populace. In recent years, our country has had great achievements in the development of honeycomb briquets, and it is suggested that this technology be energetically popularized. The development of municipal coal gas should be gradually pursued in keeping with the nature of coal reserves and the needs of municipal construction. The technical approach should not be limited to a single method: Several programs should be compared and the most economical and efficient process selected.

8. A contingent should quickly be organized to pursue work on coal combustion technology. More than 80 percent of the coal produced in this country is used as fuel, but scientific research work in this area has not yet been organized, so that many problems such as low combustion efficiency and serious pollution have not been resolved; it was suggested that scientific research in these areas be quickly pursued.

9. Sufficient attention should be devoted to environmental pollution resulting from the use of coal, and early prevention and treatment measures taken. Many repreentatives pointed out that coal is the greatest pollution source in our country at present, and all of the various links in the coal production process and all coal processing methods lead to environmental pollution, so that environmental evaluations should be made of all the main enterprises making concentrated use of coal, and early protection and treatment measures should be taken to avoid grave consequences.

10. Technical and economic studies of coal utilization should be undertaken. The conference participants concluded that efficient utilization of coal involves not only technical questions but many economic and management questions. While pursuing technical and economic studies on energy sources, we must effectively link technology and economics, respect science, seek the truth from the actual situation, take a prudent approach and avoid one-sidedness. In view of the fact that technical and economic research on energy resources in this country are still weak, it is suggested that this type of scientific research work by strengthened in the future.

The participants all concluded that because rational coal utilization affects many departments, it is extremely necessary that various scientists and experts be invited to discuss problems of common concern. Many representatives believe that such a multidisciplinary conference is a rather effective professional activity and suggested that such conferences be held regularly in the future.

8480
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Rational Use Studied

Beijing RENMIN RIBAO in Chinese 28 Jul 81 p 3

[Article by Xie Xiaowen [6200 2556 2429] of the Planning and Design Institute of the Ministry of Coal Industry: "Use Coal Rationally"]

[Text] In terms of the technological standard of today's world, it is a big waste to use coal just as a fuel. Only when coal is used in an integrated fashion, where it is used as a thermal energy source as well as a chemical and metallurgical industrial material, can one say that it is fully used. Scientists have made the following comparison: if the value of using coal as a fuel is taken to be 1, then the value is 10 when coal is processed into coal tar, the value will be 90 if processed into plastics, 375 if synthesized into dye and 1,500 when synthesized into fiber. Therefore, all countries in the world are studying the rational use of coal.

China has abundant coal resources, it has a large coal reserve, a broad distribution and a complete variety, and the production volume is high. Although quite a few achievements have been made in the rational use of coal, there still remain a number of problems. For example, great amounts of coking coal are burned as non-coking coal, primitive coking methods are greatly promoted, coal utilization rates in both the industrial and civilian sectors are too low, quality of the produced coal is poor, utilization efficiency cannot be improved, and smokeless coal and brown coal have not achieved effective utilization.

It can be seen that there is great potential to be developed in China's coal utilization. Take the case of brown coal. It has a moisture content as high as 30 to 40 percent and a calorie value of only 2,000 to 3,000 kilocalories per kilogram, and has long been regarded as a low grade coal and received little attention. But, in fact, it is only necessary to first make brown coal into low calorie value coal gas and then generate electricity with the composite combustion gas-steam cycle for the thermal efficiency to reach 40 to 45 percent, twice the average thermal efficiency of today's coal power plants in China. Furthermore, when coal gas is piped into the cities for industrial and civilian use, it saves more than 50 percent of coal as compared to burning honeycomb coal. In addition, brown coal is a good material for coal gasification. When gasified in-situ, it not only produces high calorie value fuel with low ash and sulphur content, but also produces high grade material for coking, carbon material and carbon fiber, depending on the operating conditions. It can also be used as boiler fuel or further hydrogenated to produce high grade gasoline and other valuable chemicals. With advanced scientific technology for rational use of coal, even low grade coals are valuable, not to mention high grade coals.

In order to achieve rational use of coal in China, the previous development policy based on coking coal should be adjusted. Brown coal and non-coking coal, which are suitable for open pit mining, should be given priorities. This will not only rapidly increase the production of non-coking coal and brown coal, it will also provide a material basis for the rational use of various kinds of coal.

Next, dressing of all the raw coal should be systematically and gradually achieved to improve coal quality. Matching and distribution of production and demand should be made to satisfy the needs of different consumers to improve the utilization rate of coal.

Finally, scientific research should be strengthened to improve the technology of coal utilization and gradually achieve the conversion of coal into a secondary energy source and greatly improve the industrial and civilian heat energy utilization rate. That is, based on the different coal resource conditions at various places, united enterprises of electric power generation, coking, coal gas and coal gasification should be develcped according to the location to achieve a truly rational use of coal.

9698
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Coal-Oil Mixed Fuel

Beijing RENMIN RIBAO in Chinese 28 Jul 81 p 3

[Article by Ma Yuanji [7456 0337 7535] of the Physics Department of Zhejiang University: "Attention Should Be Paid to Mixed Fuels"]

[Text] Since the 1970's, because of the oil crises many nations have once again put the utilization of coal in an important position and actively searched for ways to substitute oil by coal. One of the new technologies developed in recent years is that of coal-oil mixed fuel, which is an effective transitional measure from oil to coal.

The so-called oil-coal mixed fuel is obtained by adding 20 to 45 percent of fine coal dust into the fuel oil, then homogenize it to a mud-like mixture. It can be used in fuel oil devices such as oil-burning boilers, blast furnaces, smelting furnaces and heating furnaces. When mixed fuel is used in oil-burning furnaces, it generally reduced the fuel oil consumption by 20 to 25 percent, and there is basically no need to modify the structure and size of the boiler. This has opened up the road toward substituting coal for oil. With a brief down-time and a small investment, equipment modifications can be easily made without affecting the output and efficiency and the original oil-burning system and storage facility can be used as well.

In recent years many industrially developed nations have put great efforts into research on coal-oil mixed fuels. Three international meetings were held since 1976 for technical exchange of mixed fuel technology. Today, mixed fuel technology has advanced to the experimental stage of broadening the application in large boilers and blast furnaces.

In China the experimental research of mixed fuel is already underway. Since 1979, the Chinese Academy of Sciences, Zhejiang University, Qinghua University and Yangshupu Power Plant in Shanghai have all obtained results in the investigation of the properties, manufacture process, transport and storage of coal-oil mixed fuel and presented technical papers in international coal-oil mixed fuel technology exchange meetings held in 1980 and 1981. Now the laboratory research has been completed, and intermediate tests will be conducted. The success of coal-oil mixed fuel technology can be expected.

9698
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Mine Flooding Prevention

Beijing GUANGMING RIBAO in Chinese 27 Oct 81 p 2

[Article by Wu Zongze [0702 1350 3419] and Li Linhe [2621 2651 3109]: "Strengthen Mine Flooding Prevention"]

[Text] A national conference on mine flooding was held early September in Jiaozuo Municipality. Experts attending the conference unanimously urged improvements in the prevention of mine flooding.

The hydrogeological structures of coal seams in China are complex and underground water often appears in mine shafts. As the depth of digging gradually increases, the flooding problem has become more serious and is now an outstanding obstacle to China's coal production and a threat to the workers in the safe production of coal.

The conference was centered around the topic of flood prevention in mine shafts and in-depth investigations were conducted from different aspects.

Experts believe that the primary requirement for the prevention of mine flooding is a thorough investigation of the hydrogeological conditions of the area. This is an elaborate task and can only be carried out properly with the collaboration of survey, production, research and education departments. To this end they recommended that the State Planning Commission, the Sate Energy Commission, the State Scientific and Technological Commission and the Ministry of Coal Industry include the prevention of mine flooding into their long term and annual plans, give it unified and overall consideration and planning and complete this task together. In the meantime, establish a national organization, round up specialists, form a task force and conduct investigation of common problems on a typical mine area with major water problem, then, summarize the experience gained in the study to advise the flood prevention work in other mining areas.

The experts also suggested the Mnistry of Coal Industry and its associated colleges and universities to add hydrogeology and production geology specialties, provide training for existing personnel and fundamentally change the serious shortage of mine shaft flood prevention specialists in China.

9698
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Losses During Shipment

Beijing RENMIN RIBAO in Chinese 14 Sep 81 p 2

[Article: "Alarming Loss of Coal During Shipment"]

[Text] The loss of coal in China during shipment is extremely serious. According to reports from Jiangsu, Zhejiang and Guangdong provinces, the loss of coal during shipment by railroad has uniformly gone up. The loss rate in recent years is generally in the 1.35 to 10 percent range with an average of 4 to 5 percent. Based on a 4.8 percent loss, the total annual loss of railroad transported coal in 1979 and in 1980 both exceeded 20 million tons. In an article entitled "Railway coal cart" published in the August 1980 issue of the Railroad Technology News magazine, it was pointed out that the loss rate of transporting coal in open railroad cars is 3 to 4 percent and in some cases, as high as 5 percent. Using the 3 percent figure, the annual loss is 15 to 18 million tons. According to data from Guangdong and Zhejiang provinces, the loss of coal in the transportation by waterways is 3.85 to 12.15 percent. For one shipment of coal from Guizhou Province to Jiangsu Province by a waterway-railway combination, the loss was as high as 20 percent. If we take the average loss in waterway shipment as 6.7 percent, the annual coal loss in the past two years has exceeded 2 million tons.

The principal causes for the high rate of loss during shipment are the following:

In the shipment by railway the foremost problem is the serious damages of railroad vehicles. According to a survey made a few years ago by officials of the Beijing Railways Society, as many as 70 percent of the open railroad cars are faulty. Although there have been some improvements in recent years, the percentage is still alarmingly high. In September 1979, the Ministry of Coal Industry made a month-long statistical survey at 72 uniform allocation mines and found that 29.24 percent of the railways carts entering the mines are handicapped by holes in the sides, missing doors, missing side panels and incomplete door latch parts; 41.41 percent of vehicles do not conform to specification. A total of 1.8 million train-times of broken and damaged vehicles entered the uniform allocation mines in China for one year, the figure is even higher when the nonuniform allocation mines are also counted. After these broken and damaged vehicles enter the coal mine, the holes need to be repaired and it takes great amounts of wood board, bamboo, straw, reed, straw and bamboo curtain, and wooden post. The coal mines in China suffer a loss of 50 million yuan per year on this item alone. Because so many vehicles are damaged or broken, there are still tremendous losses due to leakages in the shipment. Then there is the problem of poor management by the railroad. Some of the personnel at railroad stations take coal from the vehicles at will and some peasants near the station dig coal from the carts any way they can, then fail to plug up the holes, which causes coal to leak out all along the way.

The principal causes of the loss of coal transported through the waterways are as follows. First, the method of pushing staggered barges is being promoted for transportation on the Changjiang. Because there are frequent seasonal winds on the broad river surface, an average of 200 to 300 tons of river water will enter a 1000-ton coal barge. Upon arrival at Shanghai harbor, unloading cannot be done because of the water, which must be pumped out first. In pumping out the barge, small grains of coal are pumped into the river together with the water. Second, in the loading and unloading operations at the sea port and at the relay and reception coal harbors, large quantities of coal are also dumped into the water because of defective loading and unloading machinery and problems in the operation. When we were at the coal wharves in zones 6 and 7 of the Shanghai harbor, we saw some small fishing boats in Huangpu Jiang surrounding the collier and collecting the coal which fell into the river. From data collected at the site, a small fishing boat can collect 1.5 to 2 tons of coal per day. The Shanghai Coal Construction Company has retrieved 10,000 tons of coal that fell into the river in one year. It should be pointed out that the amount of coal collected by small fishing boats is a small fraction; most of the coal that fell into the river was either swept away or settled to the bottom.

Energy resources are in short supply in China. Quality assurance of the transportation of coal energy resources and reduction of shipment loss are urgent current issues to be addressed and they are the principal energy conservation tasks of the nation that should not be neglected. Naturally the problem in coal transportation are very involved and their solution will require a certain process. Our recommendation of the administration of the nation is to conduct special meetings to understand the existing problems in this area, establish practical and workable methods and regulations and take forceful measures to gradually reduce the loss rate in shipment.

9698
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Efficient Coal Heater

Beijing BEIJING RIBAO in Chinese 15 Sep 81 p 1

[Article by Peng Shuyun [1756 3219 0061] and Zhou Huiping [0719 1920 1627]: "Cheaper, More Efficient Coal Heater To Be Mass Produced"]

[Text] Yesterday the new model 81-4 coal heater was certified and approved for mass production by the supervising departments. This new coal heater is economic in coal usage, efficient in heating, low on smoke and coal gas, fast in starting, long on banked burning and esthetic in appearance.

At the present time, residents of Beijing generally use the so called "dual-purpose heater" for their cooking and heating. This type of furnace uses less coal than the honeycomb coal burner but it still consumes a fair amount of coal and it has the drawbacks of having a tendency to die out, and generating an excessive amount of ash and a high content of coal gas. In order to solve these problems, the science committee of Haidian Ward has made the development of a new coal furnace one of the principal items of its 1981 science and technology project and organized a new coal furnace task force consisting of 8 technical personnel from the Ganjiakou community union, the ward office for coal management and the ward bureau for environmental protection. They opened up their work under the guidance of two advisors, Wang Fengwu [3769 7364 2976] and Xie Yuebin [6200 1471 1755]. In the process of developing the new heater, they incorporated the advantages of the "coal-saving multiple-purpose heater" developed by Xie Yuebin and finally developed the new model 81-4 heater.

Scientific tests show that with banked fire this new type of coal heater produces 50 percent less carbon monoxide in the smoke flue and in the room as compared to the dual-purpose coal heater, the content is even less when the fire is high. The amount of heat released indoors is higher than that of a honeycomb coal furnace and is close to that of a briquet coal burner. It saves 33 percent of the coal. The fire starts fast and the burning time of a banked fire is long; a lump of coal can be banked for as long as 24 hours. It keeps the room ash-free, clean, and sanitary, since a small drawer installed at the opening of the heater collects the ashes and can be removed for dumping. It has a pleasing and esthetic appearance--it looks similar to a small nightstand, and its exterior is painted with various colors of fire-resisting cured paint.

At the present time, because the heater is still being handmade, they are sold at a relatively high price of 35 yuan. With mechanized mass production, the price can be reduced to 10 yuan per unit. These new heaters can be bought at the Tiantan exhibition.

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CSO: 4006/31

Taiyuan Coal Gasification

Taiyuan SHANXI RIBAO in Chinese 21 Aug 81 p 1

[Article by Zhan Fuquo [2069 1381 0948], Zhou Enying [0719 1869 5391] and Gong Qui [7895 6311]: "Coal Gasification Stressed in Taiyuan"]

[Text] The first meeting of the board of directors of the Taiyuan Coal Gasification Company, jointly administered by the Ministry of Coal Industry and the Shanxi Province people's government, was recently held in Taiyuan; at the meeting, the code of the Taiyuan Coal Gasification Company was passed and matters regarding the earliest possible accomplishment of coal gasification in Taiyuan were investigated together.

In late April 1981, based on directives from the Communist Party Central Committee and leading comrades of the State Council, the State Council approved the joint administration of the Taiyuan Coal Gasification Company by the Ministry of Coal Industry and the Shanxi Province people's government. On 18 and 19 August, the board of directors of the Taiyuan Coal Gasification Company held its first general meeting. Present at the meeting were chairman of the board Yue Weifan [1471 4850 5672] (deputy governor of Shanxi Province), first vice chairman Kong Xun [1313 8113] (deputy minister in the Ministry of Coal Industry), vice chairmen Jiao Zhijie [3542 1807 2638] (deputy director of the Shanxi Province Planning Committee), Yang Zhan [2799 1455] (director of the local bureau of the Ministry of Coal Industry), and Gao Yacai "7559 0068 2624] (director of the Shanxi Province Coal Management Bureau), and board members Zhang Mingli [1728 2494 3810] (chief of the Planning Department of the Ministry of Coal Industry), Wu Jing [0702 0079] (deputy director-general of the Chinese Energy Resource Research Commission and vice chairman of the Technical Committee of the Ministry of Coal Industry), Liu Congzhou [0491 1783 0719] (deputy director of the Shanxi Province Urban Construction Bureau), Cheng Jianfu [2052 1696 4099] (deputy director of the Shanxi Province Chemical Bureau), Shen Zhong [3088 6850] (vice chairman of the Taiyuan Municipal Revolutionary Committee) and Bai Kai [4101 0418] (director of the Taiyuan Municipal Metallurgy Coal Industry Bureau). Board members Jia Songming [6328 1529 2494] (deputy director of the Planning Institute of the Ministry of Coal Industry) and Wang Zeren [3769 3419 0088] (deputy chief of the Finance Department of the Ministry of Coal Industry) were absent because of other businesses.

After thorough deliberation, the company code of the Taiyuan Coal Gasification Company was passed at the general meeting of the board of directors.

Governor Luo Guibo [5012 6311 3134] of Shanxi Province attended and addressed the meeting. He emphasized that coal gasification is a major event to which the vast ranks of people of Taiyuan municipality have looked forward for many years. In the past this wish was not realized for various reasons, and the people of Taiyuan have opinions about this. In last year's government work report presented at the provincial people's congress, the question of the coal gasification of Taiyuan was specifically mentioned. The party Central Committee and the Sate Council are deeply concerned about, and support, the coal gasification of Taiyuan and directed the Ministry of Coal Industry and the Shanxi Province people's government to manage the project jointly. With strong support from the party Central Committee and the State Council and with the collaboration of the Ministry of Coal Industry, we are determined and confident that this beneficial endeavor will be accomplished as soon as possible.

During the meeting, comrades attending the board meeting also visited and inspected the Taiyuan coal gasification plant construction. They all indicated that they would work toward the realization of coal gasification in Taiyuan with the greatest determination, adopt the optimum proposal and actively overcome the difficulties.

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Shibaogou Mining Method Improvements

Taiyuan SHANXI RIBAO in Chinese 25 Jul 81 p 2

[Article by Wang Xianbin [3769 2009 2430] and Ren Fuxing [0117 1788 5881]: "Shibaogou Mine Improves Mining Method, Extends Mine Life and Increases Recovery Percentage"]

[Text] "The precious coal resources are not regenerative. We will be committing a crime against the nation and later generations if we do not improve the old mining method." These words were spoken to the reporter by party committee secretary Li Hua [2621 5478] of the Shibaogou coal mine in Xinxian Prefecture. Since June 1980, the Shibaogou mine has improved the old mining method, raised the coal recovery percentage and extended the life of mine shafts that are almost exhausted.

The Shibaogou coal mine was developed from small coal pits. In the past, using the old mining method, the waste of coal resources was serious and the life of the mines was shortened. With backward mining methods, the amount of ineffective footage was high, which in turn caused problems between recovery and digging and often led to the passive situation of stopping the recovery while waiting for the digging.

After the Third Plenum of the 11th Party Central Committee, the Shibaogou coal mine party committee held a number of meetings and urged the workers and cadres to obtain detailed data on two items. The first item was the loss of resources. From 1953 to 1979, the resource recovery rate of Shibaogou mine remained in the 20-percent range, that is, 4 tons of coal were wasted for each ton of coal recovered. The second item was the number of years of service of the coal mines. Robbing in the past shortened the mine life by 30 years. If the old method of mining to the stumps had been continued for another 15 years, nothing would have been left. If the national requirement of 75-percent recovery can be reached by improving the mining methods, the mine life will be extended for another 50 years. By going through and comparing the figures in detail, all the cadres and workers deeply realized that mining method improvement was urgent and imminent. This was reassuring to people.

After their understanding was improved, workers at Shibaogou mine first made material preparations and organized learning and training at nearby mines for 20 key members of the technical staff. With the enthusiastic support of peer units, it took only 1 month for them to grasp the basic operation procedures of the various steps in long wall substrate mining using a metal screen false ceiling. Test mining was subsequently conducted. Today, the three principal coal seams, numbers 2, 3 and 5, are all using the regular long wall mining method with the aid of metallic props. The recovery percentage from January to May 1981 reached 69.2 percent, a 39.6-percent increase over the same period last year. The long wall mining surface also eliminated accidental death in the past year.

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Jincheng Mining Bureau Achievements

Taiyuan SHANXI RIBAO in Chinese 5 Aug 81 p 1

[Article by Zhang Qiyuan [1728 0796 0626]: "Jincheng Mining Bureau Now Ranks Among Country's Best"]

[Text] After putting the distribution according to work policy on a solid basis, deploying a variety of economic responsibility systems and making a great effort for mechanized mining, the Jincheng Mining Bureau, an important base of smokeless coal production of China, achieved an all-personnel efficiency of 1.781 tons and 87.49 percent of mechanized mining in the first 6 months of 1981, equalling or surpassing the advanced level of coal mines in the country. In the first half of 1981, the raw coal output of Jincheng Mining Bureau exceeded the national quota by 200,000 tons, 41.3 percent of the mining at the bureau was mechanized, 64.1 percent of the contract profit payments to the nation for the entire year 1981 have already been made, and advance footage overfulfills the national quota by 1,800 meters.

In 1981, party organizations of Jincheng Mining Bureau at various levels put the distribution according to work policy on a solid basis, established a number of economic responsibility systems and a cadre assignment responsibility system, and divided the eight national economic and technical targets into some 30 subtargets and assigned them to the staff and workers. In the meantime, they also made further improvements in the piecework system. Indicators such as material consumption and engineering quality were made part of the evaluation of mining tasks according to piecework on the first line. In addition, national and labor contract systems were implemented in auxiliary units. Various units also took active measures to control overtime and nonproductive labor and obtained noticeable results. In the first 5 months of 1981, the bureau's nonproductive labor decreased by 53.6 percent and overtime labor decreased 21.9 percent as compared to the same period in 1980. The work time utilization rate of the first-line miners generally improved by about 1 hour over last year. From January to May, the bureau saved a total of 379,000 yuan in material costs and reduced the cost per ton of coal to 0.5 yuan below the national target. In the first 6 months of 1981, the consumption of mine shaft lumber in the bureau decreased by 35.31 cubic meters per million tons over the same period of last year and set the best record of the bureau. The accidental death rate per million tons of coal decreased 0.9 percent, and major and minor injury incidents decreased 28.27 percent and 17.3 percent respectively as compared to the same period of 1980.

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Commune, Brigade Production Cooperation

Taiyuan SHANXI RIBAO in Chinese 21 Aug 81 p 1

[Article by Rong Changqian [2051 2490 6197] and Jia Yanming [6328 3508 2494]: "Commune and Brigade Coal Mines Continue To Increase Production"]

[Text] In 1981, the commune and brigade coal mines in Shanxi insisted on the policy of unified planning, rational layout, reorganization and progressive improvement, and the production got better every month. On the basis of a 32-percent production increase last year over that of the year before, a new record has been set. As of the end of July, the commune and brigade coal mines in Shanxi have produced 19.867 million tons of raw coal and completed 65 percent of the year's quota, an increase of 22 percent over the same period last year.

Shanxi has a rich resource and a complete variety of coal. The geological conditions are good and the coal is easy to mine. The vast population of peasants are historically used to mining coal and the nation's four modernizations are in urgent need of coal. Since the Third Plenum of the 11th Party Central Committee, the rural communes and brigades in Shanxi Province have done well regarding food production and at the same time they have also made great efforts in constructing commune and brigade coal mines. But due to the improper "leftist" influence, the development of commune and brigade coal mines a few years ago was blind, the layout was irrational, the safety conditions were poor, the workers were accident prone and the recovery rate of resources was low. In 1981, the management branches of the various levels of commune and brigade enterprises in Shanxi Province stand out for grasping the readjustment of commune and brigade coal mines. Safety reorganizations are continuously being made, technical revisions are carried out in a planned and organized fashion; the number of wells has been reduced and mines are operated jointly, more than 500 coal mines in Shanxi Province are now run jointly by commune and commune, brigade and commune, commune and brigade, county and commune, and military and civilian. Such jointly operated coal mines acquired advantages in all aspects: the scale of mining is suitably increased, the ability to prevent accidents is strengthened, technical training is provided, mining methods are improved, the resource recovery rate is improved and all this makes the development of commune and brigade coal mines healthy during the readjustment. In 1981, a total of 183 mines are being improved, out of which 139 have completed the improvements. The commune and brigade coal mines in Shanxi Province have also conducted 5,000 man-sessions of technical training and upgraded production and reduced accidents.

Another direct reason for the good prospects of commune and brigade coal mines in Shanxi is the deployment of the economic responsibility system, which enlarged the autonomous rights of the enterprise, improved the profit-sharing scheme, gave more benefits to the producing commune and brigade, and motivated the activeness of the producers. A number of coal mines at various locations have signed production contracts with the commune, and the mines pay the workers according to a graded progressive computation. The expenses are on a fixed quota and the savings can be kept by the worker. This has vigorously promoted production, and the cost per ton has had a pronounced decrease.

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Shanxi's Coal Exports

Taiyuan SHANXI RIBAO in Chinese 9 Sep 81 p 1

[Article by Liu Xiangdong [0491 0686 2639] and Liu Fugui [0491 1381 6311]: "Shanxi Exported 350,000 tons of Coal in the First 7 Months; Manifesting Superiority and Earning Foreign Exchange"]

[Text] Shanxi's local coal exporting company, taking powerful measures and using every available means, has quickened the export of local coal. In the first 7 months this year alone, 350,000 tons of coal have been shipped to ports, then on to various parts of the world.

Coal exports from Shanxi used to be managed by the China National Hardware and Minerals Import and Export Corporation, and coal production was dictated by the unified national plan. Last year, establishment of a local coal exporting company was approved by the concerned national government department. This company is to manage exclusively the export of local coal.

After this company was established, the state invested 4 million yuan for the construction of a coal storage site more than 55,000 square meters in area at Qinhuangdao harbor. With assistance from the provincial economic commission and the provincial coal management bureau, this company carried out a general survey of the coal resources, the production capacity and the coal quality of a number of mines including Yanbei, Datong, Jinzhong, Luliang and Linfen. Based on the survey data, a number of export coal mine points were selected and those export coal mines which lacked some necessary production equipment such as coal crushers and coal selectors were provided with investments and loans in time to solve the problems. As a result, the quality of export coal was guaranteed and the export rate was increased. According to the statistics, over a period from July last year to July this year, a total of 640,000 tons of local coal have been moved to the port storage site and more than 410,000 tons have been shipped abroad, earning foreign exchange amounting to US $17.92 million and a pure profit of more than 26.34 million yuan. It has not only increased China's financial income but also contributed significantly to the four modernizations.

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Shanxi Statistics Reported

Taiyuan SHANXI RIBAO in Chinese 21 Sep 81 p 1

[Letter from Ren Binghang [0117 4426 0474], Liu Yongquan [0491 3057 3123], and Ji Zhongshi [0370 0022 2514] of the Shanxi Provincial Bureau of Coal Management: "Statistics of Coal Output in Shanxi's Major Bureaus of Mines in the First Seven Months of 1981"]

[Text] Comrade editor:

Currently there are 70 integrated mining facilities in Shanxi Province. In the first seven months of 1981, Shanxi's coal output has reached 11.78 million tons, which amount to 38 percent of the total extraction of the seven large unified distribution coal mines. Among the mining bureaus in Shanxi, Datong and Yangquan have approached the 50 percent level of integrated mechanized mining of coal. Of key importance in improving the coal output of Shanxi are the sound management and usage of mining facilities and the effort to boost the output of individual mining teams. With this in mind, we now provide you with production data of the large mining bureaus in Shanxi for the first seven months of 1981 and hope you will publish them so that various units can learn from each other and work together to improve coal production.

Comparison of coal outputs at major mining bureaus
in the first seven months of 1981

Project Unit:	Datong	Yangquan	Xishan	Fenxi	Luan	Jincheng
Unit production (tons)	33770	39914	38326	40506	41225	39025
Miner efficiency (tons)	13.697	16.049	18.175	10.86	17.891	14.77

Overall, the production status of integrated mining in Shanxi in 1981 is good. In the first seven months, the average output of integrated mining teams has reached 36,475 tons --- 2,074 tons higher than the output of the same period last year --- and the individual miner efficiency is 14.86 tons, an improvement of 1.06 tons over the same period last year. However, there also exist a number of problems. To name the major ones, coal surface is improperly laid out in some integrated mining teams, equipment is poorly matched, excessive time is spent on moving, there is poor management and equipment repair, mechanical and electrical accidents and injuries and casualties still occur from time to time, and in certain teams, fighting for equipment still exists. The development of integrated mining is very unbalanced; for example, team No 4 of the Yongdingzhuang mine of the Datong mining bureau, which has the best production record, produced a total of 75,000 tons of raw coal in the first seven months of the year whereas the poorest team had an output less than 10,000 tons. Today there are still ten low output integrated mining teams; if their unit production can be improved to the average level, the raw coal output of Shanxi will be increased by 20,000 tons per month. We hope all the production units will look at these records and compare to see whose efficiency is high and who makes greater contributions. In the comparison, find out how far they are falling behind, learn from the good performers, develop the full force of integrated mining facility and improve the coal output as quickly as possible to support the modernization construction of the socialist society.

Editor's reply

In 1981, the increase of coal production in Shanxi Province has been slow and advances are limited. One prominent problem is the decrease of unit production and unit advance at the coal surface. Causes for the decrease can be attributed to low show-up rate, low work hours and under utilization of machines. If the coal production is to be improved, great efforts must be made to shape up the organization and discipline of the labor force, improve all personnel efficiency and per unit production and footage figures. In the letter written by Comrades Ren Binggang et al, integrated mining outputs of the large unified distribution coal mines in Shanxi Province are compared. We hope that, in comparing these results, all the production units will catch up by learning from the advanced units and improve the unit production at the coal surface in order to boost coal output as quickly as possible.

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Shanxi Increased Output Continues

Taiyuan SHANXI RIBAO in Chinese 3 Oct 81 p 1

[Article by Wang Zhenhua [3769 2182 5478]: "Shanxi Continues To Increase Coal Output During Readjustment"]

[Text] Holding fast to the route of developing potential, restructuring and improvement, local coal mines in Shanxi Province have strived to improve the integrated production ability of the mines. Raw coal output has had large scale increases from year to year and the outlook of the mines has undergone profound changes. These changes have manifested themselves in four areas:

I. Production ability has continued to improve and raw coal output has maintained a definite growth during the readjustment period.

Up to the present, local coal mines have completed the modification tasks for 42 pairs of mineshafts and the coal output has increasd from 4.37 million tons before the modification to 8.87 million tons, which is more than a 100 percent increase.

In 1979 and 1980, raw coal output of the local coal mines averaged an annual growth of 16.44 percent. In the first eight months of 1981, raw coal output increased by 14.28 percent as compared to the same period last year and the national quota was overfulfilled by 7.73 million tons. By the end of 1980, raw coal output of the local coal mines was up to 49.28 percent of the total coal output of Shanxi Province.

II. Accident-proofing ability has been noticeably improved and the number of incidents has continued to decline.

Since August 1980, the local coal mines have conducted consolidations strictly according to the 10 standards issued by the Provincial People's Government and have subsequently closed 841 small coal mines that lacked safe production conditions and were irrationally laid out. Among the local coal mines, 32.5 percent have eliminated one-eyed shafts, open-flame lighting, open-flame firing and natural ventilation. Coal mines threatened by natural disasters such as flooding and fire have been greatly reduced.

III. Mining methods have been greatly improved and the recovery rate of coal resources has also increased.

In 1979, the number of new coal surfaces in local state-operated coal mines was 22.1 percent of the total number of coal surfaces and the output from new coal surfaces has reached 48.21 percent of the total extraction figures. In 1980, the number of new coal surfaces was increased by another 10 percent as compared to 1979, and the output from new coal surfaces has reached 54.35 percent. Extraction recovery rate in 1980 was 3.6 percent higher than that in 1979 and, under the same conditions, an extra 3.56 million tons of coal were recovered for the nation. Outputs from metal framed coal surfaces and high quality coal surfaces have also had large scale increases.

IV. Twelve railways exclusive for coal transportation were built and the ability to ship coal was improved.

Over the past two years, local coal mines have built 12 railways with a total length of 80.5 kilometers and a coal shipping capacity of 6.6 million tons for the exclusive purpose of hauling coal. In addition, 10 more coal transporting railroads with a total length of 114.1 kilometers are under construction. Up to now, local coal mines of Shanxi Province (including 6 state-operated unified-distribution mines) are in possession of 43 exclusive coal-hauling railroads with a total length of 301 kilometers and an exporting capacity of 24 million tons. In 1980, coal shipped from local coal mines to other provinces has reached 27.86 percent of the total amount of coal shipped out of Shanxi Province.

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Datong Bureau Exceeds Quota

Taiyuan SHANXI RIBAO in Chinese 3 Oct 81 p 1

[Article by Ma Yuxiang [7456 3768 4382] and Liu Fanli [0491 2753 7642]: "Datong Mining Bureau Completes September Assignment and Overfulfills Quota"]

[Text] With the courageous spirit of a Taishan climber, employees of the Datong Mining Bureau have worked hard to increase coal output. After overfulfilling the national quota for six consecutive months, the raw coal output of Datong Mining Bureau in September was 2.0395 million tons--again exceeding the national quota. Increases in extraction and enlargement footage have both exceeded quota.

For a period of time at the beginnning of 1981, raw coal output of Datong Mining Bureau fell below target. Various levels of leadership at the Bureau made serious analyses of the reasons for low output, initiated criticism and self-criticism, established the concept of overfulfilling the quota in 1981 and 1982, and strived to boost production. Since March 1981, as the result of a concerted effort by everyone in the Bureau, raw coal output has climbed steadily, overfulfillment of the quota was realized for 6 consecutive months, and most of the deficit in production near the beginning of the year was made up. In September, the Datong Mining Bureau kept up the spirit and established 10 concrete measures for increasing output by making good use of the forces at hand and developing further potential.

September is a very busy month in the Yanbei area since both the autumn harvest and the traditional "mid-autumn" festival fall in September. More than 100 leading cadres from the Bureau and the mines went deep into the brigades and the group units to strengthen political thoughts and to insure attendance. At Jinhuangong mine, with the "five initiatives"of party members, league members, model workers, brigade cadres and group leaders, the attendance rate of extraction and forward digging workers in September reached 75 percent, which insured the normal progress of production and led to an output 12,400 tons above quota. According to unofficial statistics, 4,710 workers at Datong Mining had made plans to return to their villages for the autumn harvest or for vacation; with proper arrangements, they have delayed their vacation and made new contributions in obtaining a good coal output.

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Duerping Mine Production Increases

Taiyuan SHANXI RIBAO in Chinese 7 Sep 81 p 1

[Article by Li Taixian [2621 1132 6513], Sun Huaiyu [1327 2037 1342] and Niu Gengtian "3662 5087 3944]: "By Strengthening the Political Work and Treating the Three Relationships Correctly Duerping Mine Strives for Speed Amidst Reorganization"]

[Text] Duerping mine of the Xishan Mine Bureau correctly treated the relationship between production and reorganization, insisting on good coal production during the reorganization, and made its coal yield increase season after season. In the 2 years of 1979 and 1980, the raw coal production increased on average more than 10 percent each year, realizing a profit which increased on average more than 80.1

percent a year. From January to July this year, the raw coal production increased 15.7 percent compared with that of the same period last year, and realized a profit which was 26.1 percent higher than that of the same period last year.

The reasons why Duerping mine was able to maintain a steady rate of expansion are as follows: They treated the relationship between production and reorganization correctly and strived for progress amidst reorganization and increased production amidst reorganization. In the beginning there were some misunderstandings among a number of cadres at the mine. They considered that reorganization meant retreat and to implement reorganization meant to hold down production. The party committee member of the mine, focusing on this misconception, instructed the staffs and workers and showed them how to treat the following relationships correctly: 1) Relationship between the local and the whole: The nation is urgently in need of coal. Coal production may only increase and may never decrease. Local considerations must give way to national ones, and internal reorganization of an enterprise must follow the reorganization of the national economy. 2) Relationship between production and reorganization: If local coal production is not increased, then the national income cannot be increased and neither the enterprise nor the workers will benefit much. The speed at which reorganization can be carried out will be adversely affected by all this. 3) The dividing line between a high standard and an advanced standard: We must oppose not only the unrealistically high standard but also exaggeration of difficulties. We must fight the pessimistic and conservative idea which prevents us from achieving increased production in spite of our capacity. Through education, the thoughts of workers as well as cadres were unified around correct concepts, so that the morale of all the employees of the mine was kept high throughout. Upon this foundation, they have conscientiously implemented the policy of distribution according to the labor and various other kinds of economic responsibility systems within the enterprise. They have aggressively pursued mechanized mining method and thus expanded their coal productivity considerably.

The experience of Duerping mine proved that maintaining a steady rate of increase of coal production not only did not adversely affect the rate of reorganization but, in fact, helped it. From 1979 till today, this mine has retained a portion of profits amounting to 3.04 million yuan, and renewal and remodeling funds amounting to 6.75 million yuan, thus completely eliminating the problem of a shortage of capital needed for the reorganization. Up until now, the entire mine has completely made up more than 6,300 meter footage advance shortfall, solved its disproportion problem in mining and, as a result, the excavation, preparation and recovery projects have all exceeded the standard set by the government. The projects related to the construction of fringe benefit facilities for the staffs and workers have cleared away more than 59,100 square meters of area, and the area on which work has begun is up to 40,000 square meters. The engineering projects related to the construction of ground storage, loading and transportation system have been completed. The engineering projects related to the construction of ventilation systems and safety measures are progressing rapidly, and these projects are expected to be finished ahead of schedule. Last year, the average income of the staff and workers also increased from 78.4 yuan a month in 1978 to 100 yuan a month.

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Fenghuangshan Output Up

Taiyuan SHANXI RIBAO in Chinese 7 Sep 81 p 1

[Article by Wang Qingping [3769 3237 1627] and Zhou Mingding [0719 2494 1353]: "Stirring Up the Revolutionary Spirit and Striving to Increase Coal Production, Fenghuangshan Mine's Raw Coal Production Increased Rapidly"]

[Text] The entire staff and workers of Fenghuangshan mine, under the Jincheng Mine Bureau and under the leadership of party committee members, have stirred up the revolutionary spirit and strived to increase coal production in order to support the national economic readjustment. The raw coal production of the entire mine doubled from 1977 to 1980. During the period from January to July this year, the state plan had been completed for all eight economic indicators, creating a historic high level for the period.

The party committee of Fenghuangshan mine believed that the work conditions at the mine field were full of hardship, and the only way to increase production is to stir up the spirit of sacrifice and perseverance. To do this, they have organized the ranks of staff and workers well, and have taught the workers and cadres the revolutionary philosophy of life, love for the mine, and dedication to the mine. They explained to the workers the important position occupied by the coal industry in the entire national economy, and the glorious responsibility that rests on the shoulders of the mine workers, filling the workers and cadres with a sense of responsibility and a spirit of sacrifice, so that strong combat spirit and high morale prevailed throughout the mine. In the first half of this year, more than 270 staff and workers were recognized as advanced producers and advanced workers.

The party committee of this mine has also paid attention to the education of party members and cadres so that they can lead effectively by setting good examples and models. The president of the mine, Wang Jiabin, and the vice-presidents in charge of production and safety insist on going down into the mine shafts and work sites in order to understand the situations there so that the problems may be solved more effectively. They are found in the mine shafts, more than 15 days each month. Following the examples set by the leading cadre, the communist party members of the mine are leading the masses day and night engaging in battles with a spirit comparable with that of scaling the Yuhuang summit of Taishan, willing to suffer first before enjoying the fruits of their labor.

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Xishan Mines Increase Output

Taiyuan SHANXI RIBAO in Chinese 25 Sep 81 p 1

[Article by Xu Ruoqi [1776 5387 3823]: "Three Projects in Xishan Mining Bureau Reach High Targets"]

[Text] Xishan Mining Bureau has achieved very good economic results in their efforts to increase output and reduce costs. From January to August, the cost per ton of coal mined in Xishan Bureau has decreased to 14.77 yuan, the lowest among the unified-distribution coal mines in China; 52.39 million yuan of profit was achieved and 47.18 million yuan of contract payment was made to the State, the absolute values of the profits realized and the contract payments made have placed Xishan Mining Bureau second from the top among China's unified-distribution mines. This Bureau has also overfulfilled raw coal production quota by 440,000 tons, which is the second highest among the nation's unified-distribution coal mines.

In 1981, because of price increases in steel and lumber and other policy reasons, the cost per ton of coal at Xishan Mining Bureau would have been 1.71 yuan higher than that of 1980. Computations based on the raw coal production plan set by the State, there would be a 15.41 million yuan expense increase at Xishan mines. The Bureau's Party Committee explained the factual difficulties to the employees and mobilized the work force in a great effort to develop the potential within the enterprise, worked hard to increase output, conserve resources and lower costs. Since May, they have initiated an enterprise consolidation which consists of examining the system, the leadership, the discipline and the weaknesses and improving the economy in the enterprise and they have improved the management. This has led to an accumulated costs per ton of coal for the first 6 months of 1981 lower than the target by 0.09 yuan and insured the completion of contract payments.

In consolidating the enterprise, the Xishan Mining Bureau seriously promoted a variety of economic responsibility systems and made clear-cut regulations concerning the jurisdiction, economic responsibility, contract, method of computation, usage of funds and award payments for the bureau and mines (plants and offices). They have placed the targets of increasing revenue and cutting costs solidly on the basis of wards, teams and individual workers and linked them up with the employee's income to motivate the worker's initiativeness. From January to August, 1.74 million yuan were saved at Xishan Mining Bureau just from the savings on mine lumber, metal props and explosives alone. The total value of increased income and reduced costs has reached 19.57 million yuan, which is equivalent to an average of 3.02 yuan for each ton of coal mined.

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Briefs

FIVE PROVINCES' COAL MEETING--The Ministry of Coal Industry recently held a report meeting at (Baisha) Mining Bureau in Hunan Province on the readjustment of the relationship between extraction and tunneling in five provinces, namely: Guizhou, Henan, Anhui, Jiangxi and Hunan. The meeting stressed that to step up coal production, it is essential to attach importance to tunneling work. The meeting pointed out that to fulfill coal production quotas, many coal mines concentrate on coal extraction and disregard tunneling work in November and December every year, resulting in imbalance between extraction and tunneling. The meeting demanded that this situation be resolutely changed, that importance be attached to tunneling and that the relationship between extraction and tunneling be readjusted well. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 7 Nov 81 HK]

GUANGXI COAL PRODUCTION--Guangxi Region's output of coal in September was some 100,000 tons more than in August representing an increase of 28.67 percent; and its tunneling progress was 25.46 percent greater than in August. [Nanning Guangxi Regional Service in Mandarin 1100 GMT 19 Oct 81 HK]

JIANGSU COAL MEETING--A Jiangsu provincial work conference on local coal mines was held in Xuzhou from 29 October to 1 November. Since 1969 a large number of locally operated coal mines have been established in the province. As of the end of 1980 these local coal mines had produced a total of more than 35 million tons of coal in 10 years. The conference called for efforts to maintain the annual output of the local coal mines above the 4 million-ton level. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 6 Nov 81 OW]

JILIN COAL PRODUCTION--In the January-September period, collieries across Jilin Province whose products are distributed under a unified state plan overfulfilled the raw coal production plan by 361,780 tons and the tunneling footage plan by 4,000 meters. The death rate declined by 6.4 percent from the same 1980 period. The rate of ash composition and gangue composition of commodity coal decreased by 74 per thousand and 26 per thousand respectively compared with the corresponding 1980 period, increasing 3.82 million yuan of income for the state. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 6 Oct 81 SK]

SHANXI COAL PRODUCTION--According to the statistics of the Shanxi Provincial Management Bureau of coal mines, as of 21 October, the local coal mines had overfulfilled the year's production quota of 51.31 million tons. This was 71 days ahead of schedule. As of the end of October, the coal mines had overfulfilled the year's production quota by 2,040,700 tons. From January to October, the total production of coal increased by 13.11 percent over the corresponding period last year. In the wake of increasing production, the coal mines in the province have also attached importance to production safety. From January to September, the province exported a total amount of 21,057,400 tons of coal to other provinces and regions throughout the country, an increase of 40.77 percent over the corresponding period last year. In order to make arrangements for next year's production, the provincial coal mines management bureau held a work conference in Shouyang County in mid-October. [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 5 Nov 81 HK]

CSO: 4006/130

OIL, GAS EXPLORATION CONTINUES; PROSPECTS GROWING

Pearl River Estuary Basin Reserves

Guangzhou YANGCHENG WANBAO in Chinese 12 Aug 81 p 1

[Article by Gong Zhijin [7895 1807 3866] and Liu Weikun [0491 3634 0981]: "Pearl River Basin Is Now Nation's Largest Oilfield"]

[Text] "The Pearl River Estuary Basin, 200 kilometers from Guangzhou municipality, has now been confirmed as China's largest oilfield among the oil reserves already explored. This is the latest news released by Chinese geologists in their recently completed "Oil and gas prospects evaluation report for South China Sea-Pearl River Estuary Basin." It is the result of the hard work of 1,700 South China Sea ocean geology workers.

On 8 August, geologist Dr Jin Qinghuan [6855 1987 3562], principal technical administrator of the South China Sea Geological Survey Command, met with reporters and gave a detailed account of the Pearl River Basin and their efforts of the past 5 years in uncovering the facts.

Ample geophysical survey and ocean drilling data indicate that the Pearl River Basin is a large oilfield with abundant oil and gas reserves. Its geological conditions for oil formation are superior. First of all, the basin has a large area--150,000 square kilometers--and it is one of China's largest basins south of Qinling. The basin has thick sedimentation, ranging from 7,500 to 11,000 meters at the center of the basin. By comparison, the sedimentation layers of the familiar Sanshui Basin and the Maoming Basin in Guangdong Province are generally 3,000 to 4,000 meters thick. The thick sedimentation layer of the Pearl River Basin implies there are many oil-bearing layers. Moreover, there are abundant regional structures properly distributed in the basin. The major regional structures number about 200. These anticline structures are like a bunch of huge oil storage tanks buried deep in the ocean.

The members of the South China Sea Geological Survey Command began geological exploration in the South China Sea in 1975, and in 1976 they discovered the Pearl River Basin. From 1977 on, they explored the northern slope of the basin using the imported "Explorer II" ocean drilling rig. In 5 years, they have completed 48,870 kilometers of geophysical survey, including seismic, gravitational, magnetic and depth measurements. Seven wells were drilled, with a total footage advance of

17,275 meters; among them Pearl No 5 produced high-yield industrial oil. Early this year, the South China Sea Geological Survey Command organized technical personnel, and using the latest technologies including mass spectroscopy, stable isotope, and ultramicropalaeontology, conducted an integrated study of the survey results collected at the Pearl River Basin in the past few years. After a 6-month effort, they have completed the evaluation of oil and gas prospects of the basin.

Jin Qinghuan told reporters that the command's evaluation of the oil and gas reserves of the Pearl River Basin is conservative. Its evaluation is comparable to the calculations of some foreign oil companies and it reached essentially the same conclusions. This evaluation was conducted by the Chinese totally independently and it took only a little over 5 years. One must say the speed is fast. This is sufficient proof that the Chinese petroleum geology technical people are not only capable of finding large oilfields on land, such as Daqing and Renqiu, but are also of the even more difficult task of locating large oilfields in the depth of the ocean.

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CSO: 4006/496

Pearl River Basin 'Encouraging'

Guangzhou NANFANG RIBAO in Chinese 13 Aug 81 p 1

[Article by Liu Weikun [0491 3634 1024] and Wang Dekuan [3769 1795 1401]: "Oil and Gas Prospects in South China Sea-Pearl River Estuary Basin Are Encouraging"]

[Text] After a 5-year effort by the South China Sea Geological Survey Command of the Ministry of Geology, a large oil-bearing basin was discovered in the north gulf of the South China Sea. NANFANG RIBAO reporters interviewed geologist Dr Jin Qinghuan [6855 1987 3562] and other at the command and heard their encouraging scientific assessment: according to estimates based on the data, the basin's oil reserve prospects are better than those of the largest oilfields already explored in China today. This evaluation was made by the ocean geologists of the South China Sea Geological Survey Command entirely on their own.

The South China Sea is the largest sea in the proximity of China. Its total area is 3.5 million square kilometers, of which 1.96 million square kilometers belong to traditional Chinese sea territory. It has vast shelfs, slopes, lu long and deep sea plains and a series of benthic mountains, troughs and trenches. The complete geomorphology, varied sedimentation environment, and large flow of ground heat created favorable geological conditions for the formation of rich oil resources. Development of an ocean geological survey and the survey and exploration of ocean oil resources are highly significant to the development of China's economic construction.

The ocean geology work in the South China Sea has been going on for 20 years, but systematic investigation only began in the early 1970's. Since 1975, after the discovery of the north gulf basin, investigations were conducted in the Pearl River Estuary Basin only some 200 kilometers from Guangzhou. By the end of 1976, 150,000 square kilometers of the sedimentation area of the Pearl River Basin were defined.

Drilling was organized in 1977, and high-yield industrial oil flow was obtained in 1979. From survey to the flow of industrial oil, it took less than 5 years. This speed is exceptional even in foreign ocean oil geological survey and exploration.

In the last few years, the South China Sea Geological Survey Command has carried out an extensive general geology-geophysical investigation of the Pearl River Estuary Basin and drilled seven wells. In 1981 the command conducted an integrated study of the survey data obtained over the years and started compiling an "Oil and gas prospects evaluation report for South China Sea-Pearl River Estuary Basin," which is due for completion shortly. For the first time the report has made a scientific assessment of the oil and gas prospects: the basin has superior geological conditions; the thickness of sedimentation is great and there are abundant oil-bearing layers and locations; it has a high ground temperature gradient which is favorable for the transformation of organic matter into oil and gas; the contents of organic carbon, chloroform bitumen and hydrocarbons, all important in oil formation, far exceed the standard of oil-bearing rocks; the oil bearing structures have appropriate thickness, complete closure and proper distribution, the favorable oil bearing structures are like natural oil storage tanks buried extensively in the depth of the basin.

Based on the integrated study of the obtained data, the ocean geologists calculated the oil reserve prospects using a chloroform bitumen computation method. Calculation results indicate that oil reserve prospects in the basin exceed those of any of the large oilfields already explored in China.

The rich oil resources of the Pearl River Estuary Basin have attracted attention both here and abroad; quite a few foreign oil companies hurried here to negotiate on development and exploitation of the basin oil reserve. The assessment of the South China Sea-Pearl River Basin oil and gas prospects will play an important role in China's development of the South China Sea oil resources. It is the result of the hard work of the vast ranks of staff and workers of the South China Sea Geological Survey Command system. The exploration and development of oil in the Pearl River Basin will undoubtedly provide energy and capital for China's four modernizations construction; in particular, it will provide a strong material basis for four modernizations construction in Guangdong Province.

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CSO: 4006/495

Coastal Waters Basins

Beijing BEIJING RIBAO in Chinese 25 Sep 81 p 1

[Article by Li Weiyao [2621 1218 1031] and Huang Fengchu [7806 1144 0443]: "Six Big Oil and Gas Basins Found in Coastal Waters"]

[Text] China's ocean geologists have completed 1 million square kilometers of near-sea petroleum geological survey, discovered six large oil and gas basins and showed that the future prospects of China's oil and gas resources at sea are indeed bright.

The six large oil and gas basins are located at Bohai Basin, South Yellow Sea Basin, East China Sea Basin, and Pearl River Estuary Basin, North Gulf Basin and Yinggehai Basin at South China Sea.

Bohai territory is the first area where the Ministry of Geology conducted its geological survey of petroleum at sea. Ocean geology explorers discovered a 80,000 square kilometer depression in Bohai that is rich in oil and gas reserves. This depression is an extension of Shengli, Dagang and Liaohe oil fields in North China Basin toward the sea and is connected at the bottom of the ocean to the surrounding oil and gas bearing basins on land. Its total land and sea area is 180,000 square kilometers. The departments of petroleum industry have conducted detailed survey in this area and drilled a number of high yield oil and gas wells.

The South Yellow Sea depression is an extension of the north Jiangsu oil and gas bearing basin toward the bottom of the ocean, the land and the sea combined to form the North Jiangsu-South Yellow Sea Basin. The area of the ocean bottom portion alone is 78,000 square kilometers, there are more than 40 possible oil-bearing structures in the basin and the thickness of the oil producing rock layer is 5000 meters. Geology departments have drilled 8 holes in this area and discovered that the oil bearing rock system is similar to that of the north Jiangsu oil and gas basin.

The East China Sea Basin has the best prospects for oil at sea. Its area is 460,000 square kilometers, equal to the combined area of the Songliao Basin and the North China Basin. The basin can be divided into three sections: the western section, the middle section and the eastern section. The western section begins at 34° latitude in the north and ends at the Penghu Isles in the Taiwan strait in the south, stretching a length of 1,200 kilometers and an area of 260,000 square kilometers. The thickness of the sedimentary rock at the bottom is over 10,000 meters and 4 promising oil reserve structure belts were discovered. The "Eastern Zhejiang Long Wall" structure belt alone has an area of 5,000 square kilometers; it is an unprecedentedly large structure belt in China's history of petroleum geological surveying. The first oil survey well in East China Sea yielding multiple oil sand and high pressure natural gas was drilled on this structure belt in February, 1981.

The 150,000 square kilometer Pearl River Estuary Basin has a huge formation of third serial oil and gas bearing stratum. After extensive geological and geophysical drilling and survey, prospecting of oil and gas in the Pearl River Basin has now been completed.

China's petroleum geological survey at sea began in the late 1950's. At that time there were only 100 ocean geologists working primarily with fishing boats and apparatus for on-land oil surveing. Now China's ocean oil geological survey team has grown to more than 4,000 people equipped with some 30 survey vessels and advanced equipment for depth, earthquake, magnetic and gravitational measurements and sophisticated drilling platforms. The team conducts comprehensive geological survey of ocean bottom mineral resources, primarily oil, from close to the shore to deep sea areas.

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CSO: 4006/35

South China Sea, Southern Yellow Sea Prospects

Shanghai JIEFANG RIBAO in Chinese 22 Sep 81 p 1

[Article by Huang Fengchu [7806 1144 1443]: "Prospects for Extracting Oil and Gas at South China Sea and Southern Yellow Sea Are Excellent"]

[Text] The oil reserves in the South China Sea and Southern Yellow Sea are quite abundant and the prospects for extracting oil and gas are excellent. Oil and gas fields at sea with substantial yields are expected to be built. Chinese and foreign petroleum geology experts who participated in the geophysical exploration at sea are in agreement regarding this.

The Ministry of Petroleum Industry recently concluded its oil resource evaluation for eight geophysical exploration zones including the Pearl River Estuary Basin, Yinggehai, and the southern part of the North Gulf in the South China Sea and the Southern Yellow Sea. It has also been decided that cooperative oil exploration and development with foreign oil companies will be open for bids by the end of 1981 or at the beginning of 1982, at the latest.

The total area of the eight geophysical survey regions of the Pearl River Estuary Basin, Yinggehai and the Southern part of the North Gulf in the South China Sea and in the Southern Yellow Sea is 420,000 square kilometers. The Ministry of Geology and the Ministry of Petroleum Industry had conducted some geophysical exploration in the past in these sea areas and a number of exploratory wells yielding industrial oil and gas were drilled at North Gulf, the Pearl River Basin and Yinggehai. In 1979 China opened up cooperation with foreign companies and signed geophysical exploration agreements with foreign oil companies for these eight areas. A total of 48 oil companies from 13 different countries participated in this effort. The oil companies organized more than 700 technical staff in geology and geophysics and deployed sophisticated exploration equipment for this task. In over a year's time, they completed seismic testing for 110,000 kilometers and submitted to China 120 reports on the interpretation of geophysical exploration data and resource evaluation.

China organized more than 200 petroleum geology and geophysical exploration experts and technical personnel and, based on data submitted by the foreign oil companies, conducted a comprehensive analysis and study of the structure, oil reserve, oil yield and coverage conditions of these sea areas and estimated their oil reserve potentials. Extensive geophysical exploration data and drilling data indicate that these sea areas have broad distributions of deep sedimentation rocks and there are mature oil producing strata. More than 400 possible oil-bearing structures of various types were discovered in these regions and among them several dozen are major structures.

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CSO: 4006/31

South China Sea Oil Meeting

Hong Kong WEN WEI PO in Chinese 22 Oct 81 p 3 HK

[Report by WEN WEI PO correspondent: "Experts Submit Preliminary Reports in Guangzhou Probing into Prospects of Oil Fields in South China Sea"]

[Text] Over 170 top-level marine geologists came to Guangzhou to hold the first South China Sea geological symposium. At the symposium, they put forth data on geological surveys of the South China Sea continental shelf which have been carried out for many years and probed into questions concerning the geological features and oil and gas resources of the South China Sea.

At a time when the world is facing an energy crisis, promising results in prospecting China's offshore oil resources have already attracted the attention of oil circles at home and abroad.

At present, oil produced from offshore oil fields already accounts for one quarter of the world's total oil output. People are placing more and more hope on offshore oil reserves. China has a vast expanse of sea area of which the South China Sea occupies an important position. On 21 October, Ye Xuanping, vice governor of the Guangdong Provincial People's Government, extended his congratulations to the marine geologists who participated in the "South China Sea geological and oil and gas resources symposium" and said that the preliminary reports which revealed the secrets of this seabed treasury were "very inspiring."

In the 1960's, our country's marine geological scientific and technological workers carried out geological surveys in the Yingge waters of Hainan Island. In the 1970's, systematic surveys and prospecting work were carried out. In the first 4 years, geological and geophysical comprehensive surveys were carried out in Beibu Wan [Northern Gulf; Chinese name for Gulf of Tonkin]. As a result, a depression of 2,800 square kilometers was discovered in the middle of the Beibu Wan basin. The ministry of petroleum then carried out prospecting and industrial oil reserves were detected. After this, comprehensive geological and geophysical surveys were carried out over a vast area of 290,000 square kilometers east of the Leizhou peninsula and the Qiongzhou strait, west of Shantou and north of latitude 16 degrees 21 minutes north. The surveys included seismographical tests, marine magnetic surveys, aerial tests, seabed gravimetric tests, seabed structure sampling, geological cross-sectional surveys and drillings.

Data of surveys which have been carried out show that the geological conditions in the South China Sea are very favorable for oil and gas and there are rich resources of oil and gas there. Up till now, we have already discovered six large deposit basins in our country's sea area and three of them are in the South China Sea. This large seabed oil treasury of the South China Sea is extremely worthy of exploitation and development. At present, China is striving to expedite the prospecting, exploiting and developing of oil and gas resources in the South China Sea's continental shelf.

At the "South China Sea geological and oil and gas resources symposium" jointly held in Guangzhou on 22 October by the special Marine Geology Committee of the

Chinese Society of Oceanography, the Chinese Society of Marine Geology, the Chinese Society of Geology, the Ministry of Geology's South China Sea Survey Command, experts, professors, senior engineers and technological personnel with rich experience from 50 units concerned--the Ministry of Geology, the Ministry of Petroleum Industry, the State Oceanography Bureau of the Chinese Academy of Sciences, the Ministry of Metallurgical Industry, the State Seismological Bureau, universities and colleges--put forth, on the basis of results of geological surveys and scientific investigations which have been carried out over the past few years, over 50 academic papers on the South China Sea's oil-bearing and gas-bearing seabed structure and basin, the formation and changes of basin, the structure of oil reserves, the oil-bearing features of mesozoic strata and prospects of oil and gas resources in order to exchange views and to probe into questions of the South China Sea's geological features and resources. Professor Ye Zhizheng, member of the Earth Science Division of the CAS, vice president of the Chinese Marine Geology in our country has a very short history but it is developing quickly. Offshore drilling was started not long ago either, but gratifying results have been achieved. This gathering of outstanding geologists will certainly raise the level of our country's marine geological science and technology and push forward the exploitation and development of the oil resources in the South China Sea continental shelf.

Also participating in the meeting were Zhu Xia, member of the Earth Science Division of the CAS, director of the Geological Institute of the Geological Division of the CAS and a well-known geologist, Guo Lingzhi, Nanjing University's structure expert, and other top-level Chinese geologists.

CSO: 4006/71

Daqing Associated Gas Recovery

Beijing GUANGMING RIBAO in Chinese 27 Oct 81 p 2

[Article: "Daqing Oil Field Associated Gas Successfully Pressurized and Collected"]

[Text] Using Chinese-made compressors, Daqing Oil Field has recently succeeded in pressurizing and collecting associated gas and provided an effective means for improving collection and transportation technology and for conservative energy.

Oil field associated gas is a valuable chemical resource and fuel, about 6 billion cubic meters of associated gas are produced every year in various oil fields in China. In the past, due to the scattered gas sources and the low pressure, and due to the lack of suitable compressing equipments and associated facilities, it was difficult to collect and utilize the associated gas and most of this resource was not recovered and properly used. To correct this situation, Daqing began its experimentation of associated gas compression and recovery. Using its compression and collection facility, Daqing collected a total of 3.8 million cubic meters of associated gas. After subtracting the losses, this is equivalent to a recovery of 3600 tons of crude oil and the amount of energy used in the recovery is only about 6 percent of the energy recovered. Tests show that the Daqing compressing and collecting system is simple in structure, easy to maintain and can be promoted to wider use.

9698
CSO: 4006/74

Remote Sensing Reveals Fossil Fuel Deposits

Beijing XINHUA in English 0243 GMT 3 Nov 81 OW

[Text] Beijing, November 3 (XINHUA)--Chinese scientists have completed a large-scale regional geological survey in Sichuan basin by applying remote sensing techniques and got a wealth of stratigraphic, structural and mineral data.

XINHUA learned this today from He Shangrong, engineer of the Sichuan Geological Bureau, who is here attending the current second Asian conference on remote sensing.

He said the results obtained have deepened geologic research and improved the quality of mapping. Chinese scientists have accumulated significant data for predictions of some mineral deposits by means of remote sensing images and synthetic interpretations.

He said the coal-bearing beds in the Chong-Qing and Guangan areas which appear on the remote sensing image in clear light stripes have been proved to be coal-producing areas.

The ring structures in the area are favorable guides for finding oil, natural gas and salt, he said. There are good prospects for finding salt deposits. "The anticline should be an important area for exploration," he said.

In central and northwest Sichuan there are closed arch structures which provide important hints for searching oil and gas, the engineer said. In the east Sichuan foldbelt, coal- and iron-bearing beds mostly lie in the core of the anticlines. Several such deposits near Chongqing have been verified by drilling.

He said the depositional environments of the depression in front of the Longmenshan in the western fringe of the basin are very important aress for exploration of salt, glauber salt and other deposits.

CSO: 4020/26

New Petrochemical Technologies

Beijing GUANGMING RIBAO in Chinese 23 Aug 81 p 2

[Article by Shi Hua [4258 5478]: "Petrochemical Institute Develops New Fossil Fuel Technologies"]

[Text] The Petrochemical Institute of the Ministry of Petroleum Industry has obtained three major scientific research achievements in recent years in its development of energy conservation and mazut processing. Pronounced economic effects have been obtained after these research results have been promoted and employed in industrial production.

In 1977 the institute began a research project on a carbon monoxide catalytic combustion supporter. After 1 year, five types of combustion supporter were successfully developed in the laboratory. In 1979, in collaboration with the Yumen refinery, the institute conducted industrial tests on a 12-ton scale catalytic cracking device which were successful in the first run. By the end of 1980, 19 refineries were already using the new technique. Two years' application has shown that the new technique using a carbon monoxide combustion supporter decreases the carbon monoxide content in the flue gas exhausted from the regenerator from 8 percent to less than 1 percent and greatly reduces the pollution of the atmosphere. The method allows heat to be recovered and decreases the energy consumption by 100,000 kilocalories for each ton of catalytic input. The method also improves the collection percentage of gasoline and light diesel fuel; on average the increase is 2 to 4 percent for light fuel oil. Preliminary estimates show that the 19 refineries using this new technique produce 200,000 to 400,000 tons more gasoline and diesel fuel for the country each year and burn 100,000 tons of fuel less, with a total economic benefit of more than 50 million yuan.

In addition, in 1980 the technique of mixing and refining mazut in the catalytic cracking process developed by the institute was proved successful in industrial tests conducted at the Modanjiang refinery. This new technique increased the collection percentage at the refinery by 9.2 percent, for a net profit of 4.78 million yuan in 1 year. This technique is also beginning to be used by refineries where the catalytic input is insufficient, and the economic benefits will be even more pronounced, especially at large plants. In 1979, the technique of residue solvent de-bitumen process and catalytic cracking were successful in tests conducted at industrial facilities at Dalian Petroleum Plant No 7. Using the combined techniques, 31 tons of gasoline, 28 tons of light diesel fuel, 7 tons of liquefied gas and 25 tons of surface asphalt can be obtained from 100 tons of oil residue. The techniques have received the attention of relevant departments and refineries, and promotion activities are being organized.

9698
CSO: 4006/495

Briefs

ANNUAL OIL QUOTA PROGRESS--Beijing, 1 Oct (XINHUA)--China's oil industry produced 75,554,000 tons of crude oil in the first nine months this year, fulfilling 76 percent of its annual quota, announced the ministry of petroleum industry. During the third quarter, some of China's big oil and gas fields such as Karamay in Xinjiang, Dagang near Tianjin and the Sichuan oil and gas field were hit by windstorm, heavy rain or flood. The workers soon restored normal production with the assistance of local authorities and met the production targets for July to September. In some oil oil-producing areas, effective measures were adopted to raise recovery rate and prolong the period for stable daily production. [Beijing XINHUA in English 0155 GMT 1 Oct 81 OW]

CSO: 4020/21

DAQING OIL OUTPUT--The Daqing petroleum administrative bureau achieves good results in applying the overall planning method. The bureau's annual crude oil output has increased by 1.5 million dun, comprising one-seventieth of China's total annual crude oil output. [Beijing Domestic Service in Mandarin 1600 GMT 10 Nov 81 OW]

CSO: 4006/130

GOBI DESERT EXPLORATION--Chinese petroleum exploration is being carried out in the Gobi Desert in northwest China, regions of carbonate rocks in southwest China, east China for deep reservoirs and offshore areas, said Niu Yuquan, 46, a geophysicist of the China Petroleum Exploration Development Corporation at a joint meeting in Beijing of the Chinese Geophysical Society and the American Society of Exploration Geophysicists. The offshore regions include the Bohai Bay, Yellow Sea, East China Sea and South China Sea. Chinese geophysicists in the last three decades have adopted various seismic methods according to the geological conditions of each oil bearing basin and achieved good results, Niu said. The Gobi Desert and loess high-lands in northwest China, the regions crisscrossed by water in northern Jiangsu Province and in Jianghan Plain, the mountainous districts and karst limestone zones in the southwest and the basalt zones in Hainan Island and northern Jiangsu were very difficult areas for seismic work. Niu said. However, through long practice, the Chinese geophysicists have understood the seismic problems more clearly. Niu Yuquan said that China had begun to develop digital recording and data processing in the late 1960's and early 1970's. As a result, China had discovered a series of buried-hill oilfields, for example, the Renqiu oilfield in north China found in 1975. He said that China would try to combine seismic methods with other geophysical methods and improve field operations and data processing. [Hong Kong TA KUNG PAO in English 17-23 Sep 81 p 6]

CSO: 4020/9

POWER-HYDROPOWER GENERATION, SUPPLY IMPROVING

Overall Planning Advocated

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 7, 12 Jul 81 pp 4-6

[Article by He Gegao [0149 2706 7559]: "Overall Planning in the Development of Hydroelectric Power"]

[Text] Both coal and petroleum are now in short supply in our country, and the development of hydroelectric power has come to be recognized as an aspect of strategic energy policy in the development of the national economy. Leading comrades of the Central Committee accord full importance to the development of hydroelectric power, and have frequently declared that more should be done in this area, and Premier Zhao Ziyang has stated that the purpose of its development is to create prosperity for future generations. Hydroelectric power can provide cheap motive power and can perform the functions of peak load regulation, frequency regulation, phase regulation and reserve power in the electric power system, in addition to offering the benefits of flood prevention, irrigation and navigation. But hydroelectric power generally involves rather large investments and long construction times, as well as the problem of loss of the inundated territory, and accordingly, there has been some hesitation in drawing up long-term plans and organizing annual plans. Because hydroelectric power is a component of the electric power system and also a component of the comprehensive use of rivers and streams, planning for hydroelectric power should take account of the whole picture, including both the electric system and comprehensive utilization, should make comprehensive plans and draw up overall balances, take account of all of the economic benefits from hydroelectric power, and draft long-term, comprehensive plans to guide the organization of annual plans. Here we advance a few preliminary opinions on taking account of all relevant factors in hydroelectric power planning.

1. Taking Account of All Economic Benefits for the Power System as a Whole

The electric power system must supply electric power steadily, safely, flexibly and economically; this is possible only if hydroelectric and fossil-fueled power stations complement each other, and a power system relying on only one of these types would be impracticable. Because both hydroelectric and fossil-fired stations have characteristic advantages and disadvantages, only by integrating them closely together so as to exploit their advantages and make up for their shortcomings is it possible to obtain the best results. For example, fossil-fired power stations can only operate steadily if a supply of coal is guaranteed; they can be used for a large percentage of the time, and the more steadily they generate electricity the more economical they are. But fossil-fired generating units start up slowly, requiring 2 or 3 hours from ignition to the beginning of power generation, and accordingly they are incapable of flexibly handing peak load adjustment and frequency adjustment in a system and providing a quickly-available emergency reserve. If fossil-fired power stations are made to take on these tasks, the starting and stopping of the generating units will decrease the proportion of time during which they are in operation, coal consumption per unit power output will increase, the life of the generating units will be shortened, and there will be more malfunctions, which is uneconomical and unsafe. According to statistics from the Northeast China Power Industry Management Office, a drop in the proportion of electricity generated by water power in the Northeastern power system forced the fossil-fired plants to make up a large proportion of the peak load; the average peak load adjustment by fossil-fired stations in 1979 was 800,000 kW, of which 600,000 kW was taken on by high-temperature, high-pressure units, and 20,000 kW by medium-temperature, medium-pressure units, with the result that some fossil-fired generating capacities remained unused, which limited utilization of fossil-fired stations' superior feature of being able to produce electricity as long as coal is available. According to preliminary statics, in 1979 there was a power production shortfall of 2.9 billion kWh. When fossil-fired stations were used to regulate peak load, coal consumption went up greatly; if the 800,000 kW peak load regulation had been shifted from fossil-fired stations to hydroelectric stations, coal consumption in the main power grid would have been decreased by an average of 7 g [per kWh], which could have resulted in the considerable saving of more than 20,000 tons of coal over the year. In addition, the ignition of coal-fired units requires ignition oil; a 1,000-kW unit generally requires 1-2 tons, a 5,000-kW unit about 5-6 tons, and a 10,000-kW unit about 20-30 tons. Accordingly, frequent stoppages of coal-fired power generating units is very uneconomical. The situation is different for hydroelectric stations: in general, the quantity of electricity generated by hydroelectric stations is affected by water availability, so that in dry seasons their capacities decrease considerably and they cannot meet the system's requirements steadily, but they are easy to switch on and off, generally requiring only 1 or 2 minutes, which makes them extremely flexible in peak load regulation, frequency regulation and response to sudden system failures. When hydroelectric stations are available to take on these tasks, fossil-fired stations can be kept in steady, economical operation, so that the entire system is in its optimal state. In addition, the generating units of the hydroelectric and fossil-fired power plants in an electrical system generally have to be overhauled in rotation, and we can make use of the high-water season, when hydroelectric power output is high, to overhaul fossil-fired units. Accordingly, the fact that hydroelectric power stations are in use for a smaller percentage of the time is not an essential shortcoming, but results from the fact that the entire system requires that they take on tasks which are difficult for fossil-fired power stations, so as to improve the overall operating state of the system. If we draw up a power balance for the entire system, we can find a suitable time percentage of utilization for hydroelectric stations and determine the proper time percentage of operation for each hydroelectric station within the overall inventory of hydroelectric stations. We should not say uncritically that the small percentage of time utilization of hydroelectric stations is a shortcoming, nor should we consider economy of operation only in terms of hydroelectric stations alone; instead, we should consider economy in terms of the entire system. Of course, we should also avoid uncritically increasing the generating capacities of hydroelectric power station equipment in order to decrease unit construction costs. In systems where hydroelectric power accounts for a large share of the total generating capacity, the hydroelectric stations will have to take on a part, even a considerable part, of the base load. In the Southwestern part of our country, where water power is particularly abundant and the conditions for its development are rather good, and where rich deposits of nonferrous metals are also located, some hydroelectric power stations are built for the extraction and refining of nonferrous metals, so that the percentage of time during which they are in operation must be high.

To summarize, in an electrical power system, overall planning and comprehensive balancing must be conducted on the basis of load characteristics and the energy situation and in terms of system stability, safety, flexibility and economy so as to determine the suitable ratio between hydroelectric and fossil-fired stations. In areas with limited water power resources, where the hydroelectric stations primarily provide [storage] capacity, the percentage of hours in operation can be somewhat low, as in the Northeast and East China regions, where the requirement is only for about 2,000 to 3,000 hours of operation; the figure can be even lower for the North China area, and in the Beijing-Tianjin-Tangshan area the construction of pumped storage power stations, using excess fossil-fired electrical capacity during low-load periods to pump water to high-altitude reservoirs, releasing it at peak periods to generate power for load regulation, has even been suggested. In areas where water power is plentiful, such as parts of the Southwest and the upper reaches of the Yellow River, hydroelectric stations will account for more of the power generation capacity, hydroelectric equipment may account for more than half of the overall system, the utilization ratio for hydroelectric power may be 5,000 hours or even more. This requires that the entire electric power system be taken into consideration in drafting rational long-term plans so as to develop hydroelectric power in a planned and systematic manner and make suitable adjustments in the annual plans. We should avoid the past faulty situation in which "hydroelectric power was rational in the long-term plan but could not be organized into the annual plans," and when in fact there was no detailed, analytical long-term plan.

2. Overall Consideration of Expenditures and Receipts

In the past, when selecting a power generation program, whether the choice was between different types of hydroelectric power stations, between hydroelectric and fossil-fired stations, or between large-size or medium or small-size stations, emphasis was generally placed only on the investment per kilowatt or kilowatt-hour for the project, which was a quite inadequate approach; to know whether a project is economically rational, it is necessary to take expenditures and receipts into consideration, as described below.

A. When calculating the investment in electric power construction, we cannot take account solely of the investment in the station, but must also calculate the cost of various necessary projects associated with the station. When making comparisons between projects for hydroelectric and fossil-fired stations or when discussing the economic effect of a hydroelectric station in terms of its replacement of another station, in addition to calculating the investment in the construction of the station (including land acquisition, population resettlement, relocation of factory and mining enterprises and posts, telecommunications and transport routes and the like), it is also necessary to figure in the investment for transformer facilities, environmental protection and the like. In the past, when making comparisons hydroelectric and fossil-fired power stations, fuel expenses were computed only when figuring the annual operating cost, and no account was taken of investment in the increased fuel storage area and fuels transport lines or roads required for fossil-fired stations; this is the method commonly used in Europe and the United States. Today many people believe that this method is irrational; this country differs from the European countries and the United States, since here the investments in power stations and associated construction are all provided by state finance departments, and if the capital construction costs for a fuel storage area and fuels transport lines or roads and other engineering are taken into account, this will enable the planning departments to choose between power generation plans by giving consideration to all the financial, material and resource aspects--especially since our country's current low fuel prices do not reflect the real social labor value.

When calculating investments, we must also take account of the fact that different proposals require engineering work of different duration. In the past, when calculating investment we took no account of interest, and thus ignored the fact that the investment was lying idle, with the result that we did not perceive the effect of the duration of construction on economic effect. Some large-scale projects with a long construction time and high investment were selected only because the investment per unit power output was low; conversely, some relatively small-scale projects with short construction times and low investments were rejected only because their investment per unit power output was high. If we were to compute the length of time the investment was lying idle and the recovery period, it is quite possible that at present, when this country's financial organizations are hard-pressed, more small-scale projects with a short construction time, low investment and rapid return would be selected and that limited investment funds would not be spent on huge projects which would give a return only in 10-odd or 20 years.

B. As everyone knows, hydroelectric stations do not consume fuel, and in-plant power consumption is only 1/40 that for a fossil-fired stations, in addition to which management expenditures are lower, so that operating expenses are always lower than for fossil-fired stations. However, if specific, detailed calculations are not made for every alternative plan, we will not understand the economic effects of investments, nor will be select the most rational project when choosing between different hydroelectric power stations or between hydroelectric and fossil-fired stations.

C. In comparing proposals for power construction projects, in addition to calculating investment and operating expenses we must also calculate economic results, and we must compare various power station proposals in terms of satisfaction of the requirements for a certain load level with or a certain load task (base load, intermediate load, peak load) with a given power system. When the alternative proposals include hydroelectric, fossil-fired and nuclear-powered stations, after a power or energy balance is drawn up for all of these alternatives on the same load curve, economic accounting is then carried out; it is necessary to calculate for each proposal not only the total investment in the power station and associated engineering (including interest on the investment) and operating expenses after the station goes into operation, but also the economic effect realized after the station goes into operation. If these expenditures and benefits are aggregated for a number of years, using a state-specified time period, and tables or curves are drawn up, it will be possible to see clearly the difference between the expenditures and income for each proposed alternative year by year, the various investment recovery periods and the true economic effect, making it possible to select an economically rational proposal.

3. Taking Full Account of the Benefits from Comprehensive Utilization

Building hydroelectric stations changes the natural condition of rivers and streams and thus necessarily produces many contradictions. For example, when a dam is built, producing a reservoir, fields, towns, enterprises, transport lines, forests and the like upstream are inundated, a large population must be resettled, and the passage of boats, timber and fish may be hindered; on the other hand, a reservoir may make possible irrigation, flood prevention, improved navigation, aquatic products breeding, environmental improvement and other important benefits. These matters all affect the interests of various departments, which will make different, contradictory requests. If these contradictions are well handled, the benefits will outweigh the disadvantages, and generally this will help promote the early construction of hydroelectric power stations, producing many benefits. Conversely, the contradictions may drag out the construction of a hydroelectic station or even prevent it from producing the benefits which it should produce after construction. We must consider the problem from all sides, and when developing our country's water power resources we must engage in comprehensive planning and take account of all spects, reach suitable arrangements, and exploit resources in an economically rational manner. The overarching government departments should arrange matters with the offices and localities affected and should coordinate matters effectively. Currently, an especially difficult matter in the construction of hydroelectric power stations is compensation for flooding and resettlement of the population. The areas and organizations which will benefit from a dam always want it to be somewhat higher and the reservoir somewhat larger, while the areas and units to be flooded always want the dam to be lower and the reservoir smaller. In dealing with these problems, the planning departments must take a comprehensive view and make a concrete analysis. On the one hand, they should do everything possible to avoid building high dams and large reservoirs in areas where there are large population concentrations and large amounts of agricultural land upstream, while on the other hand they should build some high dams with large reservoirs whose benefits outweigh the harm they do. In the past, some projects did produce benefits which far outweighed the harm they did, such as the Liujiashan Hydroelectric Stations, which inundated 77,000 mu of agricultural land and caused the resettlement of 33,000 persons but had an installed power of 1.225 million kW, making it the largest main power station in the northwest, and also enabled Lanzhou City's flood protection standards to improve to the level of one flood in 50 years, while the regulated river flow also guaranteed irrigation for more than 10 million mu of agricultural land downstream. The Xishui Hydroelectric Station in Hubei flooded 47,000 mu of agricultural land upstream and caused the resettlement of 49,000 persons, but it had an installed power of 40,000 kW, irrigated more than 500,000 mu and gave flood protection to between 20,000 and 30,000 mu of land. Such projects were rightly undertaken, and projects similar to them should be supported by the state. In the past, there were in fact many problems involved in flooding compensation and resettlement, and in some cases the production activity and living arrangements of the persons displaced still had not been settled more than 10 years after the dams were in operation. The amount of arable land per capita in this country is small, and most agricultural land is located along the banks of rivers, so that special care must be taken in deciding to build reservoirs which flood land and displace people, and every effort must be made to select projects which flood the least land and displace the fewest persons while producing the greatest benefit. In handling compensation for flooding, the principal dealings should be with the locality, the organization in charge of construction should coordinate the work, leadership of resettlement work should be intensified, and rational compensations should be made out of funds specifically earmarked for the purpose with consideration of the interests of state, collective and individual alike, and resettlement work should be done effectively and within a fixed time. In addition, for reasons of navigation and the floating of timber, requests were sometimes made in the past for installations that were on too large a scale, and after they were completed the actual volume of passenger and goods transport and the amount of timber floated downriver were far smaller than the projected figures, so that the project was wasteful; but some other construction departments were only concerned with getting their hydroelectric stations built quickly, and gave insufficient consideration to navigation and movement of logs, with the result that these activities were hindered for a long period. Accordingly, when building hydroelectric power stations, consideration must be given to the interests of both the upstream and downstream areas and to the interests of industry, agriculture, transportation, forestry, aquatic products and the like, and the relationship between all these aspects coordinated, all contradictions resolved, and the greater interests and the lesser harms chosen; all of these approaches involve taking account of all aspects of the benefits of comprehensive utilization. Currently, in hydroelectric station projects where power generation is the main concern, where the investor organization is in the electric power industry, and where requests for comprehensive utilization necessarily increase the construction costs of a station, if we take account only of the construction cost of the station per kilowatt generated, we might reject projects which would produce large benefits from comprehensive utilization. In Europe, the United States and Japan, joint investment is used in the case of projects involving comprehensive utilization. For example, the investment in the Tedorigawa No 1 hydroelectric station project in Japan was shared among three departments: 45 percent of the investment was for power generation and was borne by the power development company, flood protection accounted for 33 percent of the investment, which was borne by the Ministry of Construction, and water supply accounted for 22 percent of the investment, which was borne by Ishikawa-Ken. If our country too were to implement shared investment in the case of comprehensive-utilization projects, the construction cost of hydroelectric stations would be decreased and the various departments would be aided in rational planning of the scale of the project.

To summarize the foregoing, by taking account of all factors and making a comprehensive analysis, we can gain a much clearer idea of the position which a hydroelectric station occupies in the power system and in comprehensive utilization of rivers and streams, as well as of its economic benefits, and can make the major effects of the station on power construction more evident, which helps the planning departments to consider how large a station should be built, at what locality and at what time. Currently, many economic comparison methods are used in this country and abroad to evaluate power production projects; we must develop a computation method which is well suited to this country's circumstances.

This country has rich coal and water-power resources, but they are unequally distributed geographically, and in electric power construction the emphasis must be placed on working out a rational distribution so as to arrive at the best solution for each area, to foster both hydroelectric and fossil-fired power and to make them complement each other. For example, there are plentiful water power resources in the northwest and north China and on the upper and middle reaches of the Yellow River, while coal is plentiful in Inner Mongolia, Ningxia and Shanxi, and if we were to build a series of large and medium-size hydroelectric stations on the upper reaches of the Yellow River and a series of large and medium-size fossil-fired stations in Inner Mongolia, Ningxia and Shanxi, we sould connect them into the Northwestern and North China power grids, transmitting hydroelectric power eastward and fossil-fired power westward. Again, we could build large-size fossil-fired stations in Henan and large hydroelectric stations in Hubei and Hunan and connect them into the Central China power grid, making the hydroelectric and fossil-powered sources in the southern and northern sections complement each other. Furthermore, Guizhou has both coal and water power, Guangxi has water power but lacks coal, while Guangdong is short on energy resources; if Guizhou's hydroelectric and fossil-fired stations were netted together with Guangxi's hydroelectric stations, large quantities of electric power could be transmitted to south China. Further off, we could also consider using superhigh voltage transmission lines to transmit power from powerful sources in the southwest and northwest of the country to east China and the northeast. The construction of a large power grid could make even better use of hydroelectric power's and fossil power's ability to complement each other and overcome their shortcomings. When developing long-distance electric power plans, more study should be devoted to such overall strategic questions so as to develop power production systematically and in planned fashion over the course of years and to enable this country's power production to adapt to the requirements of the four modernizations.

8480
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Improvements in Arch Dam Design Suggested

Beijing SHUILI FADIAN [WATER POWER] No 6, Jun 81 pp 3-4

[Summary of the Concluding Report in the Symposium of High Arch Dams by Ma Junshou [7456 0689 1108]: "Strengthen the Study of Arch Dams to Upgrade Design Standard"]

[Text] A symposium on high arch dams was held by the China Hydroelectric Engineers Association in Chengdu in November, 1980. Special topics talks were given and broad discussions were held in the conference and in group meetings on problems of arch dam stress and layout selection, abutment stabilization and overflow energy dissipation. The opinions and suggestions are summarized as follows.

(1) Stress analysis and layout design.

1. The principal methods currently employed in China for arch dam stress analysis are the trial-load method and the three-dimensional finite element method. It was suggested in the discussions that boundary condition studies and comparison analysis of these two methods should be strengthened so as to improve their accuracy and reliability. In the meantime, work should progress toward the investigation of nonlinear problems and other complex configurations such as considering concrete fracture factors in the trial-load method and taking fracture and engineering procedure into account in the finite element method. It was suggested that when the trial-load analysis leads to local weakness belt in the arch dam foundation, it should be supplemented by model tests or three-dimensional finite element analysis in order to obtain better results.

2. Allowable stress and safety factor of the arch dam concrete are important factors affecting the engineering safety and economic rationality. The allowable stress value presently used in China is somewhat different from that used by other countries, and strengthening of the analytical research in this area was recommended. Work should also be carried out on how to make the allowable stress compatible with stress analysis methods.

3. In the stress analysis of arch dams, the large effects of construction work and earthquake on the stress should not be neglected and a broadened research on load was recommended.

4. Layout has an important influence on the body stress and abutment stability of the arch dam and research in this area should be strengthened. For example, the arch section needs not be restricted to a circular arc and the cantilever section can also have other appropriate shapes.

5. There are many computer programs in China for analyzing arch dam stress, but they are not unified, mostly not evaluated, and some require excessive preparatory work. It was recommended that the responsible departments should organize the effort and establish a reliable universal program that meets the current needs in China as soon as possible.

6. Optimization of the arch dam layout design is the direction for future development. It is characterized by the extensive use of computers and is capable of

obtaining a correct layout plan for the body model within a short time period. It reduces the work volume of design computation, speeds up the design progress and decreases engineering volume as well. Research in this area should be strengthened in the future.

7. Research on arch dam dynamic analysis should be reinforced in order to meet the needs of building arch dams in earthquake zones.

(2) Abutment stability and foundation treatment

Abutment stability is the basis for arch dam safety and is of extreme importance. The stability analysis involves many factors, all requiring further study.

1. Based on dam engineering experiences accumulated here and abroad and according to the current situation in China, the rigid body limit equilibrium method is still the principal method of abutment stability analysis at present. The equatorial plane projection method developed on this basis can also be pursued further. Due to the intrinsic limitations of these abutment stability analysis methods, they may not be completely valid for complex foundations that deviate substantially from the rigid body assumption, or for foundation with glide planes having complex spatial geometry (for example, staircase glide plane or multiple glide planes). In such cases, other appropriate methods should be sought, or studies can be conducted through experimentation and supplemented by finite element analysis.

2. In the long run, it is essential to carry out elastoplastic finite element analysis and experimental investigation on complex foundations or foundations with local weakness zones. A reasonable method for abutment stability analysis can also be explored by incorporating the fracture mechanism in rock mechanics.

3. Experimental analysis and research work on factors having great effects in abutment stability analysis, such as reaction force systems, various parameters, and the spatial distribution of structure surfaces, should be strengthened and their use should be selected with care.

4. In addition to computational analysis, reinforcement measures proved to be effective in the past should be considered when necessary in order to improve the abutment stability. More emphasis on this activity was recommended.

(3) Discharge energy dissipation and joints layout

1. Most of the high arch dams in China are built in deep river valleys where the volume of water flow is great, riverbeds are narrow and joints layout is difficult. Also, in regard to the energy dissipation aspect, there exist different degrees of washout problems of the downstream riverbank and riverbed which could affect the bank stability and cause abutment instability and high tailwater level. Attention should be paid to such problems. The drop point of overflow over the crest of a double-curvature high arch dam is usually close to the downstream toe of the dam, thus making the energy dissipation problem even more acute and may also lead to vibration problems. The discharge energy dissipation and overtopping impact problem should therefore be considered carefully and studied together with abutment stability and joints layout.

2. In order to solve the problems of the narrow river valley at the dam site, centrally converging overflow water and the large single width flow volume, further investigation should be made on the various spillway layouts currently under study, such as, energy dissipation via overflow collision, slotted bucket, spillway incorporated with powerhouse, and ski jump overflow powerhouses.

3. To solve the overflow problems of high arch dams, the hydraulic problems in high waterhead overflow such as turbulent boundary layer and gas admixture should be studied further. More advanced studies of the spillway surface curvature are also recommended.

(4) Some design questions of the Ertan arch dam

In the meeting, Chengdu Institute of Survey and Design presented the design of Ertan arch dam and the problems existing in the design. Group discussions were subsequently conducted and the following opinions were put forth for consideration:

1. In addition to analyze the abutment stability using rigid body limit equilibrium method as the principal method of analysis, it was also suggested that an integrated study should be made in which other methods such as finite element method and fracture mechanics analysis are incorporated. In the analysis, all the detrimental factor should be given full consideration so as to insure safety. In selecting the glide boundary, combinations of different structural surfaces should be considered in order to avoid neglecting the most unfavorable combination. It was recommended that equation used in the computation should be based principally on shear forces and the employed safety factor also deserves further studies.

2. Because of the great height (240 meters) and the large reservoir of Ertan arch dam, and because there are major local geological structures nearby, adequate attention should be placed on aseismic problems, including dam induced earthquake. More efforts on the research of dynamic analysis were suggested.

3. Assuming the engineering quality can be maintained, the current standard of allowable stress is appropriate. Stress analysis, however, can be carried out to a greater detail. For example, more efforts can be directed toward the investigation of boundary effect and influences of cracks. Body stress obtained by trial-local method near a weak zone of the foundation rock may tend to be too large, results by model tests and finite element method are probably more reasonable.

4. It was suggested that joint layout and overflow energy dissipation should be further investigated in order to come up with more mature proposals.

5. The success or failure of the engineering project depends on the crucial work of early phase survey or design to obtain reliable first-hand survey and test data. Inadequate survey, study, and design will prevent the technical measures from being placed on a solid basis and will inevitable lead to waste and loss due to redundances in the project and even affect the safety of the construction. Lessons learned in the past in this area should be well heeded. As compared to the investment made on the construction engineering project, costs of the early phase work constitute only a small percentage and yet it has profound effects. Attention to the early phase effort is called for.

6. In the design of high arch dams in foreign countries, great emphasis is placed on the foundation treatment. It was recommended that foundation treatment be made an important component of the preliminary design. The deformation modulus and condition of the foundation should be improved by treatment procedures in order to strengthen the abutment stability. For the Ertan dam project where the dam height and the ground stress are both large, great emphasis on foundation treatment is recommended and necessary investigative testing and design should be conducted.

7. Strength of the dam material is of vital importance for a high arch dam like the one planned for Ertan. Studies of material properties are therefore recommended. Assurance and improvement of the construction quality are of extreme importance and deserve great attention. The consequences are extremely serious if the construction quality of such a high arch dam cannot be guaranteed.

(5) The question of establishing China's arch dam design code

Up to now, China still has not established its own arch dam design code and designs are often conducted according to the design code of gravity dam and foreign data. This situation is not at all conducive to the current needs of arch dam construction. A Chinese arch dam design code is being drawn up in a joint effort of the Eastern China Institute of Survey and Design of the Ministry of Electric Power Industry and other units. This effort is highly significant in consolidating the arch dam construction experience in China and in promoting the building of arch dams. The responsible departments are urged to grasp this project well and other units are urged to lend support wherever possible so that the code can be compiled, certified and issued at the earliest possible date.

9698
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Substation with Double Bus Bar Junction

Beijing DIANLI JISHU [ELECTRIC POWER] in Chinese No 8, 5 Aug 81 pp 30-34

[Article by Lan Zengjue [5663 1073 3778] of the Beijing Electric Power Design Institute: "Analysis and Comparison of the Design Scheme for a Double Bus Bar Junction in Four Sections and a 500 KV One and Half Circuit Breaker Junction"]

[Text] In recent years, our nation began to design a batch of master junctions of 500 KV for power distribution installations. Even though many types of 500 KV master junctions are produced abroad, but according to the actual situation in our nation, only two basic junction schemes, the one and a half circuit breaker junction and the double bus bar junction with bypass in four sections are used. This article takes the Fangshan 500 KV Transformer Substation as an example to analyze and compare these two schemes and to evaluate them.

The scale of the 500 KV power distribution installation of the Fangshan Transformer Substation is: 6 loops of output lines (including two loops of double circuit output lines), 2 master transformers, totaling 8 components.

When using the one and a half circuit breaker junctions, they can be organized into 4 series. To prevent simultaneous power outage of components of the same name (double circuit output line or master transformer), three principles have been taken into consideration in forming the series: (1) the components of the same name are distributed on different series; (2) the components of the same name are separately connected to different bus bars; (3) if one series is fitted with two lines, the power source line and the load line are coupled to form one series. The actual junction is illustrated in Diagram 1.

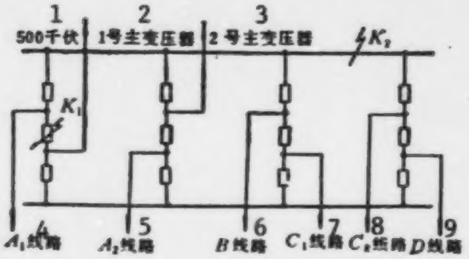

Diagram 1 One and a half circuit breaker junction diagram

1. 500 kilovolts
2. No 1 master transformer
3. No 2 master transformer
4. A_1 line
5. A_2 line
6. B line
7. C_1 line
8. C_2 line
9. D line

When using the double bus bar junction with bypass in four sections, to prevent simultaneous power outage of the components of the same name, components with the same name must be separated and distributed evenly on the two sides of the sectional circuit breaker of the bus bar. The actual junction is illustrated in Diagram 2.

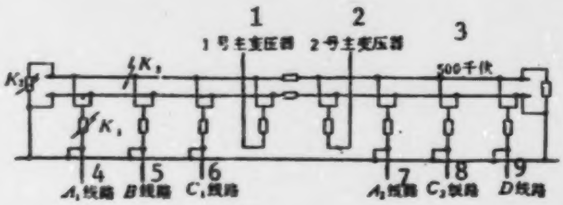

Diagram 2 The double bus bar junction with bypass in four sections

1. No 1 master transformer
2. No 2 master transformer
3. 500 kilovolts
4. A_1 line
5. B line
6. C_1 line
7. A_2 line
8. C_2 line
9. D line

I. Criteria of Reliability and Analysis

The transmission capacity of the 500 KV line is generally 1,000,000 to 1,200,000 kilowatts, the capacity of the master transformer is generally 500,000 to 750,000 kilovolt-amperes. Power outage on any line or any one of the master transformers will greatly affect the system. Therefore, when determining the main 500 KV electrical junction, it must be safe and reliable, and at the same time, it must satisfy the demands for easy inspection, repair and operation, versatile management, less investment and less space. Taking these demands as the basis for designing the 500 KV master junction, we have the following quantitative criteria for reliability:

1. When a breakdown of the circuit breaker (except the bus connection or sectional circuit breaker), the bus bar, line or transformer components occurs, the scope of power outage does not surpass 1/4 to 1/3 of all components.

2. When a breakdown of the bus connection or the sectional circuit breaker occurs, the scope of power outage does not surpass 1/2 of all the components.

3. When inspecting the equipment, breakdown of any component will not cause a total power failure.

The reliability of the two types of junctions is concretely analyzed according to the above reliability criteria:

1. One and a half circuit breaker junction. We know from Diagram 1 that when the equipment is not inspected, the scope of power outage due to a breakdown of the communications circuit breaker is 1/4 of all components. When the bus bar malfunctions, power shutdown is unnecessary. When the communications circuit breaker is inspected and repaired, the scope of power outage due to the breakdown of the bus bar circuit breaker is 1/4. The scope of power outage of a breakdown of the bus bar is 1/8. When a group of bus bars are inspected and repaired, the scope of power outage of a malfunctioning circuit breaker is 1/4. When another group of bus bars malfunctions, under the condition of a looped system, a shutdown of power is not necessary.

2. The double bus bar junction with bypass in four sections. It can be seen from Diagram 2 that when no equipment is being inspected, the scope of the power outage due to a malfunctioning line, master transformer, bus connection or sectional circuit breaker is 1/4 to 1/2. The scope of a power outage of a malfunctioning bus bar is 1/4. When the output line circuit breaker is being inspected and repaired, the scope of a power outage of a malfunctioning line or a sectional circuit breaker is 3/8 to 5/8. The scope of a power outage due to a malfunctioning bus bar is 3/8. When a group of bus bars is being inspected and repaired, the scope of a power outage due to a malfunctioning circuit breaker is 1/2 to 3/4. The scope of a power outage of a breakdown of the bus bar is 1/2.

The above analysis shows the comparative reliability of the two design plans described as follows:

1. When the circuit breaker breaks down, under a one and a half circuit breaker junction, the scope of a power outage does not exceed 1/4, and there are no components of the same name. The scope of a power outage of the double bus bar junction with bypass in four sections is 1/4 to 3/4. When the sectional circuit breaker malfunctions at the same time when a group of bus bars is being inspected and repaired, the scope of a power outage will reach 3/4, including components of the same name.

2. When the bus bar breaks down, the one and a half circuit breaker junction generally does not undergo a power outage. In very individual cases, the scope of a power outage is 1/8. The scope of a power outage of the double bus bar junction with bypass in four sections is 1/4 to 1/2.

It can be seen that the reliability of the components of the equipment of the one and a half circuit breaker junction is higher than the double bus bar junction with bypass in four sections.

II. The Power Distribution Installation and Analysis of the Structure

One and a half circuit breaker junction. According to the different positions of the three circuit breakers in one series, there are three schemes.

1. Three row scheme Two sets of bus bars are placed at the two ends, in the center, three circuit breakers are lined up in three rows, the single line position diagram is shown in Diagram 1. The dimensions of the power distribution installation is 302 meters long, 246 meters wide, the longitudinal dimension is greater. It is mainly suitable for side output lines. When output lines have to be in one direction, one series occupies two spaces, increasing the area required.

2. Flat ring scheme Two sets of bus bars are placed next to each other with a communications circuit breaker placed horizontally between the two. The three circuit breakers form a "loop", its single line position diagram is shown in Diagram 3.

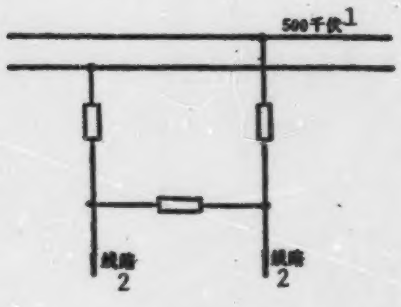

Diagram 3 Single line illustration of the flat ring scheme of the one and a half circuit breaker junction

1. 500 KV
2. lines

The dimensions of the power distribution installation is 222.5 meters long, 332 meters wide, the longitudinal dimensions are smaller, it can simultaneously provide output lines on one side or on opposite sides and it is more versatile.

3. Single row scheme Two sets of bus bars are separated, utilizing an upper layer slanted lead wire to connect the three circuit breakers positioned in one row into a series, its single line position diagram is shown in Diagram 4.

The dimensions of the power distribution installation is 211.5 meters long, 396 meters wide, and the scheme is also relatively versatile.

The three schemes described above can be used in the order of geographic positions in different series for double circuit output lines without requiring crossover and they can match the output lines in a versatile manner.

Analysis of the structure of the power distribution installation shows that each circuit of the one and a half circuit breaker junction requires only one set of bus bar isolating switches to connect with the bus bar. Selecting the type of isolating switches is easy. The power distribution installation can use the single layer frame. The pull on the lead wire is small and the structure is simple. Most of the circuit breakers of the flat ring and triple row schemes do not have live lead wires above them, and during inspection and repair of the circuit breakers, the influence of electrostatic induction is small. In the single row scheme, all circuit breakers have slanted lead wires above them, and this is unfavorable to inspecting and repairing the circuit breakers.

Summarizing the above, we see that the three schemes of positioning these types of junctions can separately suit the different overall schemes, and they have the advantage that the double circuits do not need crossovers, the positioning is versatile, the structure is simple, and inspection and repairs are convenient.

The 6 loops of output lines of the 500 KV power distribution installation of the Fangshan Transformer Substation exit in the same direction. There is a large and relatively deep trench in the direction of the output line near the transformer substation. The longitudinal dimensions of the power distribution installation must be relatively small. According to the above analysis, the flat ring scheme was used.

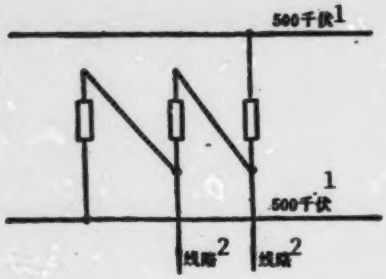

Diagram 4 Single line position diagram of the single row scheme of the one and a half circuit breaker junctions

1. 500 KV
2. Lines

The double bus bar junction with bypass in four sections. To conserve space, generally the single row scheme is used for positioning the circuit breakers, its single line position diagram is shown in Diagram 2. The dimensions of the power distribution installation is 201 meters long and 426 meters wide. Because the frame of the 500 KV power distribution installation is high, the influence of electrostatic inductance is great, and because the bus bar must be divided into four sections, there are three major problems in distribution and structure:

1. Because each circuit requires two sets of isolating switches in parallel connection with the bus, if the ordinary single row positioning on a double layer frame is used, the hanging point of the lead wire on the upper level reaches 35 meters, and at the same time, during inspection and repair, the problem of electrostatic induction is outstanding and with 500 KV, inspection and repair are difficult. Therefore, we can only use the keel type positioning on a single layer frame. At this time, we must use the scissor isolating switch and the selection of the type must be strict. At the same time, to assure reliable operation, we must also use a bus with a large tension and a small arc, thus the structure of the frame of the bus bar is complex, and the positioning scheme is singular and not versatile enough.

2. Because the double circuit lines cannot avoid output line crossovers (there are two crossovers in this case), the line structure requires setting up crossover towers of 40 meters high, causing difficulty in operation, inspection and repair and requiring construction in stages.

3. When the scale of expansion is not clear, the positioning of the sectional circuit breakers is more difficult, easily causing the sectional circuit breakers to be positioned on one side.

III. Economic Comparison

Economic comparison includes mainly the comparison of equipment costs and space. Because the master transformers and the electrical reactors of the two types of junction schemes are entirely the same, they will not be considered in the economic comparison. Only comparable equipment are compared. The economic comparison of the two types of junction schemes are listed in the table.

We know from the table:

1. The cost of the main equipment of the two types of junctions are almost the same, the one and a half circuit breaker junction is lightly more expensive (by 210,000 yuan, constituting 8 percent of total cost).

2. The area of land occupied by the one and a half circuit breaker junction is 80.6 percent of that required by the double bus bar junction with bypass in four sections, conserving 24.9 mu of land.

Economic Comparison of the Two Types of Junction Schemes

1 接线方案 设备名称 4	一个半断路器接线 2		双母线带旁路四分段接线 3	
	5 数量	6 费用(万元)	5 数量	6 费用(万元)
7 断路器(组)	14	1050	14	1050
8 隔离开关(组)	36	396	48	528
9 电流互感器(组)	16	720	12	540
10 电压互感器(组)	8	108	10	135
11 电站型避雷器(组)	2	39	2	39
12 线路型避雷器(组)	8	192	8	192
13 主要设备费用(万元)	2505		2484	
14 百分数(%)	100		99.2	
15 差值(万元)	0		−21	
16 平方米				
17 500千伏配电装置占地(亩)	69000(103.5)		85626(128.4)	
18 百分数(%)	100		124.1	
19 差值(亩)	0		24.9	

1. Junction scheme
2. One and a half circuit breaker junction
3. Double bus bar junction with bypass in four sections
4. Name of equipment
5. Quantity
6. Cost (10,000 yuan)
7. Circuit breaker (set)
8. Isolating switches (set)
9. Current transformer (set)
10. Voltage transformer (set)
11. Power station lightning arrester (set)
12. Line type lightning arrester (set)
13. Cost of main equipment (10,000 yuan)
14. Percentage (%)
15. Difference (10,000 yuan)
16. Square meters
17. Land area occupied by 500 KV power distribution installation (mu)
18. Percentage (%)
19. Difference (mu)

IV. Technical Analysis

1. One shot operation, inspection and repair of equipment

One and a half circuit breaker junction. The isolating switch serves only as the isolating device, and it does not require reverse gating operations. In handling accidents, the circuit breaker can be utilized in operation and elimination of accidents is quick. At the same time, because the circuit breaker does not require a substitute circuit for operation, it can be shutdown at anytime for inspection and repair, and defects can be discovered in time and corrected in time, assuring that the circuit breakers are in good operating condition. Its one shot operating equipment is simple, operation is convenient, and the conditions for inspection and repair of the equipment are good.

The double bus bar junction with bypass in four sections. The isolating switch requires massive reverse gating maneuvers, easily causing accidents. At the same time, when handling accidents, operating the isolating switches is required and the speed is slow. When inspecting and repairing the circuit breakers, operation of relatively complex substitute circuits is required. Because there are only two circuit breakers serving as bypass circuits and concurrent bus connections, turnabout is not possible, affecting inspection and repairs. Therefore, its one shot operating equipment is complex, easily causing accidents, and inspection and repair of the equipment are inconvenient.

2. Relay protection of secondary line operation, inspection and repair

(1) One and a half circuit breaker junction

Line protection. The protective installation is connected to the two sets of current transformers. Because of the differences in the characteristics of the current transformers, when a nearby external breakdown occurs, the protective installation might misfire, and closing and locking circuits to prevent misfiring must be added. At the same time, when each series of the communicating circuit breakers refuses to operate, and to enable the opposite circuit breaker of another line in the same series to jump the gate, a distant jump gate device that is highly resistant to interference must be installed, thus complicating the protective device. When inspecting and repairing the protective device which is duplicated and which can be separately shutdown for inspection, it is rather difficult to test the drive of the circuit breaker.

Protection of the bus bar. Devices for single bus differential protection are simple in structure. When the bus bar protection device misfires, it jumps the circuit breaker of the main bus bar and the components will not shutdown. Inspection of the protective device can be done by shutting down one bus bar. At this time, if the other bus bar malfunctions, this will only bring about released row operation, power outage will not occur and the affect is small.

Protection against malfunction of the circuit breaker. The starting circuit consists of protective exits connected to two components and its own discriminating components. At the same time, it must use voltage discrimination components. The protective device and the voltage cutover circuit are more complex.

Current and voltage circuits. The current circuits of the protective devices of the instruments and the lines of the components must all be connected to the two sets of current transformers, cross connections are more complex, but the current circuit of the protective device of the bus bar has fixed connections and is relatively simple. The voltage circuits of each component are connected to the dedicated voltage transformer and do not require cutover, and thus they are relatively simple.

Controling and interlocking circuits. Because the isolating switch does not require reverse gating operations, there is no interlocking reverse gating between the components of the circuit breaker and the isolating switch, and thus the interlocking circuit is relatively simple. The controling circuit is more complex because the communicating circuit breaker is controlled by two components.

(2) Double bus bar junction with bypass in four sections

Line protection. The protective device is connected only to one set of current transformers, and at the same time, the line circuit breaker is completely connected to the bus bar, and the problems requiring protection against misfiring and the installation of distant jump gate devices that are highly resistant to interference do not exist. When inspecting the protective devices, the bypass circuit breaker can be utilized as a substitute circuit or the method of separate shutdown can be used. This is more convenient.

Protection of the bus bar. Because the bus bar is divided into four sections, there are more ways of operation, but the installation of two sets of structurally complex bus bar differential protection devices is required. At present, the commonly used specific phase bus bar differential protective device for double bus bars cannot be utilized yet. When the protective device of the bus bar misfires, 1/4 of the components will suffer a power outage. When inspecting the protective devices, one half of the bus bar loses its protection, and at this time, a breakdown of the bus bar will cause 1/2 of the components to suffer a power outage. The effect is great.

Protection against malfunction of the circuit breakers. For all circuit breakers of every component, the starting circuit requires only that the exit of the protective device of the component is a one-way output, and thus the protective device is much simpler. But, the bus bar connection, the sectional circuit breaker and the one and a half circuit breaker junction are the same, they must have two conditions to form the starting circuit, therefore their protective devices are still complex.

Current and voltage circuits. These are connected only to one set of current transformers and are relatively simple. The current circuit protecting the bus bar must follow the components that reverse the bus bar and correspondingly cutover, therefore it is more complex. The voltage circuits of each component must also cutover and are more complex.

Controling and interlocking circuits. There is operational interlocking and also reverse gating interlocking between the components of the circuit breakers and the isolating switches. At the same time, the circuit breakers also functions as the bus connection, bypass and sectional circuits, and the bus bar in four sections possesses various operating modes, thus, the interlocking circuits are very complex. The controling circuit is relatively simple because each component corresponds to one circuit breaker.

According to the above analysis, the degree of complexity of relay protection and of the secondary lines of the two types of junction schemes are basically equal.

3. Versatility for Expansion

One and a half circuit breaker junction. At the beginning, the output line circuits are few in number and when this remains so for a long time, simple angular connections must be used for transition, preventing the bus bar from forming series for a long period, and the advantage of this type of a junction cannot be fully developed.

At the same time, during the course of expansion, one-shot connections must be changed, and transition of secondary lines is also relatively complicated.

The first phase construction of the 500 KV power distribution installation of the Fangshan Transformer Substation had only three components, i.e., two loops and one set of master transformers. To overcome the above shortcomings, the plan to position the lines, transformer components and circuit breakers in two series in their final positions was adapted. One loop of the lines and one set of the master transformers formed a complete series, the other loop of the lines used double circuit breakers (one bus bar circuit breaker, one communicating circuit breaker) to form an incomplete series, thus avoiding changing the one-shot system during expansion. At the same time, terminal boxes were set up beside the current transformers of the communicating circuit breakers. The design of secondary circuits utilized measures of separation and independence so that expansion was relatively convenient.

Double bus bar junction with bypass in four sections. During expansion, the line or the transformer can be taken as a unit and can be independently installed, not affecting other circuits. This is more convenient.

V. Conclusion

Summarizing the above, we see that the design schemes of the one and a half circuit breaker and the double bus bar junction with bypass in four sections are respectively suitable for use under different conditions. Our nation's 500 KV power distribution installations will use these two types of junctions as the basic forms for connection and they will coexist.

1. The Fangshan Transformer Substation's 500 KV power distribution installation has used the one and a half circuit breaker junction scheme. It occupies less land, its reliability is higher, operational inspection and repairs are convenient, its structure is simple, the double circuit output lines do not create crossovers, positioning is versatile, it fits the topography well, and with such advantages, it is a better junction scheme.

2. The scope of suitable application of the one and a half circuit breaker junction

(1) Its scale is 4 to 6 loops of output lines, 2 sets of master transformers;

(2) The output lines have a double circuit line, and at the same time, the lines must exit in all directions, and the conditions for positioning are more difficult;

(3) At the beginning period of construction, the number of output line circuits is few, they last for a short time, and they possess the conditions for forming two series quickly.

At this time, the increase in the investment of this type of junctions is very small, and the advantage is that such junctions can be fully developed and they are more suitable. But when the number of output line circuits is too small, the two sets of bus bars cannot form a loop, and the advantages of the one and a half circuit breaker junctions cannot be developed. When there are too many output line circuits, the investment is too great and they are unsuitable.

3. The applicable scope of the double bus bar junction with bypass in four sections

(1) The scale is 8 to 10 loops of output lines, 3 to 4 master transformers;

(2) The output lines do not have double circuit lines, or even if there are double circuit lines, geographically, they possess the conditions for exiting in the opposite direction to the power distribution installation;

(3) The scale of construction in stages is more obvious.

At this time, the shortcomings in the positioning of this type of junctions can be overcome while the advantage of less investment is more outstanding, thus they are suitable for use.

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Science, Technology Lead Hydropower Development

Beijing GUANGMING RIBAO in Chinese 11 Sep 81 p 3

[Article by Pan Jiazheng [3382 1367 6927], member of the Academic Department of the Technology and Science Department of the Chinese Academy of Sciences and Assistant Chief Engineer of the General Bureau of Hydroelectric Power of the Ministry of Electric Power: "Science and Technology Lead the Development of Hydroelectric Power"]

[Text] Our nation's deposit of hydroelectric resources is rich. According to the general national survey conducted between 1977 and 1980, it amounts to a total of 680 million kilowatts, of this, 370 million kilowatts can be developed, ranking first in the world. Since liberation, we built hydroelectric power stations with a capacity of 16.87 million kilowatts (referring to those with a capacity of over 500 kilowatts as of the end of 1980). Large achievements have been realized but these achievements constitute less than 5 percent of the amount that can be developed. Therefore, the development of hydroelectric power in a big way in the future has an important strategic meaning in solving our nation's energy problems and hastening the building of the four modernizations.

Recently, there have been more and more articles and opinions introducing the richness of our nation's hydraulic resources, describing the superiority of developing hydroelectricity and studying its economic gain and its investment and returns. This is a good phenomenon. But, we must also see the other side of the problem. That is, when we develop hydroelectric resources, we will face a series of difficult scientific and technical problems. Their degree of difficulty and complexity may be rare in the world. To develop hydroelectric resources in a massive way without studying and solving these problems is just empty talk. Solving these problems will bring our nation's hydroelectric construction and the level of hydroelectric science and technology to the front ranks of the world.

What are the difficulties and complex problems that have to be solved when developing our nation's hydroelectric resources?

First, viewing the geological conditions, many of our nation's large power stations will be built on violent earthquake regions, even near the dam sites, there are large active faults passing through. Among the hydroelectric power stations already built in our nation, phenomena of reservoir induced earthquakes have already occurred. This requires organizing geophysicists and earthquake resistance specialists to profoundly study the mechanism and the frequency of earthquakes, to predict their intensity, to study accurate and effective methods of dynamic analysis and propose corresponding measures.

Landslides caused by large reservoirs filled with water have reached a magnitude of several hundred million cubic meters in scale. The analysis, prediction, prevention and control of this type of damaging landslides are also problems that are far from being solved.

In the regions of concentrated hydraulic resources in our nation, there are many high mountains and deep valleys. In topographic conditions, they are good dam sites. But construction is difficult, especially the geological conditions are frequently more complex. For example, there are serious tectonic fragmented belts passing through, some river beds are covered by sand pebbles over 100 meters thick, they must be surveyed and analyzed by advanced technology so that effective and feasible treatment and measures can be carried out. We still lack experience in these aspects.

Second, in building construction, because the scale of the hydroelectric power stations is becoming larger and larger, extremely large structures of hydraulic engineering will have to be built, for example, especially tall dams, extra large underground tunnels, tubes that can bear extremely high pressure, digging long water conducting tunnels under tall mountains, etc. The continued enlargement of the scale of buildings will bring new topics of study in their surveying, design and construction, including topics in materials, structures, hydraulics and construction engineering. Simple dependence on engineering experience to design and to construct such buildings will gradually fail to adapt to the needs of huge construction projects. The practical situation requires us to propose more precise scientific data, and even to carry out some revolution. We must organize experts in applied mechanics, computational mathematics, hydraulics, rock mechanics, building materials to cooperate together and to create new ways.

Third, our nation's major hydraulic resources are distributed in the southwest and the northwest, especially concentrating in the southwestern border regions, very far from the region of major load. For this, we must solve the problem of long distance (over 1,500 kilometers to 2,000 kilometers) and large capacity (several million to several dozen million kilowatts) ultrahigh voltage power transmission (including high voltage equipment, direct current transmission of power, system stabilization and a series of problems). Future construction of large hydroelectric power stations also requires us to develop generators with a single generator capacity reaching the million kilowatt class and corresponding equipment. This again brings out many new topics in materials, structure, cooling and manufacturing technologies.

Fourth, building hydroelectric power stations requires flooding some land. Some hydroelectric power stations even require flooding large areas of cultivated land, forming large reservoirs of several dozen billion cubic meters. In our nation with more people and less land, this will greatly increase the building cost of the power station and will also bring about a series of economic and social problems. Therefore, the building of some hydroelectric power stations has not been included in the daily agenda. Here, we are presented with a problem: Can the broad expanse of water surfaces provide food and other materials for living equivalent to the cultivated land? From the viewpoint of "cosmic food grains" this should be possible. In the past, because of insufficient emphasis on this question, a systematic study of the problem was not carried out, thus, the presently available several dozen million mu of water surface of the reservoirs have not been comprehensively utilized well. In addition, the building of large reservoirs will cause profound and far reaching effects in the environment. There are benefits and disadvantages. We must organize scientists in biology, ecology, aquatic products, mud and sand and environmental protection to carry out detailed research and experiments.

The many problems and difficulties mentioned above are not aimed at discouraging the building of hydroelectric power, conversely, they are for more hydroelectric power construction. To develop our nation's rich hydraulic treasures, we must pragmatically solve these difficulties in science and technology and place this work before construction. Some work require a long period of hard study before they can produce visible results, if we do not start now, "digging wells when thirsty" will not solve the problems. For this, we suggest selecting two or three rivers that are suitable in location and in size and that are connected with the above problems, such as the upper reaches of the Huanghe, the Hongshui river in Guangxi, Yalongjiang in Sichuan (each has a capacity of over 10 million watts, the electricity generated can be distributed separately to northern China, southern China and central China) as the sites for near term development and study. Scientific research, survey and design and construction must be organized according to plan and step by step to accumulate data and experience and to establish a firm foundation for the further development of our nation's hydraulic resources on an even larger scale.

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Miaotiao River Hydroelectric Cascade

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 7, 12 Jul 81 pp 50-51, centerfold

[Article by Liu Yizhou [0491 5030 3166], Survey and Design Institute, Engineering Bureau No 9, Ministry of Power: "An Introduction to the Miaotiao River Cascade of Hydroelectric Stations"]

[Text] The Miaotiao River is a tributary flowing into the Wujiang River from the south and forming part of the Yangtze River system. It has a total length of more than 180 km and a head of 549 meters, with an average rate of fall of 0.305 percent. It drains an area of 3,113 square kilometers. Its upper reaches are in a hilly region, while in its middle reaches the hills change to mountains, and its lower reaches are in an area of high mountains and narrow valleys, with terrain variations of 300 to 400 meters. The average air temperature in its valley is 13.8°C and the average rainfall 1,300 mm. The river has been developed in a six-level cascade (see figure) in which the individual levels are interconnected; the total utilized head is 384.5 meters, and the total equipment capacity is 239,000 kW.

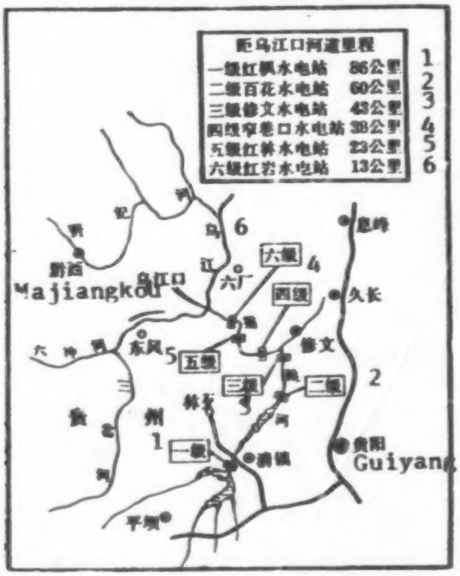
距乌江口河道里程
一级红枫水电站 86公里 1
二级百花水电站 60公里 2
三级修文水电站 43公里 3
四级窄巷口水电站 38公里 4
五级红林水电站 23公里 5
六级红岩水电站 13公里 6
黔西
Majiangkou
乌江口
乌
江
6
六广
六级
4
四级
息烽
久长
修文
东风
5
五级
三级
3
二级
2
贵
州
1
一级
清镇
贵阳
Guiyan
平坝

Fig. 1. The Miaotiao Cascade of Hydroelectric Projects

Key:

1. Level 1: Hongfeng Hydroelectric Station, 86 km.
2. Level 2: Baihua Hydroelectric Station, 60 km.
3. Level 3: Tiaowen Hydroelectric Station, 43 km.
4. Level 4: Zhaixiangkon Hydroelectric Station, 38 km.
5. Level 5: Honglin Hydroelectric Station, 23 km.
6. Level 6: Hongyan Hydroelectric Station, 13 km.

The valley has an extremely complex geologic structure, more than 70 percent of which consists of carbonate rock, with extensive karstification, producing problems of seepage from reservoirs and problems of foundation stability of hydraulic engineering works. To deal with this problem, the relevant design and construction organizations have used such methods as enclosure, plugging, grouting, paving and damming, in accordance with specific local topographic, hydrologic and geological conditions; starting in 1958 they have built six different hydroelectric stations with dams of different design and have accumulated invaluable experience in dam construction in karst regions. Below we give a brief introduction to the construction of the six power stations in the cascade.

Level 1: The Hongfeng Station

This station is located 35 kilometers southwest of Guiyang City. The regulated area of the reservoir is 1,551 square kilometers, equivalent to 50 percent of the total length of the river, making it the largest reservoir in the cascade, with a total capacity of 601 million cubic meters. The total amount of construction earthwork was 492,000 cubic meters, and 55,400 cubic meters of concrete was emplaced.

The geology of the dam area is Triassic Qingyan limestone interbedded with thin layers of sandy shale, with the dip facing upstream. The pressure resistance of this shale is over 1,000 kg/cm^2 and the friction coefficient is 0.45. There are more than 20 faults of various sizes in the dam area, with fracture zones of rather limited width. The F7 fault has a maximum fault displacement of 15 meters, and consists primarily of cemented gravel, which was handled by curtain grouting.

The power station building was built at the surface of the river bank and has an installed equipment capacity of 2 x 10,000 kW. The dam is of the rockfill type with a timber facing and is 52.5 meters tall. The timber facing consists of three layers of mortise-and-tenon planking. The cushion and compression timbers are bolted into 1-meter-thick concrete. The lower part of the facing is flexibly joined to the concrete to wall to allow it to adapt to deformation of the rockfill dam. Locomotives and trucks were used to haul the rock for construction of the dam.

The project was began in 1958, and the first generating unit went into operation in May 1960, with completion of the construction work in September 1960. After the main dam was constructed, many years' monitoring indicated a maximum displacement of 30 cm and a settling of 38 cm, satisfying design requirements.

Stage 2: The Baihua Hydroelectric Station

The dam is a rockfill type with an impervious reinforced-concrete facing and is 48.7 meters high, with a reservoir capacity of 182 million cubic meters. The power house is built at ground level on the bank, and the installed equipment has a capacity of 22,000 kW (1 x 10,000 and 1 x 12,000 kW).

The geology of the dam area is Shabaowan shale 31 meters thick, underneath which is 41 meters of Changxing limestone. The shale is highly impervious to water, its pressure resistance is 150-500 kg/cm^2 and its friction coefficient 0.3 to 4.0, all of which meet the requirements for construction of a rockfill dam. However, the geological structure under the secondary embankment on the left bank has much fissuring, and the Shabaowan shale is weathered and fractured to a depth of 10 to 20 meters, allowing a serious degree of percolation, so that in addition to securing it by grouting in deep box-type holes, during construction of the dam the pervious area was walled off from the reservoir.

The construction work on the rockfill dam was basically similar to that on the first-level [Fengshui] hydroelectric station, except for the use of a rigid facing. During construction the concrete supporting layer and the rockfill were completed first, than when it was judged that the pressure would be stable when the reservoir was filled, 15 x 10 meter slabs of reinforced concrete were poured. In order to meet watertightness and deformation requirements, the seams were filled with bitumen and channel copper, making them impervious to water, the area between the facing and the supporting layer of concrete was filled with bitumen-impregnated burlap, and an articulated joint was made between the bottom of the facing and the toe wall. The earth work for this project amounted to 960,000 cubic meters, and 88,000 cubic meters of concrete was emplaced. Work began in 1960 and the first unit went into operation in June 1966, with project completion in December 1966. After the reservoir was filled, observations indicated that the main dam did not leak, and that displacement and settling were both smaller than for the first-level station.

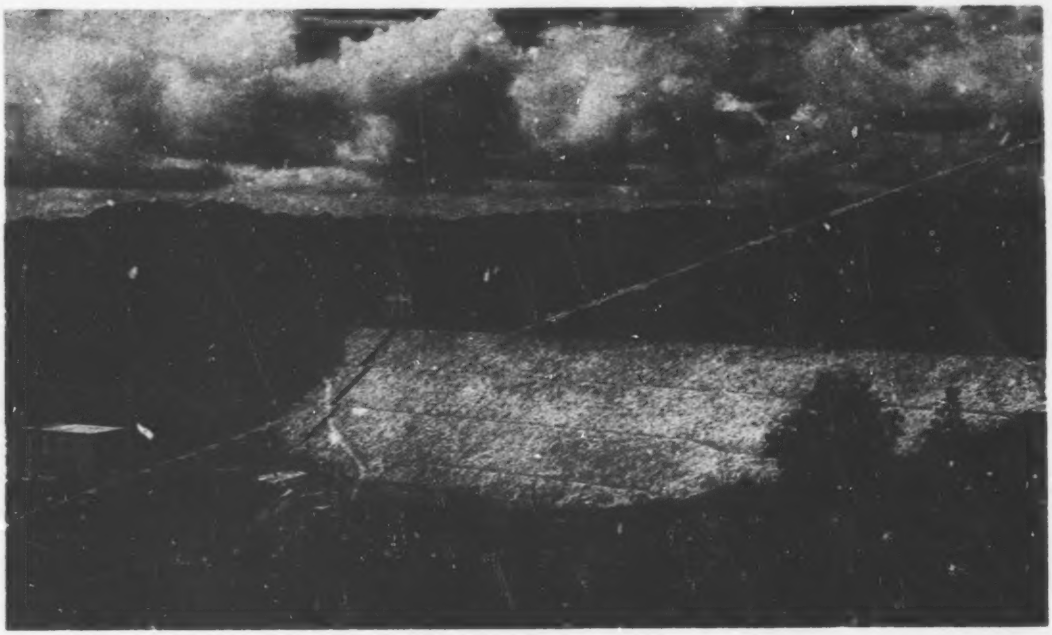

Fig. 2. The Baihua Hydroelectric Station

Third Level: Xiuwen Power Station

At the site of this dam, the river valley is narrow and U-shaped, and the dam is an arch type. The powerhouse, located behind it, has an overflow roof. The dam is 49 meters tall, 8.2^9 meters thick at its base, and 3 meters thick at the crest. The reservoir holds 11.4 million cubic meters of water and is of the daily regulation type. The power station equipment has a capacity of 2 x 10,000 kW.

The dam is built in middle and upper Cambrian dolomite dipping slightly toward the two banks and upstream at an angle of 6 to 8°, with many incompetent muddy intercalculations, and with small faults at both ends of the dam arch. The dolomite structures are extensive, and a broadened base and expanded arch abutments and anchoring fixtures were used to improve the foundation stress situation. Karstification decreased with depth, and fissuring and solution erosion of the riverbed were extensive, so that the permeability was high. A double grout curtain was used to prevent leakage in the foundation.

The left dam abutment was steep, and 80 meters of open excavation would have been required; instead, three horizontal tunnels were cut at different levels and vertical excavations conducted simultaneously, decreasing the amount of excavation work required. Weathered dolomite was made into sand for the construction work. The concrete system was applied in a downward direction, relying on the natural pressure head to introduce the curing agent. The power unit was lowered into place with a cable hoist developed for the project, thus dealing with the difficulty of building an approach road to the power house.

This dam involved 37,800 cubic meters of earth work and 49,700 cubic meters of concrete. Work was begun in 1960 and the first unit went into operation in June 1961, with project completion in July 1961. Since the plant went into operation, the overflow speed over the dam and the powerhouse has reached 17-19 meters per second, with no indication of friction damage or erosion of the concrete. Other than a few induced vibrations in the dam, no resonance phenomena have been noted, and the power station's operating characteristics have been excellent.

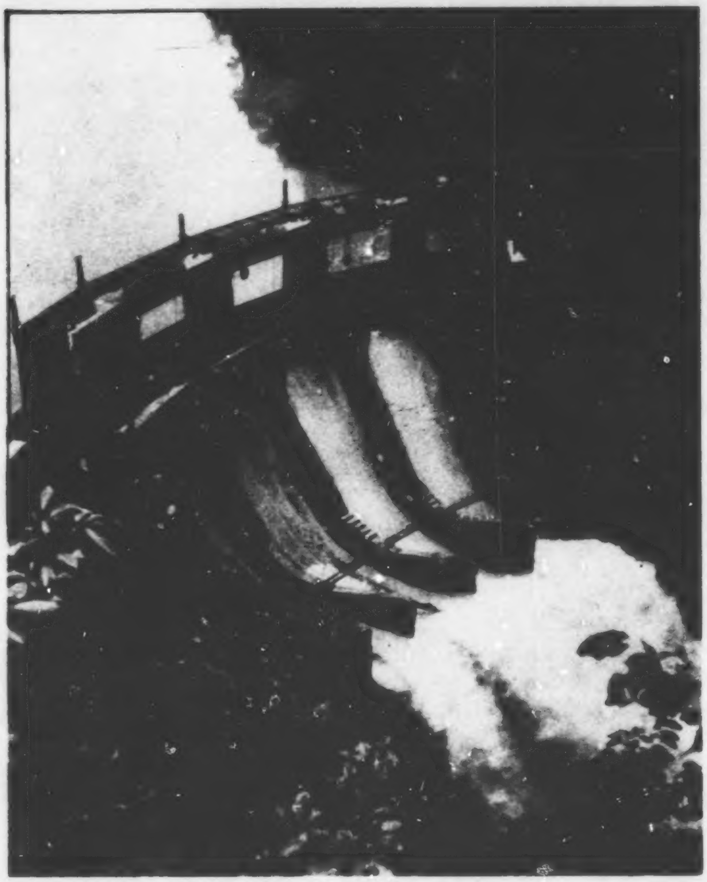

Fig. 3. The Xiuwen Power Station

Fourth Level: Zhaixiangkou Hydroelectric Station

This power station uses a double-curvature arch dam; an arched bridge spans the river and the double-curvature arch dam is built on top of it. The dam is 54.8 meters high; the reservoir contains 7.08 million cubic meters of water, and is of the daily regulation type. The power station is a run-of-river type and the machinery has an installed power of 3 x 15,000 kW.

The dam is located in a deep river gorge in which the exposed rock is Jurassic Qixia coal and Yangxin limestone. Because the right bank is affected by the F71 fault, with intense fissuring, and the rock is weathered and fractured, its strength is not uniform, and the geological conditions are complex. During construction work both open excavation and tunnel excavation were used, and when fresh rock was reached, a concrete backfill was used, on top of which a 1.6 meter layer of concrete was laid down as a dam abutment support, after which deep-hole reinforcing grouting was used on the dam. The river bed is filled with sand and gravel to a depth of up to 27 meters, and the design approach was that of construction on an uncleared foundation, which involved using an arch bridge between the two banks, on which a double-centered arch dam was constructed, while a reinforced concrete wall was used to block the water in the riverbed covering layer.

"Ski-track" spillways were used on top of the dam. In order to keep pothole formation far from the dam and to assure stability of the watertight wall, a 46.5 meter long overflow structure was added, supported by two 8 meter broad support arches, which has excellent energy dissipation capabilities.

Because this hydroelectric station's engineering structure is rather complex and the procedural requirements were rather demanding, a bypass tunnel was first cut; the holes for the waterproof wall were cut in the low-water season, and the concrete was cast underwater using reinforcing cages. The arched bridge and waterproof wall were joined by underwater slabs, and chemical grout treatment was applied to the joints between the foundations and the bridge. In the process of digging the penstock on the right bank, a sinkhole extending to the surface was found, and a supplementary arch had to be poured. Construction was begun in 1965, and the first power unit went into operation in October 1970, with project completion in July 1975. After completion of the power station, instrumental measurements and water table determinations behind the dam showed that the design of the reinforced concrete watertight wall and double-arch dam was successful, and that the quality of the construction work was excellent.

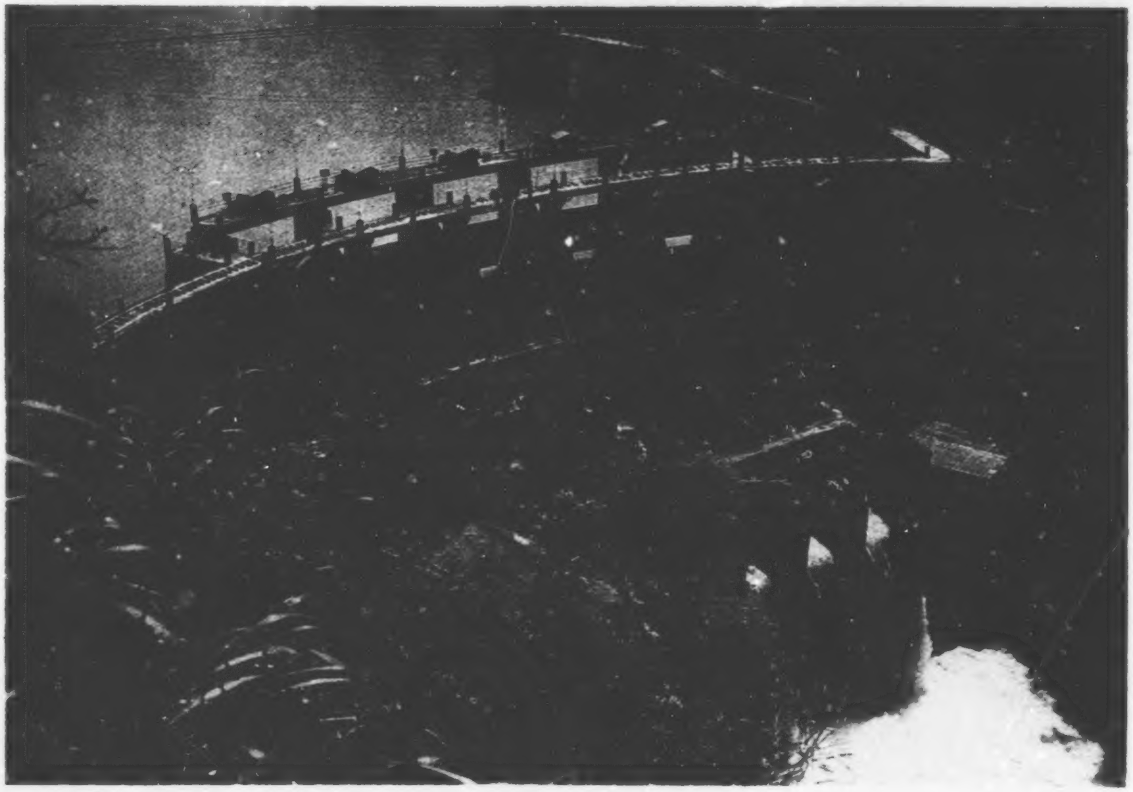

Fig. 4. Zhaishangkou Hydroelectric Station

Fig. 5. Zhaishangkou Arch Bridge

Stage 5: The Honglin Hydroelectric Station

This power station uses a gravity dam 22.5 meters high with free spillover at the crest of the dam. The reservoir capacity is 770,000 cubic meters, and there is no regulating function. The hydroelectric station is a run-of-river type with a ground level power house, and the generating equipment has a capacity of 3 x 34,000 kW. The total penstock length is 5,316 meters, and the diameter 6 meters. The pressure regulating shaft is an overflow type with a lower chamber and is 24 meters high with an internal diameter of 12 meters.

The base on which the dam rests consists of middle and upper Cambrian dolomite and small quantities of incompetent intercalations. The rock layers dip towards the right bank and slightly downstream; the dip angle is 25-40°. There are ten faults passing through the dam, either along the river bed or intersecting it, and during construction reinforcement grouting and anchor rods were used to strengthen the dam's foundation. The tunnel is about 200-300 meters below the surface, and its line passes through strata consisting of dolomite, limestone, coaly shales and coal strata, with 22 main faults and two underground watersheds.

The tunnel was built by combined drilling and blasting and by domestically-developed full cross section cutting machinery. The linings were reinforced concrete, plain concrete, and gunite. Because of the geological complexity of the tunnel line, there is considerable subsurface water activity, and during construction there were 27 cave-ins, which were generally dealt with by using injected anchor supports, while in a few sections injected anchors and steel props were used in combination. In addition, coal beds were penetrated 11 times, with maximum gas concentrations of over 10 percent.

When making and installing the steel pipe, the overlapping seam disassembly method was used at branches having crescent-shaped strengthening ribs, making welding easier when expanding it to the original shape and making it possible to avoid extensive longitudinal welds. Work on the stage 5 power station began in 1966 and the first unit went into operation in December 1979.

Fig. 6. Honglin Hydroelectric Station

Level 6: The Hongyan Hydroelectric Station

This hydroelectric station has a double-curvature arch dam with mid-level outlets, which is 60 meters tall, 9.03 meters thick at the base and 3 meters thick at the crest; it has a reservoir capacity of 30.4 million cubic meters, and is of the daily regulation type. The power house is a run-of-river type and is built at the ground surface, with short penstocks; the installed machinery has a capacity of 2 x 15,000 kW.

In the dam area the lower-level geological structure consists of Triassic Yongningzhen micrograpular limestone of varying thickness and finely crystalline dolomite, while the upper section consists of moderately thick to thin strata of finely crystalline dolomite, marly dolomite and the like. Bedrock is exposed in the river bed, and the banks have little cover. Reverse fault No F31 is 5 to 10 meters upstream of the left arch abutment and dips upstream and slightly toward the left bank at an angle of 60-90°, with a fault displacement of 2-3 meters. The rock in the fracture zone is considerably disintegrated and consists of plastic clays and conglomerate, which has a negative effect on compression deformation at the end of the arch and on percolation.

Five mid-level openings measuring 7 x 6.4 meters are located 17 meters below the crest of the dam, each with a pit angle of 20° and with a flat gate on the downstream side. At the lower level is a 2.7 x 2.7 meter outlet. The stress on the arch dam was calculated by computer using a three-dimensional finite element procedure, and the results were close to those obtained in structural tests.

Because of the narrowness of the stream valley, during construction work the current was diverted at various times by an underwater cement coffer dam, after which the foundation rock was cleared and the dam built to the water surface level; during flood season the dam abutments and the two banks were cut, from the top down. The debris was removed by excavators and trucks, and all construction machinery and materials were hoisted down by a crane and a specially-developed hoist. Mixing towers were located on the right bank and at the power house. The concrete on the dam was laid in slabs 5 meters high and 15 meters long, with a crane used to lower the cement containers directly into the forms. The embankment at the location of the power house was cut with smooth-surface blasting, and the tailrace forms were hoisted into place and the concrete poured in situ.

The load-bearing capacity of the abutment rock was rather low, and in order to decrease the stress on the arch, the thickness of the right abutment was somewhat increased, by a maximum of 1 meter; in addition, a reinforced concrete cushion 1 to 2 meters thick was installed to increase the rigidity of the upper and lower parts of the dam and to make the stress on the ends uniform. In addition, the fracture zone of fault F31 was cleared and plugged. Using this as a foundation, curtain grouting and deep-hole reinforcement grouting were applied to the ends of the arch. Work on this station was begun in 1971 and the first unit went into operation in 1974; several years' operation indicates normal conditions.

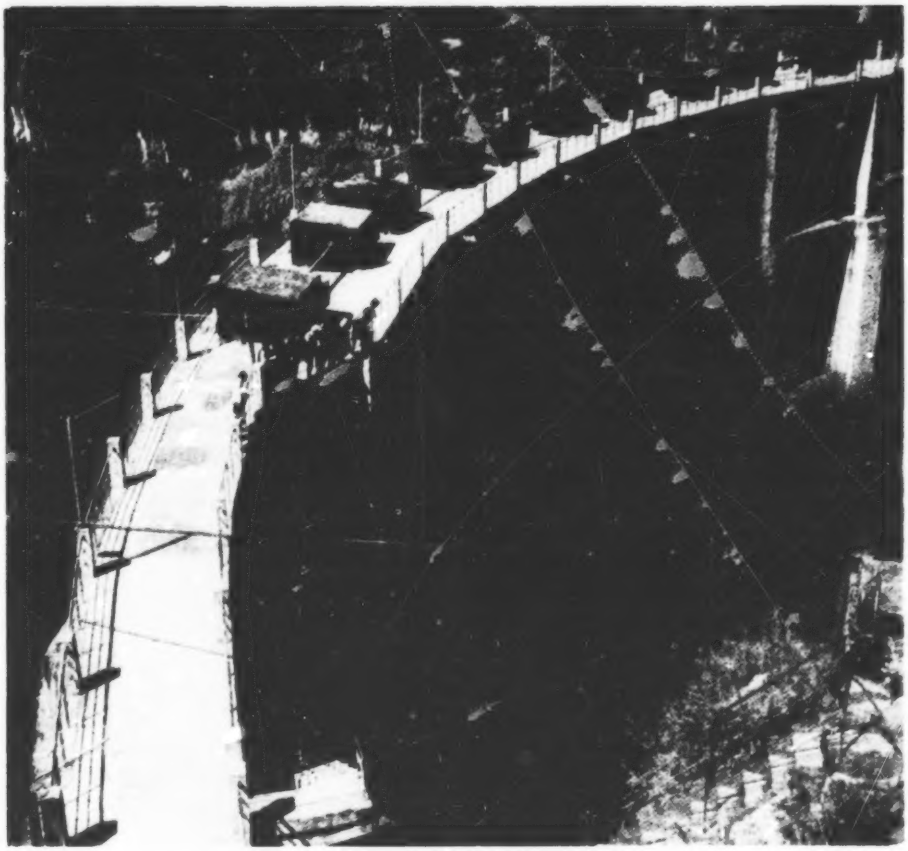

Fig. 7. Hongyan Hydroelectric Station

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Gezhouba Hydroelectric Project Progress

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 7, 12 Jul 81 p 3

[Article: "Impoundment, Navigation Provisions and Preparation for Operation at the Gezhouba Key Hydroelectric Project"]

[Text] Since the river was successfully spanned early this year at the Gezhouba key hydroelectric project, a half-year's effort has led to successful impoundment, the beginning of navigation through locks 2 and 3 and the third channel, and the completion and installation of power station unit 1, which is currently undergoing testing and adjustment in preparation for operation.

By the first third of May 1981, the earthmoving and construction of the installations of stage 1 of the main section of the Gezhouba project were essentially complete. Several months' inspection, measurement and operation were indicated that all this work meets design requirements, and it has all received intermediate pre-impoundment acceptance by the relevant state ministerial committees and design and operating departments. This testing and acceptance has applied to the cofferdam on the main channel, the tail section of the sluicegate on channel No 2, the water retaining wall and underwater sections of the power station building, the navigation route on channel No 3, locks Nos 2 and 3, the scouring sluice on channel No 3, the earth and stone embankment on the left bank and the water-retaining section of the Huangcao embankment. Following inspection it was concluded that the works were suitable for impoundment, and with reference to the requirements for interior and exterior measurements on the various installations at different water levels during the impoundment process and to hydrographic conditions, it was decided to begin impoundment on 23 May. The initial water level during impoundment was about 48 meters, and the discharge at the Ichang station before impoundment was 15,300 m^3/sec. The impoundment was carried out in four water-depth stages, and step-by-step readings were taken on the facilities during the process. After 13 days, the current reservoir operating level of 60 m was attained. Brief information on some of the main installations and equipment is given below.

1. The transverse cofferdam upstream on the main channel: The transverse cofferdam upstream on the main channel has a sand, gravel and stone shell and an impervious concrete core wall for its vertical watertight system. The top of the cofferdam is at a height of 66 meters, and the total amount of fill work was 26.6 million cubic meters. The watertight wall is double. The first wall's watertight area is 30,000 square meters; it was compacted up to the 55-foot level, then topped with a concrete wall. The cofferdam has already reached the design height, and the first watertight wall is complete. Curtain grouting of the highly pervious foundation section from tubular passages which were purposely left in the watertight wall is proceeding. Quality problems in the construction of the wall have been dealt with. According to observations and measurements following impoundment, the increase in the water level upstream has produced no evident changes in the water level in the foundation pit in the main channel. With the exception of minor damage, the 69 strain gages, clinometers, soil pressure boxies, joint monitoring devices and zero-stress meters embedded in the first watertight wall are operating normally. It is also planned to embed pressure tubes, percolation pressure meters, clinometers, sedimentation tubes, lateral pressure detectors and seismometers in the cofferdam in order to monitor it.

2. The sluicegate on the secondary channel. This sluicegate is divided into the housing and the protective apron. The housing has a total of 27 openings arranged in two levels, each measuring 12 x 12 meters, with the upper flat and the lower arched. It is already more than half a year since the first works were placed in the stream and the flow divided. Especially following impoundment of the water, the sluicegates have been used frequently in order to keep the upstream water level relatively stable, and the arched gates and gate-lifting mechanisms have been tested singly and in groups and shown to meet design requirements, in addition to which the hydrodynamic characteristics also meet design specifications. Currently the 2 x 250 ton gating mechanisms atop the dam are undergoing load tests related to operation of the upper flat sluicegates, emergency inspection and repair, and handling flood stages. No abnormal conditions have been observed during use of the protective apron; measurements of water leakage through the troughs and channels below the apron and measurements and numerical analysis of flow through the foundation openings indicate that they are all smaller than the design values. Because of the low Fo [0154] number, energy dissipation results are rather poor, and the downstream area affected by waves is greater than predicted.

3. The power station on the secondary channel. The rockfill of the broad channel for the main machinery section of the power station meets the reservoir height requirements. The intake gate and tailrace gate or "plug" have already been used to block water flow, and the intake debris screen is in place. The installation area and the section for block No 1 have already been sealed, and preparations are made for sealing off the areas for blocks 2 through 4. The main turbine of unit 1, with a capacity of 17,000 kW, a unit weight of 4,000 tons and a rotor diameter of 16.9 meters, has already been completely installed, and installation of units 2 and 3 by the end of the year is planned. The main transformer core has already been installed and inspected. Currently, turbine unit No 1 is undergoing adjustment and testing in preparation for operation.

4. Navigation canal and locks on third channel. Dredging of the Nanjinguan navigation channel is complete, and the underwater concrete protective embankments have been completed at the upper and lower entrances. Final construction details are now being completed at the upper and lower entrances. Final construction details are now being completed. Following completion of the earth moving and of the structures, metal framing and electrical equipment installation on locks Nos 2 and 3, tests and adjustments were made in both emptied and filled condition, and test passages were made by boats. Tests and measurements indicated that the hydrodynamic characteristics of the filling and emptying facilities for the locks were excellent, the filling and emptying rate was high, and vessels were raised and lowered smoothly inside the locks. The V-shaped gates operated smoothly, their water retention capability was good, and in particular the gate of No 2 lock, 34 meters high, consisting of two sections 19.7 meters broad weighing 600 tons each, was installed with a precision meeting design requirements and gave excellent results during test operation, making it possible to resume direct passenger and freight service between Hankou and Chongqing.

5. Monitoring of the project. Because the operating conditions for the Gezhouba project are complex, and the technical specifications for the various installations are exacting, in order to assure safe operation and to carry out design and scientific research and accumulate data, large numbers of monitoring instruments have been imbedded in the works; most of them are in good operating condition. For

example, 2,058 prototype instruments have been imbedded in the main dam (including the cofferdam upstream in the main channel), and 95 percent are working properly; all have been including in systematic monitoring. Monitoring work on the Gezhouba project includes monitoring of deformation of the external part of the main dam, monitoring of the interior of the main dam, percolation pressure monitoring, hydrodynamic measurements and the like. Judging from the first stage of measurements, the operating conditions of all of the installations are excellent; no abnormal conditions have been found in internal and external monitoring.

The virtual completion of the first stage of the Gezhouba project, the beginning of its operation and realization of the first benefits of its construction are an indication of our country's further progress in the modernization of hydroelectric construction. The flood season has arrived on the Yangtze, and the various works are currently facing their first flood-season tests since they went into operation. Preparation for the second stage of the project has already begun, involving extremely arduous engineering tasks, and all of the builders have resolved to redouble their efforts, advance victoriously and build the Gezhouba dam with high speed, high quality and high standards.

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Longtan Dam Selection Conference

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 7, 12 Jul 81 p 51

[Article: "Dam Selection Conference For Longtan Hydroelectric Station Held in Nanning"]

[Text] The Ministry of the Power Industry and the People's Government of the Guangxi Zhuang Autonomous Region recently held a joint dam selection conference for the Longtan Power Station on the Hongshui River. The conference was attended by representatives and experts from the State Construction Committee, the Ministry of Water Conservancy, the Ministry of Communications, the Ministry of Metallurgy, the Institute of Geology, CAS, the Scientific Research Institute of Water Conservancy and Water Power, the Pearl River Committee of the Ministry of Water Conservancy, the Office of Hydrogeology of the Ministry of Geology, the Guizhou Province Construction Committee and Electrical Power Office, the Guangdong Province Earthquake Office, the Shaanxi Province Hydroelectric Power Office, Guangxi University, the Liuzhou Railway Office, relevant units of the Guangxi Zhuang Autonomous Region and some design institutes and engineering bureaus in the Ministry of Electric Power system, and unit No 00619. The conference participants heard a report by the Central South Survey and Design Institute, made an inspection of the site, conducted serious discussions, and finally reached unanimity of views on dam selection, approving the Longtan Dam proposed by the Central South Survey and Design Institute.

The Hungshui River has plentiful water power, with a usable head of 374 meters in seven stages between Longtan and Dateng Gorge; the installed capacity is 8.34 million kW, and annual power output is 42.9 billion kWh, making it a "bonanza" in our country's water power construction. Longtan is located on the upper reaches of the Hongshui river and regulates an area of 98,500 square kilometers, accounting for 75.3 percent of the Hungshui River watershed area; the multiyear average discharge is 1,590 cubic meters per second. The annual runoff is 50.2 billion cubic meters. After the Longtan Hydroelectric Station is completed, it will supply electricity for the Guangxi nonferrous metals base and Guangdong and Guangxi provinces and autonomous regions, and will make it possible to integrate south China into the unified power grid; the Longtan Hydroelectric Power Station will be able to fully play its key role in the system, functioning as the system's main load regulation station.

The Longtan station is intended primarily for generation, but will also yield the benefits of flood prevention and navigation. Currently the scale of construction has not been determined, but when the normal water storage level is 400 meters the total capacity of the reservoir will be 27.46 billion cubic meters and the effective capacity 22.34 billion cubic meters. In run-of-river operation, it will assure an output of 1.53 million kilowatts. The installed machine capacity will be 4 million kW and the annual power output will be 18 billion kWh. It is thought that when the entire cascade goes into operation, the assured output at Longtan can be as high as 1.81 million kW and the annual power output 18.6 billion kWh. Because the Longtan reservoir is large, the storage regulation effect will be considerable, guaranteeing that the total output of the six downstream stages can increase by 1.61 million kW compared with simple operation, and the annual power output can be increased by 6.1 billion kWh. Accordingly, the Longtan Hydroelectric Station's motive power prospects are excellent. As regards flood protection, because of its excellent regulating characteristics, when combined with other flood protection measures it can provide a certain flood control effect for both banks downstream and the Pearl River delta region, and can improve navigation conditions both upstream and downstream.

The scale of the Longtan Hydroelectric Station project is immense, and when the normal water storage level is 400 meters, the maximum dam height is about 200 meters. The concrete gravity dam project involves 11.83 million cubic meters of earth work, emplacement of 9.3 million cubic meters of concrete, and a total investment of 3.1 billion yuan. The rockfill dam project calls for 66 million cubic meters of earth work and 34.60 million cubic meters of rockfill, emplacement of 2.49 million cubic meters of concrete and a total investment of 3.7 billion yuan. Some 55,000 mu of agricultural land will be flooded and 64,000 persons will be displaced.

In the last 20 years, the relevant departments have drawn up many plans and made many surveys and designs for the Longtan section of the Hongshui River; the Guangxi Zhuang Autonomous Region has also published a "Report on Planning for Comprehensive Utilization of the Hongshui River." Since 1978, the South Central Survey and Design office and unit No 00619 have proceeded on the basis of the Guangxi Hydroelectric Design Institute's work and have carried out a large quantity of surveys, tests and design work. In the 13 km gorge in the Longtan section between the mouth of the Buliu River and the county seat, they made comparative studies of the mouth of the Buliu River, Longtan, Macun and Liupai. Topographic and geological conditions are rather good at Longtan, the two banks are rather high and the base for the dam is middle and lower Triassic sandstone; the rock is rather strong; the sandstone's average wet pressure resistance is over 1,400 kg/cm^2, that for the shale is 600 km/cm^2, and the deformation modulus is $E_0 = 15\text{-}20 \times 10^4$ kg/cm^2. Accordingly, although there is some slip between strata and there is a fault along the river, some slightly inclined jointing and fissuring, as well as creep of the rocks on the river bank and other geological problems, it is thought that measures can be taken to deal with them and that a high dam can be successfully built at the Longtan embankment. In the reservoir area, the main bedrock is Triassic sandstone and shale and the sealing conditions for the reservoir basin are good; although there are limestone outcrops in several locations, the likelihood of leakage is small, and a final determination remains to be made only regarding certain underground watersheds in the diversion tunnel.

The conference participants concluded that since flood levels at the Longtan site were high, the stream bed was narrow, the geological conditions rather complex, the engineering difficulty great and the technical requirements high, further survey, design and research work should be conducted regarding the geological problems mentioned above, the high water head and large flow and flood discharge, stream diversion during construction, the large underground excavation for the power house, location of the central facilities, the crushing of rock material for the proposed large rockfill dam, waterproof materials for the dam, excavation of the high banks, measures for decreasing the quantity of excavation required, debris removal and the like.

The conference participants requested that the South Central Survey and Design Institute proceed from existing work to strengthen their surveys and studies, add to their exploratory and testing work, carry out a good economic analysis and present a feasibility report on the Longtan power station as quickly as possible, and carry out research on technical problems in a systematic manner.

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Datong Second Power Plant

Taiyuan SHANXI RIBAO in Chinese 20 Aug 81 p 2

[Article: "Touring the Construction Site of the Datong Second Power Plant"]

[Text] At the edge of Qilicun in the southern suburb of Datong city, a large modern power plant is under construction. A 70-story-high chimney points toward the blue sky and white clouds; a tower crane and portal hoist have assumed their planned positions around the main plant building, ready to lower the first hoist; huge concrete blocks are neatly stacked on the ground waiting for people to put them in place in the great cause of socialist construction--this was the scene that met us when we first saw the construction site of the Datong Second Power Plant.

At this bustling construction site, the people's work is tense and rhythmic. One only has to live here for a period of time to get the strong feeling that one is touching the powerful pulse of the four modernizations construction. In a little over 2 years, several thousand workers of the provincial First Electric Construction Company have painted a moving picture in this corner of the Datong basin.

The 210-meter chimney is currently the tallest structure in Datong city and is the pride of the building project. For this large chimney, 3,834 cubic meters of concrete was poured, and it was completed in only 2 and 1/2 months, 20 days ahead of schedule and saving 5.4 percent of the investment. No wonder people look at this chimney and marvel at the advanced technology, rapid construction speed, low cost and high quality. Not long ago a delegation from the Mitsubishi Company in Japan said after their visit that such high-level engineering is rare even in Japan. A Chinese-American scientist put it even more emotionally; he said: "Don't think that everything in America is great, the Chinese people can create even greater things."

Indeed, this chimney was built with the sweat and blood of the workers and manifests the great ambition of the Chinese laboring class. In May 1980, when workers of the provincial First Electric Construction Company responsible for this building project heard that six sets of Chinese-made generators would be installed in this new power plant, they were greatly excited. Datong is an open city with many travelers visiting from all over the world every year. Everyone who participated in the construction project can take pride in allowing the visitors to see the great achievement of the Chinese workers class. Therefore, it is their common wish to build an advanced power plant and give credit to Chinese-made machines.

During the busy construction time, working around the clock, the workers concentrated on their jobs. In building a chimney of such a great height, difficulties are caused by the elements of nature, such as wind, rain, thunder and lightning. These natural factors were already taken into consideration in the construction organization proposal and technical planning, and appropriate measures were taken to solve the problems.

Compared to others, steel bar workers were busiest in the construction of a chimney of such height. Once a layer of concrete was poured, they had to begin working on tying steel bars immediately. The entire chimney needed 550 tons of steel reinforcement, and each bar passed through the hands of these workers. The foreman of the steel bar workers was Shen Caikang [3088 2088 1660]. Shen is in his fifties, and in the busy days of the construction he was always around the important juncture whether it was his shift or not. When the chimney was built to a height of some 20 meters, a girth truss had to be built at the throat of the chimney with 32 steel thread screws, each 8 meters long and 36 millimeters in diameter. These steel bars come with curavature and had to be threaded through a jungle of other steel reinforcements inch by inch. This was not only time-consuming but could only be done half lying down due to the restriction of the location. It was therefore the toughest job in tying steel bars. Shen volunteered for the job and the first bar took him a solid 3 hours to thread through. By the time the truss was tied up, Shen had worked 30 hours on location. When the chimney reached 100 meters, a "bull leg" was installed every 10 meters. Whenever it was "bull leg" time, you could be sure that Shen was on the job. In his own words, "there is nothing luckier than to see a modern plant being built with one's own hands." This simple honest sentence overflows with the compassion of an old worker toward our great nation. And there are many old workers like Shen at the building site of the power plant. Like him, they are all pulling for the construction of the modern power plant. In 1980, there were 1,111 staff and workers of the company rated "progressive producers and workers" of the ward or company because of their contributions.

On the building ground, the workers view engineering quality as a gauge of prestige and everyone admires the winner of an "excellent" rating. When there is a quality problem, the workers try to solve the problem on their own initiative. There is the "three no good" rule that naturally became the binding rule: leaving a snake in the grass is no good; failure to come up with a method of correction is no good; and it is no good if someone with responsibility does not get the education. The task in the second ward is to lay steel pipes for circulating water. These pipes are rolled from 10-millimeter-thick steel plates and each section is 2.2 meters in diameter, 5 meters long and weighs 3 tons. The size of these big pipes would allow basketball giant Mu Tiezhu [4476 6993 2691] to walk through them standing up. Due to the sheer size, they cannot be guaranteed to be truly round in the forming process and it is therefore difficult to join them in the installation process. The requirement that the weld seam on the inner wall must be flat makes the welding especially difficult. In one incident, the 400-millimeter weld seam did not close and the welder added a steel bar to it. This was later discovered during self-inspection and mutual inspection of quality. Many workers regarded it as shameful and went ahead and took it apart and rewelded it. Because the workers consciously practice quality control, the acceptance rate of the 80,000 cubic meters of concrete poured by the company reached 94 percent, a record high. From January to May 1981, a total of 147 construction and installation jobs were inspected and almost 80 percent were rated good.

Engineering and technical personnel played a major role in the overall quality control. Their efforts and hard work have borne abundant fruit. In building a power plant of this magnitude, design drawings for ground construction alone numbered several tens of thousands. With that many drawings coming out of the hands of different people, various kinds of errors are unavoidable. In order to assure engineering quality, they met to go through the major engineering drawings meticulously before the construction began and discovered and corrected more than 300 problems. Meanwhile, in the technical improvement activities, engineering and technical staff and workers collaborated in achieving 93 major technical improvements and rationalizations of construction, saved 560,000 yuan, produced 52 small machines of various kinds and contributed to increasing the construction speed of the power plant. For example, in constructing the return ditch for circulating water, an integral mobile hydraulic adjustable mold was designed by the engineering technology department of the company and built by the metal structure plant. Deployment of this machine has not only increased production efficiency more than 100 percent but has also greatly reduced the amount of strenuous manual labor. According to the workers, it was a big job in the past to set, prop, dismantle and transport the mold plates. Now, by loosening a screw and turning a valve, the winch runs and automatically lifts out the mold. It is effortless and safe as well.

During the few days we were at the construction site, everyone in the company was discussing one problem: because the nation lacks financial resources, the investment allocated to the power plant this year is somewhat low (even so, the electrical system still has the highest investment among the units in Shanxi), so how can the best economic results be obtained with the small investment? Money should be spent where it counts, so where would it count most? After thinking things over, the important place is the hoisting of the plant's main building. We were told by deputy chief engineer Chen Renlong [7115 0088 7893] of the company that the emphasis of ground construction is on the No 1 and No 2 machines and the emphasis of installation is on machine No 1. This will allow the generation of electric power at an earlier date. If the hoisting of the main building could not be accomplished this year, the investments would still be spent but it would bring many problems for next year. So, after elaborate preparatory work, the hoisting of the main building began on 20 July.

The main plant building is the heart of the power plant. The heaviest of its prefabricated reinforced concrete structures weighs 116 tons, and the lighter ones weigh more than 10 tons. Just for the No 1 and No 2 machines there are about 1,000 pieces of various sizes with a total weight of 16,200 tons. On the hoisting ground, a tower hoist of 125-ton capacity and a portal hoist of 120-ton capacity are busy at work.

At dusk, high on the platform of the No 1 cooling tower, workers are still busy at their job amid the machine noise and under the flashing light. We seem to be seeing, in the near future, that strong currents are flowing through 55,000-volt superhigh voltage transmission lines heading toward the Beijing-Tianjin-Tangshan area, lighting up our great nation's capital and making it prettier than ever before.

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Shandong Industry Sees Steady Growth

Jinan DAZHONG RIBAO in Chinese 29 Sep 81 p 1

[Article: "Steady Development of Shandong's Electric Power Industry in the Midst of Readjustment. 750,000 Kilowatt Expansion in Electric Power Generating Capacity in Somewhat More Than 2 Years. Entire Province Forms a Single Electrical Grid. Plays Major Role in Assuring Electricity for Use in Industrial and Agricultural Production and for the Lives of the People"]

[Text] Shandong's electric power industry has developed steadily in the midst of readjustment of the national economy.

Under the guidance of the spirit of the Third Plenary Session of the 11th Party Central Committee, staff and workers on the electric power front in Shandong Province have liberated their mentality, and have gone all out to speed the building of electric power. At the Shiliquan, Zhanhua, and Huangdao power plants, six 125,000 kilowatt generating units of rather high efficiency have been recently built and gone into production. They have a total capacity of 750,000 kilowatts, increasing the province's generating equipment capacity by 20.4 percent as compared with the end of 1978. High temperature, high voltage electric power generating unit capacity increased from 1978's 58 percent to 71 percent. In addition 3,094 kilometers of high voltage power lines carrying more than 35 kilovolts have been erected throughout the province, and a transformer capacity of 2.96 million volt-amperes has been newly added, increasing the province's high voltage lines and transformer capacity by 23 and 27 percent respectively over the end of 1978. Zaozhuang. Linyi, and Yantai prefectures have entered the provincial electric grid one by one. In December 1980, a single electric grid for the entire province consisting of 220,000 volt ultra high voltage power transmission lines and high temperature high voltage generation units as its backbone were announced as having been formed. The construction and placement in production of these generating, transmission, and power transformer facilities has played a major role in meeting the increasing needs for electricity in agricultural production and the people's lives. In 1980, use of electricity by the textile, paper making, and food industries was 32.9 percent greater than in 1978, and from January to August this year, it increased by another 11.6 percent over the same period last year. Electricity used for the livelihood of municipal governments throughout the province increased by 34.9 percent as compared with 1978, and between January and August this year, it increased by another 9.1 percent over the same period last year.

While hastening construction of electric power facilities, electric power industry units in the province have devoted themselves to launching a campaign of increased output and conservation, which has as its principal ingredients safety and quality, conservation of energy, and increasing economic effectiveness. They made conservation of energy, and increasing economic effectiveness. They made conservation of energy the principle tasks to be given attention in carrying out readjustment programs, enhanced electric grid economic management work, launched a general survey of thermal energy use, actively improved facilities, and strived to increase the energy utilization rate, thereby effecting substantial decreases year after year in fuel consumption standards. In 1979, in electric power plants of 6,000 kilowatts and above, 446 grams of coal were consumed for each kilowatt-hour of electricity provided, a drop of 12 grams over 1978. In 1980, the amount dropped to 434 grams, another decline of 12 grams over 1979. Between January and August this year, it fell again, this time to 426 grams, a 9 gram drop over the same period last year. In a period of somewhat more than 2 years, more than 480,000 tons of standard coal valued at more than 16 million yuan were saved. As a result of its outstanding achievements in the conservation of energy, the Shandong Province electric power industry was given the title last year of an advanced enterprise in the conservation of energy by the State Energy Commission, the State Planning Commission, and the State Economic Commission.

In the course of somewhat more than 2 years, Shandong Province's agricultural electrical enterprises also generated heartening changes. At the end of 1980, the province had somewhat more than 61,000 kilometers of high voltage electric power lines, a 24.8 percent increase over the end of 1978. It had 25 kilovolt and 10 kilovolt transformers with a capacity of 6.65 million volt-amperes, a 37 percent increase over the end of 1978. Production brigades served by electricity increased from 35.5 percent in 1978 to 43.1 percent. The area drained and irrigated by electric power expanded from 1978's more than 21.56 million mu to more than 23.88 million mu. In 1980, agriculture consumed 2.11 billion kilowatt-hours, a 45 percent increase over 1978. Between January and August this year, it increased again by 34.7 percent over the same period last year in vigorous support of the development of agricultural production. At the same time, quality of power supply throughout the province has improved greatly, equipment outages steadily declining.

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Shanxi Power Supply Good

Taiyuan SHANXI RIBAO in Chinese 17 Sep 81 p 1

[Article by Lu Xiaoshan [4151 2556 1472]: "Situation Good for Shanxi's Power Supply"]

[Text] From late July to mid August, the Shanxi Provincial Bureau of Electrical Industry organized 32 enterprises under its jurisdiction in the professions of electric power generation, power supply, capital construction and remodeling and building and conducted a general cross check of the inter-plant labor competition in the first six months of 1981. The findings show a good situation of the electric industry system in Shanxi Province in the first half of this year. In February and June when the electric power demand is low, all the major economic and technological indicators are better than those of last year. "Double over-half" was achieved by the following units: Taiyuan Power Plant No 2, the Yongji Power Plant, the Shentou Power Plant, the Taiyuan Power Supply Bureau, Provincial Electric Construction Company No 3, the Provincial Institute of Electrical Power Design, the Provincial Electric Switch Plant, the Yangquan Power Plant, the Linfen Power Plant and the Changzhi Power Plant. Major economic and technological indicators have achieved the best level ever for this period of the year.

Various units of the Shanxi electric industry system have combined the economic responsibility system with the effort of strengthening ideological and political work and have obtained significant results. Paying special attention to the factional problems in the shop, members of the Party Branch at the jig tool shop of the Shanxi Provincial Electric Switch Plant went to the most troublesome teams and units to untie the knotty problems. They carried out in-depth ideological and political work, launched the movement of each party member making at least two intimate friends and created a refreshing new atmosphere at the teams and units. At the Shanxi Provincial Institute of Electric Power Design, there is a high concentration of intellectuals but the Institute leaders emphasize staff and worker training. They adopted a scheme that combines Institute-sponsored and office-sponsored activities and organized an electronics college, English and higher mathematics classes, junior and senior high school classes, and special topics workshops on hydrology, geology, surveying, computers, thermal control and drafting. More than half of all the staff and workers at the Institute participated in the training. Administration of the Provincial Electric Brake Equalizer Plant was concerned about the living conditions of the workers and first solved the housing problem for its staff and workers. Employees of this plant now average 5.5 square meters of living area and do not have to worry about housing. The Yangtong Power Company's Donghenan substation of the Lingqiu Electric Industry Bureau insisted on intelligent production and achieved the "four no's", that is, no weeds, no leakages, no category three equipment, and no accidents.

By looking into inter-plant competitions, some problems have been uncovered. For example, the problem of combining inter-plant competition and intra-plant competition, the problem of strengthening intelligent production and affirming safety-first, and the problem of inadequate solidarity in the leadership affecting work and production. Various regions participating in the inter-plant competition discussed these problems and the competition for the second half of 1981. All units are requested to make further efforts in putting various forms of the economic responsibility system on a solid basis and, taking this to be the main emphasis of the competition, strive to finish all the assignments and lay a good foundation for the yearend general evaluation.

9698
CSO: 4006/55

Shanxi Power Grids Merged

Beijing BEIJING RIBAO in Chinese 29 Sep 81 p 1

[Article: "Merging Three Power Grids--Jing-Jin-Tang, Shi-Han and Shanxi--Not Only Solves Electricity Surplus Problem in Shanxi But Also Relieves Electricity Shortage in Beijing, Tianjin and Hebei Area"]

[Text] XINHUA, 28 September: At 7 minutes past noon today, the Jing-Jin-Tang, the Shi-Han (Shijiazhuang and Handan areas in Hebei Province) and the Shanxi power grids established linkage. The three heretofore independent power grids, including the Jing-Jin-Tang grid, the Shi-Han grid and the Shanxi grid in the Hebei area, have become a single gigantic inter-provincial and intercity power grid. As a result of this linkage, not only surplus of electricity in the Shanxi grid but also the shortage of electricity in the two cities of Beijing and Tianjin and the Hebei province can be solved simultaneously.

After merging the three power grids consisting of the Jing-Jin-Tang, the Shi-Han and the Shanxi, the new power grid became the second largest power grid in China with a total installed capacity reaching 8.82 million kW. Therefore, the areas originally served by the three power grids separately can now support one another and strengthen the capability to cope with accident, and thus improve the quality and quantity of electricity supply. It has also created favorable conditions for the Huabei Electric Industry Control Bureau to implement a highly concentrated and unified management.

Shanxi Province is China's important energy base. During the process of national economic adjustment, the Shanxi Electric Power Department, with government support, speeded up construction of large-scale mine-site power plants including Shentou, Niangziguan and Hexian on the one hand, and aggressively tackled construction of new transmission lines and transformer facilities as well as developing the potential of existing old facilities on the other, and thus created the present situation of satisfying all the electricity needs of the Shanxi Province, with something left over.

Today, the Huabei Electric Industry Management Bureau is positively making plans and creating conditions to bring about as soon as possible the merging of the Hu-Bao (Hohhot and Baotou) power grid with the three power grids consisting of the Jing-Jin-Tang, the Shi-Han and the Shanxi, in order to cover the entire Huabei area with a single gigantic power grid.

9113
CSO: 4006/51

Shanxi Rural Electrification Reorganization Conference

Taiyuan SHANXI RIBAO in Chinese 9 Aug 81 p 1

[Article by Lu Hung [7627 5725] and Yang Junrui [2799 0689 3843]: "Provincial Rural Electrication Reorganization Work Conference Held in Taigu"]

[Text] Centered around "safety, conservation, raising revenue and cutting cost," the vital and urgent missions of rural electrification in Shanxi Province are the consolidation and reorganization of the rural electric network, the improvement of the economic effects, and the supply of power to the rural consumers while maintaining the quality and quantity of electricity.

Since the Third Plenum of the 11th Party Central Committee, rural electrification in Shanxi has moved along confidently, great achievements and contributions have been made and the prospects are very good. In 1980, the agricultural power consumption was 1.806 billion kilowatt-hours and the county level industrial power consumption was 1.476 billion kilowatt-hours. These two items amount to a total of 3.282 billion kilowatt-hours, which is more than one-third of the total electric power consumption of the entire province. The agricultural power consumption is equivalent to 30 times the total electric power production in Shanxi in the early days after the revolution.

The agricultural electric power in Shanxi has progressed steadily since it came into existence. Today there are a total of 61,000 kilometers of agricultural high voltage lines (10,000 volts or higher) in Shanxi, which provide electricity to 95 percent of the communes and 76 percent of the brigades and allow them to realize the wish of "having light without burning oil."

The availability of electricity at the great majority of communes and brigades has led to big changes in the production life of the peasants. Electricity has enlarged the area of irrigated land and improved the drought-resistance ability. Although this year has seen persistent drought, electricity has insured irrigation for many communes and brigades and has led to good wheat production. The saying among the people is: "Where there is electricity, there is food."

In the development of rural electricity, many good "electricity management" experiences have been acquired by various locations; however, there are still a number of problems existing in the electrification of rural areas, such as irrational layout of electrical network, serious line losses, incompatibility and irrational use of equipment, improper attitude toward customers, low technical level and insufficient number of electricians, "large horse pulling small wagon," and electric shock accidents suffered by people and animals. In 1980 the least number of electric shock incidents was registered. Fangshan County has had no accidents in 5 years, Guangling, Zhongyang and Xingxian Counties have had no accidents in 3 years, Taigu County has been accident free for 2 years, and a number of other counties have been accident free for 100 days. However, electrocution accidents still have to be eliminated. In the first 6 months of 1981, there have already been 79 deaths in the rural areas of Shanxi. It is therefore entire necessary to carry out further consolidation of leadership organization, equipment, and management system. Through reorganization, Shanxi's rural electrification could have a rational network layout, healthy equipment and management organization, complete technical codes, and a coordinated work system. A technical team of high standard should be formed to really realize a safe supply of electric power and to improve the economic effects. This is the future of the rural electrification.

For this reason, the provincial Rural Electrification Bureau recently held a rural electrification reorganization work conference in Taigu County. Through circulation of documents, exchange of experience, and discussion of missions and institution of measures, the attending comrades agreed that, under the guidance of the spirit of the Sixth Plenum of the 11th Party Central Committee, this conference would have a pivotal effect on the future work of rural electrification. After the conference, all the participants rushed back to their respective posts and joined the new battle of establishing a job responsibility system.

8698
CSO: 4006/494

10,000 Small Hydro Plants in Guangdong

Guangzhou NANFANG RIBAO in Chinese 29 Sep 81 p 1

[Article by Sun Guohui [1327 0948 1920]: "More than 10,000 Small-scale Hydroelectric Power Plants Built in Guangdong"]

[Text] In the forum on small hydropower plant construction recently held jointly by the Provincial Energy Commission and the Provincial Bureau of Hydroelectric Power, data presented by administrative departments showed that there are new developments in small hydro construction in Guangdong Province.

According to statistics, 243 small hydropower stations were built in Guangdong in the first 8 months of 1981 and the installed capacity was increased by 73,000 kilowatts. To this point, the rural community of Guangdong Province is now in possession of 14,000 small hydropower stations with an installed capacity of 1.082 million kilowatts. This amounts to 15 percent of the installed capacity for all small hydropower station nationwide, and is the highest among all the provinces and autonomous regions. From January to August of this year, the total power production of small hydropower plants in Guangdong was 1.315 billion kilowatt-hours, which was 17.5 percent of the total electric power production in Guangdong and constitutes one of the important components of Guangdong's electric power industry.

Since the early 1970's, departments of the provincial government have put the construction of small hydropower plants on the agenda and actively assisted the electric power effort of the local units, communes and brigades from policy, capital, equipment and technology standpoints. Each year the State provides approximately 20 million yuan of aid to small hydropower plants and, more recently, there have also been 40 to 50 million yuan in loans available each year to promote the rapid development of small hydropower plants in Guangdong Province. Of the 108 counties and municipalities in the province, 102 have set up small hydropower stations and formed independent local power grids on a small scale. The installed capacities of county-operated small hydropower stations in Yangshan, Yangchun, Xinyi, Meixian, Guangning and Taishan counties are all greater than 20,000 kilowatts. With the extensive construction of small hydropower stations, electric power is provided to 96 percent of the communes, 80 percent of the brigades and 50 percent of the production teams in the province. Since 1970, Nanxiong county, located in the northern mountainous area of the province, has built 134 small hydropower stations, with an installed capacity of 14,300 kilowatts and an annual production of 381.4 million kilowatt-hours. They have not only met their own power needs but have also supplied 10 million kilowatt-hours of electric energy to the national power grid and increased their annual income by 60,000 yuan just from electricity alone.

The small hydropower stations located throughout the province not only provide lighting for the vast urban and rural areas, and low cost power for field irrigation, agriculture byproduct processing and industries in the brigades, communes and counties, they have also accumulated capital for the local areas. In Yangshan county 200 small hydropower stations were built in a 10 year effort. From 1975 to 1980, the utilization hours of the small hydropower installations exceeded 4,000 hours every year, which is higher than the national average. The county level and commune level power stations enjoyed an average annual profit of 1.8 million yuan.

Because the development of small hydroelectric power stations is highly significant to the livelihood of the population, it has received increasing attention from the party and various levels of the government. Departments of the provincial government have regarded small hydropower station development as the direction to take in solving the rural energy problem and an important component of agricultural modernization to be incorporated into the planning of rural development. In the meantime, small hydroelectric power companies are set up in certain regions and counties to strengthen the unified management of power production, supply and usage.

The deployment of rural water resources and the construction of small hydropower stations hold a promising future for Guangdong Province. In Guangdong there are 7.38 million kilowatts of small hydroelectric power resources that can be developed, and so far only 20 percent of this has been utilized. Therefore, some of the experts in Guangdong believe that as long as the policy of "whoever builds it, owns it; whoever manages it, benefits from it" is maintained and the State and the administration continue to lend appropriate support to the rural electricity effort, that small hydropower construction in Guangdong Province has a great future.

9698
CSO: 4006/32

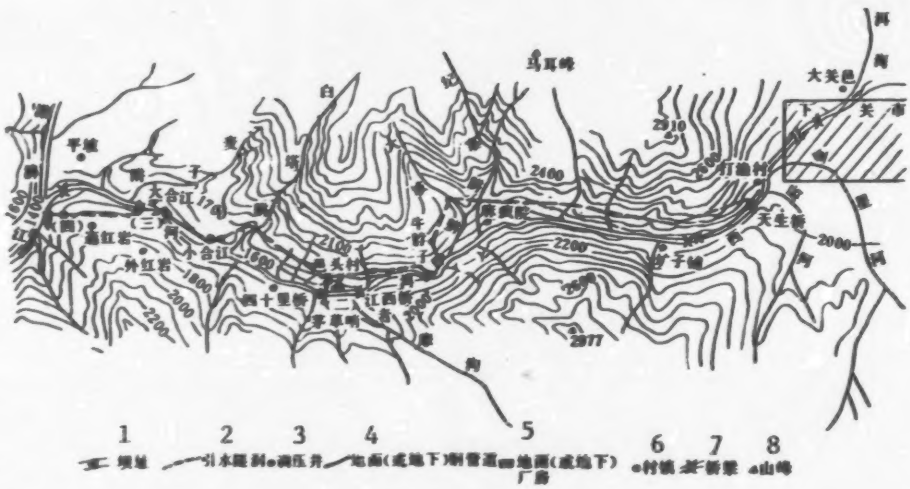
Xierhe Hydropower Project

Beijing SHUILI FADIAN [WATER POWER] in Chinese, No 5, 12 May 81 pp 55-57

[Article by Wang Congjin [3076 1783 6930] of the Kunming Surveying and Design Institute of the Ministry of Power Industry: "Development of the Xierhe Step Hydroelectric Power Station"]

[Text] The Xierhe Step Hydroelectric Power Station is situated on the Xier River between Changshan and Erhai near Xiaguan City in the Bai Nationality Autonomous

Prefecture in Dali, Yunnan. The power station utilizes and regulates the water of the plateau lakes -- Erhai. The natural waterfall is 610 meters divided into four steps. The method of development is by drawing water through penstocks (See Diagrams 1, 2). The total installed capacity of the power station is 255,000 kilowatts, annual generating capacity is over 1.1 billion kilowatt-hours, assured output is 110,000 kilowatts. The fourth, second and first step power stations have already been completed, the third step power station is being prepared for construction.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坝址
引水隧洞
调压井
地面(或地下)钢管道
地面(或地下)厂房
村镇
桥梁
山峰

Diagram 1 Plane diagram of the step hydroelectric power stations of Xierhe

1. Dam site
2. Penstocks
3. Pressure wells
4. Ground surface (or underground) steel pipes
5. Ground surface (or underground) plant
6. Village
7. Bridge
8. Mountain peak

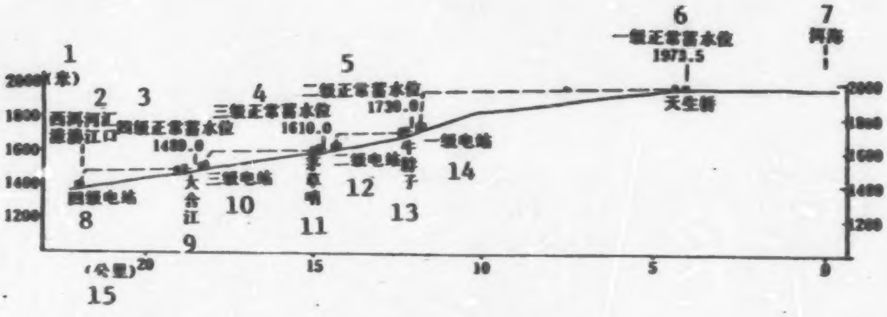


Diagram 2 Vertical section of Xierhe and positions of the step power stations

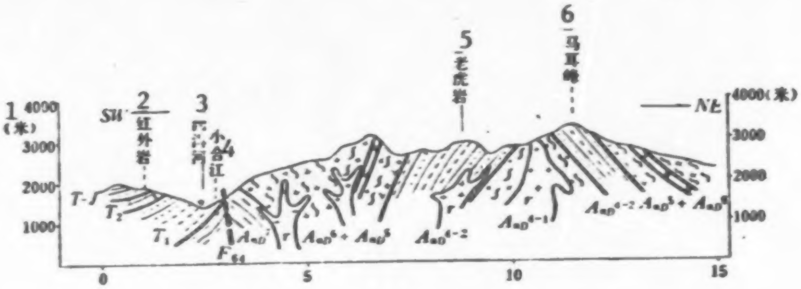
1. (meters)
2. Confluence of Xierhe and Yangbijiang
3. Fourth step normal water storage level
4. Third step normal water storage level
5. Second step normal water storage level
6. First step normal water storage level
7. Erhai
8. Fourth step power station
9. Dahejiang
10. Third step power station
11. Maocaoxiao
12. Second step power station
13. Niubozi
14. First step power station
15. (kilometers)

I. Natural Conditions

Xierhe is the sluice river of Erhai. It is 23 kilometers long and flows from the east to the west into Yangbijiang and belongs to the Lanchangjiang River System. The topography at the head and the tail end of the river (Xiaguan, Pingpo) is open and expansive, but the river mostly threads through deep mountain valleys and steep banks. The bedrock is exposed, water flow is rapid, the waterfalls are concentrated and they are the ideal site for building a hydrelectric power station.

Erhai, as a natural reservoir, is one of the three largest plateau lakes in Yunnan province. When the water level of the lake in ordinary years if 1,974 meters, the area of the lake surface is 350 square kilometers, total volume is 3 billion cubic meters, the exit (Xiaguan Daguanyi) controls an area of 2,470 square kilometers of the river valley. The average net flow over many years is 28.4 cubic meters/second, the annual amount of water is 900 million cubic meters.

Xierhe bypasses the southern tip of Dianchangshan, generally following the tectonic line in its development (the strike of the fault and the rock layer). Except the fourth step power station, the first, second and third step power stations are all situated on the right bank of the river, on one side of Dianchangshan. The "Dianchangshan metamorphic belt" is a fragmented and complexed compound anticline formed by the Changshan Group of the Pre-Devonian System and the metamorphic rocks of the Triassic System. The anticlinal axis extends from the north northwest to the northwest. The southern tip slants towards the south, the step power station is situated on the tip of the slant. The main tectonic line in the river valley is in the west by northwest direction. The first and second step power stations pass through the geostrata of mixed rock gneiss and callys (AnD^5 - AnD^7) of the Changshan Group of the Pre-Devonian System. The rock formation of the third and fourth step power stations is the callys of the upper Changshan Group (AnD^7) and the shallow metamorphic phyllite, metamorphic sandstone and vitroclastic marble of the lower Triassic (T_1). In addition, the major fault of Zhemo - Yangbi (F_{64}) is almost parallel to the conduit line of the third step power station and exerts a definite effect upon construction (See Diagram 3 and Diagram 1).



1. Meters
2. Hungwaiyan
3. Sierhe
4. Xiaohe Jiang
5. Laohuyan
6. Maerfeng

[names as published]

Diagram 3 Diagram of the geological section of the southern segment of Dianchangshan to the Xierhe river valley

T - J -- purplish red sandstone, mudstone; T_2 -- limestone; T_1 -- phyllite, metamorphic sandstone mingled with vitroclastic marble; AnD^7 -- callys occasionally mingled with vitroclastic marble; AnD^6 -- gneiss (with orbicular structures on the upper part); AnD^5 -- gneiss partially mingled with callys (the middle and upper parts are mingled with marble); AnD^{4-2} -- callys, granulite; AnD^{4-1} -- mixed callys; r -- pegmatite vein; F_{64} -- faults and code numbers

II. Design and Construction

The current four step development plan of Xierhe was basically determined in 1969. Its design and construction are described in general below:

(1) First step power station: This is the step power station in the uppermost reaches of the river. The dam (floor tunnel floodgate) is situated at Tianshengqiao on the edge of the Xiaguan Lake basin. The floodgate is 13.7 meters high. The reservoir (Erhai) has a normal water storage level of 1973.5 meters, operating depth is 4.5 meters, effective reservoir capacity is 1.08 billion cubic meters. The penstocks are distributed on the right side of the river. They are pressured tunnel conduits. The main tunnel is 8181.1 meters long, the diameter of the tunnel is 4.3 to 6.0 meters, the designed capacity of flow is 57 cubic meters/second. There is a double chamber pressure well and there are underground high pressure steel pipes, the slanted pipes have an incline of 35 degrees and are over 360 meters long. The plant is situated at Niubozi in an underground cavern (the main and auxiliary power houses have a digging span of 18 meters, a length of 56 meters and a height of 28 meters). Inside are installed three mixed flow hydraulic turobgenerators with total capacity of 3 x 35,000 kilowatts. The fall utilized by the power station is 246.5 meters. The total amount of actual excavation for

construction (not including excavation of the first section of the river channel) is about 470,000 cubic meters, total amount of concrete used was about 188,000 cubic meters.

(2) Second step power station: The dam is situated at Niubozi -- over 100 meters down stream from the tail water of the first step power station. It is a concrete gravity dam, maximum height of the dam is 37.2 meters. The normal water storage level of the reservoir is 1,730 meters, operating depth is 10 meters, effective reservoir capacity is 200,000 cubic meters. The conduit system is located on the right bank of the river, the intake point is inside the dam on the right bank as part of the water damming structure. The intake point is connected in the rear to exposed steel reinforced concrete pipes of 22 meters long which reenter the pressure tunnel 26 meters downstream. The tunnel is 2183.8 meters long with an inner diameter of 4.3 meters. The pressure well facility has been eliminated. Instead, there are 4 sets of governing systems regulating the rate of flow and pressure valves (three sets were imported from Switzerland). High pressure steel pipes are buried 30 to 50 meters underground at an incline of 36 degrees. The power house on the ground surface is on the bank of the upper reaches of the trench at its mouth at Yitoujing. The power station utilizes a fall of 121 meters. Total installed capacity is 4 x 12,500 kilowatts. The total amount of excavation for the power station was about 170,000 cubic meters, total amount of concrete used was 84,000 cubic meters.

(3) The third step power station: This utilizes the natural waterfall of over 110 meters along the section of the river from Yitoujing to Dahe River. The dam is 230 meters downstream from the exit of the tail water canal of the second step power station. Maximum dam height is 20.7 meters. The normal water storage level of the reservoir is 1,610 meters, the lowest water level is 1605.5 meters. The intake point is on the right side of the flood discharge and scouring sluice of the upper reaches of the dam site. The tunnel on the right bank draws water. The tunnel is 3,200 meters long and its diameter is 4.3 meters. It has an impedance upper chamber pressure well. The high pressure steel pipes are exposed ground surface pipes about 950 meters long. The power house on the ground surface is on the banks of the upper reaches of Dahejiang Village. According to calculations of assured regulation, in addition to the pressure well of the power station, there are also pressure valves beside the generators.

(4) Fourth step power station: This is the step at the lowermost reaches of Xierhe. It is also the step power station that was the first to be built. It began operation in 1971, but because of evaluation of the quality of high pressure steel pipes and other problems, for a long time, it was limited to operating with only 2 generators. The dam of the power station is situated near Dahejiang Village. It is a concrete gravity dam. The dammed water rises to 19 meters. The normal water storage level of the reservoir is 1,489 cubic meters. The water conduit tunnel is on the left bank of the river. The tunnel is 1,960 meters long and the diameter is 4.3 meters. The steel pipes and the power house are both on the ground surface. The power house is situated on the beach of the left bank of Yangbijiang at the lower reaches of the mouth of Xierhe. The power station utilizes a waterfall of 122.5 meters. Total installed capacity is 4 x 12,500 kilowatts.

(5) Dredging project of the first river segment of Xierhe: The river channel from the exit of Erhai to Tianshenggiao is about 4.6 kilometers long. The river flows through Xiaguan City. Because of its small specific drop, the river bed is high, and to regulate and extract water from Erhai for generation of electricity and to drain flood water to avoid flooding, the original river channel had to be deepened and restructured. The designed total amount of dredging was about 1,300,000 cubic meters. The original plan was scheduled for completion after three years. But because of the massive amount of mud and sand (30,000 cubic meters in ordinary years, and sometimes 40,000 to 50,000 cubic meters) being brought into that segment of the river each year during the flooding period, the actual amount of dredging was larger than the designed amount of dredging. After the river channel was dredged, when the water level of Erhai was at the average water level, the depth of the water was generally over 6 meters. This is beneficial to satisfying the need for operating the power plant when the water level is at the dead water level of Erhai, it reduces the coarseness of the river and drains flood water.

III. Major Engineering and Geological Problems

During the course of constructing the power stations, many and varied hydrological and engineering and geological problems were encountered. Several major problems are briefly discussed here:

(1) Landslides in tunnels, falling of the roof and sectional supports and floor props: In the 15 kilometers of tunnels of the three power stations already built (not including access tunnels for construction), the most frequently seen were roof cave-ins while landslides of the tunnel walls and contraction and deformation of the tunnel floors occurred less. For example, at the fourth step power station, because the lithological character was softer or alternately soft and hard, because of the rich amount of underground water, and with the overly long construction period, over 30 landslides occurred inside the tunnel of nearly 2 kilometers. The accumulated length of landslides constituted about one third of the length of the tunnels. At the first and second step power stations, because the rocks were hard, the landslide segment was only one tenth the length of the tunnel. But in some local sections, because of improper construction methods, or when the intersecting angle between the fault and the tunnel line was too small and when this was handled poorly and supports were not provided in time, the landslide would enlarge until the tunnel roof slid to the ground surface (Tongtian).

(2) The problem of concentrated upsurge of water inside the tunnels: During the course of digging the tunnel chamber, when boring pierced the compressive structural surface, or when encountering marble karst caverns, a sudden and violent surge of water occurred. When dredging the exploratory tunnel for the third step power station and piercing the major fault F a large gush of water surged out from the cavern and flooded the highway. Later, during tunneling for the first step power station, similar situations were also encountered.

(3) The problem of stabilizing the side slopes: The natural mountain slopes along the ground surface power house of the second step and fourth step power stations and the steel pipe channels of the fourth step station all showed problems in the stability of the nature of the rocks and the soil layers of the side slopes. During the course of construction, they were solved by engineering measures corresponding to their geological conditions.

(4) The problem of unloading crevasses on the banks: In the region from Niubozi to Yitoucun, the rock formation slants towards the outskirts of the mountain along the slope. The rivers are seriously eroded, the unloading tension crevasses on the river banks are very developed. During arched roof dredging for the underground power house of the first step power station, 5 large crevasses were discovered, the width of the gaps were 5 to 15 centimeters, the widest reached 50 centimeters. In dredging the steel pipe channels for the second step power station, a wide distribution of crevasses was also seen.

(5) The problem of the fault fragmentation zones and soft and weak bands: One of the engineering and geological problems frequently seen in the construction of hydroelectric power stations concerns the fault fragmented zone formed by tectonic activity, interstrata compression belts, belts of concentrated joints, interformational bands formed during the course of the diagenetic process of primary rock and metamorphism, interformational contact zones, concentrated soft and weak minerals belt, secondary bands filled with crevasses and their compound products in the rock of the foundation of the dam. For example, in the gneiss of the foundation of the dam of the second step power station, three strata of 1 to 3 centimeters each (the thickest was 7 centimeters) of mud bands were discovered. During construction, spatial distribution and properties of the bands were considered and various measures of digging and removal, intercepting, filling with concrete, using anchor steel reinforcements, filling and changing the structural form of the dam, improving the conditions of stress of the dam were carried out and predicted results were realized. Similar engineering treatments were carried out according to the position and the situation of the fault belt, compression belts and concentrated joints and crevasse belts encountered during basic digging for the several power stations.

(6) The problem of buried valleys, ancient river channels and deep and thick covering strata: The foundation of the dams of the third and fourth step power stations, high pressure pipes and the site of the surface power houses are all built on top of deep and thick alluvium and diluvium. There are also more buried valleys and ancient river channels in the river valleys and these have brought about a lot of trouble for basic dredging.

IV. Construction

The construction schedules of the step power stations on Xierhe were as follows. The fourth step power station began construction in 1958, construction ceased in 1961, restarted in 1966, and the power plant began operating in 1971. The second and first step power stations were completed in 1978 and 1979 respectively and have joined the network to transmit power. The third step power station is about to begin construction after a period of preparation. During the construction period of the hydroelectric power station projects, the latter period construction of the tunnels of the first step power station utilized plain surface demolition, blown anchor supports, floor arch sliding forms and mixing concrete additives and such new techniques. To accumulate data, train personnel, strengthen scientific research work, stress measurements of the rocks of the tunnels were taken, and sound waves were used to measure the relaxation zone of the wallrock and the completion coefficient, concrete was sprayed to line the tunnels, water pressure experiments were conducted, the original form of the tunnel chambers was observed. During the course of tunneling for the first step power station, research and experiment of the domestically produced SJG-53-12 model and the SJ58 model tunnelers were conducted.

The diameter of the SJ58 model tunneler is 5.8 meters, it tunneled the whole cross section and reached a highest monthly tunneling speed of 50 meters. The SJG-53-12 model tunneler tunneled a tunnel of 5.3 meters, and the highest speed per shift was 4.55 meters. The entire experiment showed that although some problems still exist in continued tunneling and cutting tools, it has provided first hand information for further improvements, popularization and application. In dredging river channels, the 90 cubic meters/hour hydraulic absorption mud pumping vessel, the 120 cubic meters/hour chained bucket type dredging vessel and the 120 cubic meters/hour chained shovel dredger were used jointly and a definite experience was gained. In addition, the second step power station "used valves in place of wells" as pressure regulators for the water drawing type hydroelectric power station and realized success. The crescent moon shaped high pressure fork tube experiment, manufacturing and installation at the first step power station have all provided new experience in the building of hydroelectricity.

At present, scientific research and experiments in construction using the "Newall system" are being grasped tightly because of the poor geological conditions of the water penstocks of the third step power station being prepared for construction. It can be foreseen that on the practical foundations of projects already built, the third step power station will surely hasten its construction and realization of the task of total development of the Xierhe step power stations is not far away.

9296
CSO: 4006/478

Experts Fight Longyangxia Floods

Beijing GUANGMING RIBAO in Chinese 12 Oct 81 p 1

[Article by reporters Ma Jiqi [7456 7162 3823] and Yang Liben [2799 4539 2609]]

[Text] When an extraordinarily large flood in the upper reaches of the Huanghe in September this year, threatened people's lives and property, hydropower experts came from around the nation to Longyangxia to fight the flood and immediately engaged themselves in a tense battle. They went back and forth between the flood site and their offices, making observations and scientific calculations and analyses in turn, and thus contributed positively toward flood fighting by suggesting plans and measures.

In the afternoon of 6 September, the Ministry of Electric Power received an emergency report concerning the rapidly rising water level of the Longyangxia reservoir.

A 64-year old expert, Li Eding [2621 7725 7844], vice-chairman of the International Dam Committee and deputy director of the Chinese Society of Hydropower Engineering, arrived at Longyangxia on 8 September. He inspected the situation, braving heavy rains to analyze the meteorological and hydrological conditions and study the conditions of a temporary effluent barrier. He suggested that the surrounding earth embankment be made higher and reinforced to combat this extraordinarily large flood. At the same time, he advised the Qinhai Provincial Party Committee member to evacuate the residents in a five-county area including Guide county, situated in the vicinity downstream of the reservoir. In more than fortnight of fighting the flood, although suffering from a heart condition and diabetes, he went up and down a small path more than 300 steps long on the face of a cliff 100 meters high, inspecting the flood situation from the top of the embankment and directing the battle against the flood. One day, while standing on a suspension bridge over the valley investigating the flood's water-flow situation, he noticed a huge rock on top of the cliff above an earth embankment. He thought: if this rock were to slide down the cliff, it could destroy the flood overflow route. He immediately ordered the members of engineering bureau to remove the rock. During the most tense hours, he worked day and night without a break, analyzing the flood situation scientifically and making a series of suggestions concerning the flood fighting measures.

The military as well as the civilians residing in the Longyangxia work district praised Pan Jiazheng [3382 1367 6727], a member of Academic Committee, Chinese Academy of Sciences and the deputy chief engineer of the State Bureau of Hydropower Construction, Ministry of Electric Power, for his contribution toward fighting the flood. In July this year, this famous expert in the field of computational theory of hydraulic structures came to Longyangxia and rechecked by calculation the structural soundness of the surrounding earth embankment and the construction of emergency flood overflow route, focusing on a probable flood situation. According to his proposals based on the calculation, the Fourth Engineering Bureau of the Ministry of Electric Power reinforced and raised the height of the surrounding embankment three meters with rocks, and the slope facing the water was tightly packed with wire mesh cages and reinforced with concrete. They did a great deal of preparatory work to combat the great flood.

On 12 September, when the flood situation was very tense, Pan Jiazheng hastened to the work area again. At that time, the volume of flood water influx was more than 5,570 m^3/sec, and the water level was rising at the rate of 0.1 m/hr, applying ever greater pressure on the embankment. Everyone became very nervous. He went to the top of embankment in person to inspect the readings of more than 40 instruments buried inside the embankment. He did theoretical calculations to check the stability of the entire embankment, the stress in the central wall and the sidewall structure of the flood overflow route. According to the scientific design, he proposed plans to reinforce and increase the height of the surrounding embankment. During the course of flood fighting, the reinforcement works of a large number of structures were done entirely according to his proposals.

In the decisive battle to protect the embankment from the flood water, the experts, the military, and the civilians fought side-by-side, sweating profusely. Sixty-three-year old Yang Yang Chungui, deputy chief engineer of the State Bureau of Hydropower Construction, arrived at the site on 8 September and insisted on working on the site every day. On the 15th, a waterhead as powerful as a waterfall formed a gigantic swirl on the left side near the exit of the flood overflow route, violently cutting at the embankment wall. The rocks and huge cement blocks protecting the slope crumbled one after another, and the surrounding embankment was dangerously threatened. At 7 o'clock in the evening, Yang Chungui hastened to the site to inspect the swirl, standing on a cement block 4 meters high at the edge of the slope and risking his life, while the flood water surged violantly at his body. He suggested instantly an emergency measure that straw bags filled with concrete be pilled up at the base of the slope as a wall to break the water. He worked with the workers until 2 o'clock in the morning. On that day, he worked continuously for 14 hours and climbed the small path leading to the embankment three times.

9113
CSO: 4006/51

Briefs

SHENTOU-YUCI LINE--The construction project of rebuilding the second 220 kilovolt transmission line from Shentou power plant to Yuci substation was completed on 25 July, 5 days ahead of schedule, and the test run began officially at 1:38 am on 30 September. The length of the second Shentou-Yuci transmission line is 210 kilometers and there are 625 steel towers and concrete posts along the way. This transmission line passes through some steep mountainous area. The workers endured great hardship and the quality of the installation meets the regulation standard completely. [By Sun Huiquan [1327 1979 3123] and Zhang Xuanyi [1728 1357 5030] [Text] [Taiyuan SHANXI RIBAO in Chinese 1 Oct 81 p 2] 9698

ELECTRIFIED RAILWAY LINE--Since the opening of the Shijizhuang-Yangquan electrified railway, it has been running safely and on-time and the transportation capacity has increased 300 percent. This electric powered railroad was completed in August, 1980 and since it opened for traffic, the hauling tonnage, running speed and frequency of the trains have all increased. The trains are used to be pulled by steam automotives which can only pull 800 tons with a speed of 23 kilometers per hour. Now each automotive can pull 1900 tons at a speed of 34 kilometers per hour. They have guaranteed the coal transportation for Yangquan, Pingding, Xiyang, and Yuxian. [By Han Zhongxiao [7281 1813 1321] and Xie Zhangming [6200 7022 0730]. [Text] [Taiyuan SHANXI RIBAO in Chinese 1 Oct 81 p 2] 9698

CSO: 4006/65

HYDROELECTRIC POWER STATIONS--Beijing, 3 Nov (XINHUA)--China built 1,600 small hydroelectric power stations in the first nine months this year, adding to the total generating capacity by another 400,000 kilowatts, the PEOPLE'S DAILY reports today. China's rural areas now have more than 90,000 small hydroelectric power stations with an aggregate generating capacity of 7.33 million kilowatts, one-third of the country's total hydroelectric power generating capacity, the paper says. These small power stations turned out a total power output of 8,300 million kilowatt-hours during the January-September period. Now the country's 748 counties, about one-third of the total, 17,000 people's communes and nearly 100,000 production brigades depend mainly on the small local power station for electricity. [Text] [Beijing XINHUA in English 1218 GMT 3 Nov 81 OW]

CSO: 4020/33

GUANGDONG HYDROELECTRIC CONSTRUCTION FORUM--The Guangdong Provincial Energy Conservation Committee and the Provincial Hydroelectric Power Department recently held a forum on 28 September. The forum has provided evidence to prove that Guangdong Province has achieved greater development in the small hydroelectric power industry. In the first 8 months of this year, the province completed construction of 243 small hydroelectric plants, increasing the installed capacity by 73,000 kilowatts. To date, there are altogether 14,000 small hydroelectric power stations in the rural areas in Guangdong Province, and the total installed capacity amounts to 1.082 billion kilowatts which represent 15 percent of the total installed capacity of small hydroelectric power stations throughout the county. Small hydroelectric power stations have been built in 102 out of 108 counties and municipalities in the province. [Guangzhou Guangdong Provincial Service in Mandarin 2300 GMT 28 Sep 81 HK]

CSO: 4006/71

GUANGXI HYDROPOWER RESOURCES--Naning, 22 Sep (XINHUA)--The Guangxi Zhuang autonomous region in South China has an estimated potential of 17.51 million kilowatts of waterpower resources, 16.75 million kilowatts of which can be exploited, 95 percent of the total, according to surveys by the region's department of water conservancy and power industry. Guangxi's annual rainfall ranges from 1,100 to 2,800 millimeters. There are 937 rivers in the region. Ten big power stations with a total generating capacity of 12.9 million kilowatts can be built on the upper reaches of the Hongshui River, which has the region's largest waterpower resources. So far Guangxi has built hydroelectric power stations with a total generating capacity of 1.19 million kilowatts. [Text] [Beijing XINHUA in English 1241 GMT 22 Sep 81 OW]

CSO: 4020/9

HAINAN'S HYDROELECTRIC POWER STATIONS--During the 5 year period from 1976 to 1980, Hainan Island established a total of 246 medium and small hydroelectric power stations, with a total generating capacity of 102,000 kilowatts. The amount of electricity generated in 1980 reached 400 million kilowatt-hours. At present, some 3,700 kilometers of high-tension electric cables have been erected. As a result, 92 percent of the communes and 56 percent of the brigades on Hainan Island now have electric power supply. [Guangzhou Guangdong Provincial Service in Mandarin 2300 GMT 30 Aug 81 HK]

CSO: 4006/36

HEBEI RURAL ELECTRICITY SUPPLY--Electricity supply in the rural areas has been developed greatly in Hebei Province over the past few years. As of 31 August this year, electricity supply is available in all the counties in the province except Guyuan County, and in 86 percent of the communes and 91 percent of the brigades. In the first 8 months of this year, electricity consumption in the rural areas increased by over 410 million kilowatt-hours over the corresponding period last year. In the wake of the development of the national economy and improvement of the people's standard of living, there are growing demands for electricity. In light of this, the provincial electricity supply bureau has improved electric power supply in the rural areas by repairing and rectifying the electricity network in the rural areas. [Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 28 Sep 81 HK]

CSO: 4006/71

JILIN POWER CONFERENCE--The provincial electric power work conference opened 29 October. Attending were responsible persons of the municipal, prefectural, autonomous prefectural and county economic commissions and electric power departments and bureaus and of provincial level departments concerned, as well as responsible persons from enterprises. (Li Zhenjiang), deputy governor, attended and addressed the conference. The conference disclosed that power output and supplies have been good since the beginning of 1981. During the January-September period, power output increased 13.2 percent over the corresponding 1980 period. Power supplies can satisfy the province's economic readjustment and the needs of the people in 1981. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 30 Oct 81 SK]

CSO: 4006/130

NEI MONGGOL POWER OUTPUT--Hulun Buir league's power departments had generated 125 million kWh of electricity by the end of September, an increase of 22.46 percent over the corresponding 1980 period. These power departments earned an income of 11.8 million yuan, 18 percent better than the corresponding 1980 period. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 30 Oct 81 SK]

CSO: 4006/130

SHANDONG POWER INDUSTRY--The power industry in Shandong Province has been successful in implementing contract and profit-sharing systems and in promoting ideological work. As a result, production has developed rapidly. The provincie's power output in the first 9 months of 1981 increased 4 percent over the corresponding 1980 period. Losses of electricity on transmission decreased by 10 million kWh. During the 9 months, the province's power industry made a profit of 288.8 million yuan. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Oct 81 SK]

CSO: 4006/130

ZHEJIANG PROVINCIAL POWER AMALGAMATION--Hangzhou, 13 Sep (XINHUA)--With the approval of the Ministry of Power Industry, Zhejiang's provincewide merger of power enterprises was recently achieved. First ever in such undertaking, the merger involves 14 power generation plants, 8 prefectural power bureaus and 44 county power companies of the province. The merger is under unified management and is expected to contribute to energy conservation and greater economic results. [Beijing XINHUA Domestic Service in Chinese 0018 GMT 13 Sep 81 OW]

CSO: 4006/36

NORTHEAST POWER CAPACITY--The power network in west Heilongjiang, including the Qiqihar and Daqing areas, was incorporated in the main power network of northeast China, including Liaoning, Jilin, Heilongjiang and Nei Monggol, on 30 October to increase the power capacity, facilitate the power supply and management and reduce inconveniences in west Heilongjiang. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 31 Oct 81 SK]

CSO: 4006/130

DEVELOPMENTS, APPLICATIONS IN SOLAR ENERGY

Joint Cooperation Needed

Beijing GUANGMING RIBAO in Chinese 24 Oct 81 p 1

[Article by reporter Lu Liang [4151 5328]: "China's Solar Energy Scientific Researchers Suggest That Joint Cooperation Is Needed in Use of Solar Energy"]

[Text] More than 200 experts, professors, and technical personnel who attended an annual conference of Chinese Society for Solar Energy which was concluded recently in Hangzhou considered that the key to rapid development and utilization of solar energy consists of joint cooperation, stronger leadership, unified coordination, divided work cooperation and competition.

In recent years, there were a number of problems concerning scientific research, production, and popularization of solar energy utilization. The major one among these problems was scientific research on solar energy utilization. The technical forces were weak and scattered and the research works were uncoordinated, so that there were many duplications. This situation did not help the development of solar energy utilization. The experts who attended the conference suggested that the concerned leading department should treat solar energy utilization as one of the important projects related to China's energy resources study and strengthen leadership on this subject. At present, a unified system consisting of scientific research, popularization demonstration and production must be established first, then a special enterprise dealing with solar energy utilization may be built step-by-step. The concerned department should, taking into consideration the existing force and facilities, make an overall and unified plan and organization. It should selectively support the superior, distinguish between good and bad, and emphasize priorities and promote division of work and cooperation. The experts further suggested that we must take advantage of the outstanding individual feature of scientific research units, educational units, and production units, and make best use of them all. The scientific research units should concentrate on the utilization of solar energy, with some basic theoretical research. The educational institutions should emphasize basic theoretical research, and the production units should emphasize improvement of technology and quality and reduction of costs.

The experts proposed that we must quickly organize our forces and launch an allout assault on various problems related to scientific research, production, popularization and even technology in order to achieve breakthrough. Hot water heaters and furnaces ought to be designed jointly by the concerned units and manufactured by a few select plants according to specific standards.

9113
CSO: 4006/66

Creation of Specialized Units

Beijing RENMIN RIBAO in Chinese 16 Aug 81 p 5

[Article by Beijing Municipal Solar Energy Research Institute: "Accelerating the Use of Solar Energy"]

[Text] In this letter we shall briefly discuss the utilization of solar energy and express some of our opinions.

From the long-term point of view, energy resources such as coal, oil and natural gas all have a finite reserve and will eventually run out. On the other hand, solar and nuclear energy will be the reliable energy sources for the human race.

China has an immense territory and abundant solar energy resources, two thirds of China have more than 2000 hours of sunshine per year. Way back in the 1950's China begun its research on the solar furnace, the solar hot water heater and solar cells. Today, the collecting area of solar hot water heaters in China has reached 100,000 square meters and the scope of application is gradually growing. There are about 2,000 solar furnaces in use at various places, most of them are of the parabolic focusing type. They have partially solved the serious shortage of fuel in some rural and remote areas. In addition, research and application of the passive solar house, solar drying devices and solar distillers have also made progress.

Every since silicon solar cell electrical system was successfully used in China's first satellite in 1971, the quality of solar cells has continued to improve and the cost has gradually decreased, applications of solar cell on the ground is broadening. Solar cell devices such as navigation light, railroad signal system and electric fence have played a role and the results are satisfactory.

According to statistics, 150 units and more than 1000 specialists and technicians in China are engaged in solar energy research and application. The China Solar Energy Society, established in 1979, has published popular science magazines and academic journals on solar energy. Academic exchange activities between China and foreign countries are also on the rise. Today there are two opposite views on solar energy. One view is that since the technology of solar energy application is still not mature, the economy of solar energy is poor, the energy density is low and elaborate facilities are required for its application, and the usage of solar energy is limited due to the alternations of day and night and the change of seasons, solar energy is an energy source for the future and should not be developed at the present time. The opposite view is that the sun is an immense and clean source of energy with many advantages and should be developed and used on a large scale immediately.

Both views are one-sided. If one looks at the history of energy development, it always takes a long transition period for a new energy source to replace an old one. Chinese history mentions the use of coal more than 2000 years ago, yet extensive use of coal as an energy source occurred only in the past few hundred years. It took almost half a century from the discovery of nuclear energy to its actual application and it is still not widely used today. Large-scale deployment of solar energy will also require some long and tedious work of research and development and demonstration and promotion. On the other hand, one should not wait until the regular energy sources of coal and oil are about to run out and then "start digging a well when one is beginning to feel thirsty." There will be energy shortages in China in the 1980's. With all the professions searching for substitute and supplemental energy sources, small-scale application of solar energy is imminent.

The economic and technical aspects of solar energy application are relative. Although some devices using solar energy require a large one-time investment, the traditional energy resource and manpower it saves and the reduction in environmental pollution are hard to estimate. In some remote areas, fuel is in very short supply; in order to solve people's food and drink problems, certain areas had to burn precious trees as fuel. In some places in Xinjiang, people cook once a week and eat dry cereal the rest of the time. Fuel for resident living is also very tight in Tibet and Qinghai. But these places have abundant solar energy, why not use it? Besides, the technology for solar hot water heaters and solar furnaces is well known and such devices are economically competitive and they are completely ready for wide use. As for the disadvantages of interrupted and diffused availability, they can be overcome with integrated use of multiple energy sources. For example, combined use of solar energy and methane is a good option.

Solar energy application should be supported and encouraged. Based on their own national interest, many countries in the world are giving their solar energy industry and users economic benefits. But the promotion of solar energy application in China is hindered because some of the economic policies are less than rational. For instance, if a barber shop installs a solar hot water heater, it is considered a capital item and depreciation fees are assessed even in winter when the item is not in use. This practice decreases the income of the enterprise and some units would rather let the device go unrepaired than use it. It is of course difficult for the State to provide general subsidy for solar energy but considerations should still be given to tax waiver for technologically mature solar energy products. Loan or installment for solar energy users and solar energy supplementations for areas of fuel shortage should also be considered.

Solar energy is highly interdisciplinary and involves many scientific fields and professions; therefore, there should be an overall planning to avoid blind efforts and the coordination between scientific research, production and promotion must be done well. At present, work in this area is very inadequate. For example, in the case of the fast-developing solar hot water heater, there is still no unified regulation on its material, production, quality, price, specification and application. As a result, there have been some confusion and waste and the promotion of new technology and new products is very slow. We suggest that specialized organizations, such as solar energy industrial companies, be established in areas that are in a position to do so in order to carry out unified management, set standards and codes and put them into practice.

9698
CSO: 4006/31

Good Results Around Nation

Beijing GUANGMING RIBAO in Chinese 24 Oct 81 p 1

[Article: "Good Results in Use of Solar Energy Around the Nation"]

[Text] Good practical results have been achieved in many fields in relation to the utilization of solar energy around the nation.

Today, there are more than 30 factories in 15 provinces and cities in China where various types of solar energy water heaters are manufactured. The annual output is up to 50,000 square meters, and there are more than 100,000 square meters of solar energy water heaters being utilized nationwide. Each square meter can save 200-300 kg of coal a year. There are more than 5,000 square meters of solar energy water heaters used in Shanghai alone, substituting the coal-burning furnaces and supplying hot water for a number of governmental and private organizations. These solar energy water heaters can save approximately 1,500 tons of coal for the city of Shanghai this year. A solar energy hot water heater built in Daxing County in the suburbs of Beijing can supply hot bath water for 15,000 persons a day.

According to a study, there are more than 10,000 solar furnaces owned and utilized by the villages in various parts of the country, and members of communes in more than 20 provinces, cities and autonomous districts are known to be users of solar furnaces.

Good results from research on the utilization of solar energy have been achieved in various other areas also. The Shanghai Energy Resources Office and the Baoshangu Village Grain Control Office have jointly developed and constructed a solar energy collector having an area of 32 square meters and a volume of 27 cubic meters. Under normal sunlight conditions, it can dry 400 jins of noodles in only 4 hours. The Shanghai Xinhua Light Fixtures Plant has, in cooperation with concerned units, developed and manufactured 21 products of 16 different kinds including a silicon solar energy black-light lamp and a rubber tapping lamp. These products are being utilized by industry, agriculture, animal husbandry, national defense, navigation and medicine nationwide in 21 provinces, cities and autonomous districts. Shanghai No 2 Smelting Plant utilized the single crystalline silicon rejected by the plant and assembled various types of solar energy cells with power ratings as high as 5 kW. These cells are widely being utilized by the railroad system, seismic stations, weather stations, and for illumination purposes in the remote areas where no conventional energy sources are unavailable. China's largest 720 watt solar cell, which is installed at the Ketu railroad station on the Xizang Plateau, provides power for illumination and railroad communications in the remote mountainous area where no electricity is available, and thus has opened up a wide and bright prospect for the area. A solar energy vegetable green house was built at Xining, Xizang, and a way has been shown to solve the problems related to vegetable production during the winter months on the cold highland. Xizang has further manufactured many other types of products including solar energy electrified fences, solar energy illuminating lamps, solar energy portable lamps, solar energy cells for transister radios, solar energy cells for seismic stations, solar energy chargers for triple-flash cameras, solar energy cells for artillery applications, and solar energy cells for railroad signals.

9113
CSO: 4006/66

Full Utilization in Yunnan

Kunming YUNNAN RIBAO in Chinese 5 Aug 81 p 3

[Article by Zhang Haiping [1728 3189 1627]: "Fully Utilize Solar Energy -- Our Province Has Unique Conditions To Utilize Solar Energy"]

[Text] Utilization of solar energy by man is not a thing of the past 10 or 20 years. It began from the time human beings came into existence. At that time, the use of solar energy by human beings was unconscious and indirect. For example, plants absorbed sunlight and grew, people ate the fruits of plants, used plant fibers to make cloth, and that was it.

Cases of conscious and direct use of solar energy by human beings occurred over 3,000 years ago during our nation's Western Zhou period when the use of sun flints to make fire was invented. The so-called sun flints were concave mirrors. The use of concave mirrors to focus sunlight to light moxa was an advance from drilling wood to make fire and the significance was profound and far reaching. As Engels said, this was "the first time that man controlled a natural force, thus finally separating man from the animal world."

Solar energy occupies an especially important position in the various energies of nature. It is clean, it is massive, and it is durable. The sun is in its "youth", it still has several billion years until its demise. Coal, petroleum and natural gas which are now used as the major energy sources also come from solar energy. Ancient biological sediments slowly form coal, petroleum and natural gas under ground, thus the energy of living beings is formed by the conversion of solar energy via photosynthesis. Therefore, coal, petroleum and natural gas can be said to be the solar energy of the past that has been stored. Although a massive amount of solar energy has been stored over a long period of time, it cannot withstand human consumption. At present, world consumption of energy increases 5 percent a year, and it is estimated that after 20 years, petroleum and natural gas will be exhausted and the shadow of an energy crisis is looming over the head of mankind.

Hydroenergy, wind energy and solar energy seem to be unrelated, but in fact, they are all variations of solar energy. This is because the sun evaporates moisture causing the water level to rise and to possess energy, and the sun heats air to create differences in atmospheric pressure which forms wind. Therefore, the utilization of hydroenergy and wind energy is the utilization of solar energy, but it is only an indirect utilization.

The massive use of coal, petroleum and natural gas has also brought about serious pollution, greatly worsening our living environment and affecting human health. Uncontrolled felling of forests for firewood has caused the loss of water and soil and destruction of the ecological balance. Solar energy does not have such shortcomings; it will not cause any pollution, it is available everywhere, and it does not need to be transported.

The sun delivers 80,000 billion kilowatts of energy to the earth each second. If all this energy is converted to electricity, it will be many ten thousand times more than the amount of electric power generated by the world. But, the amount being utilized now is very small, and most of it is wasted. The study of highly efficient direct utilization of solar energy is the goal which scientists of every nation are struggling to realize. At present, direct utilization of solar energy is realized in three ways:

Converting light energy into thermal energy. The installations utilized are mostly flat board or focusing heat collectors. The heat collector contains water. The water heated by the sun can be used for bathing. The installations that utilize parabolic mirrors to reflect sunlight and focus sunlight on one point and creating a high temperature of from 400 to 650 degrees centigrade are used for cooking. These are solar stoves. The principle of conversion is simple, it is easy to popularize, and it is the most successful method of utilization at present. The shortcoming is that the cost is high and the efficiency of energy conversion is low.

Converting light energy to electrical energy. Photoelectric cells that generate electricity have been manufactured by utilizing the phenomenon of certain materials that will produce an electric current when subjected to light (photoelectric effect). Photoelectric cells are presently widely used in artificial satellites and spacecraft, utilizaton on the ground is limited to unmanned beacons, lamps of navigation marks, high class watches, black lamps used in agriculture and such special situations. Large-scale utilization is possible only after the problem of high costs is solved.

Converting light energy into chemical energy. Photosynthesis in green plants is this type of conversion. This type of conversion is common in nature, it is the major and the most fundamental method of direct utilization of solar energy. Yet, compared to the previous two types of conversion, this type of conversion cannot be completely controlled by man. Scientists are studying in depth the mechanism of photosynthesis. As soon as it is clearly understood, man will be able to simulate photosynthesis to produce food grains and fuel. By that time, only water and carbon dioxide are sent into the "green factory" but what comes out will be rice, bread, fruits, vegetables and oxygen. Of course, this is a relatively distant thing, at present, the method being used is the utilization of solar energy to cultivate fast growing trees as fuel, massive cultivation of algae, and then let the algae ferment to obtain fuel.

Our province has unique conditions for the utilization of solar energy. One is the low latitude. Because the latitude is low, sunshine is strong. In the same area and over the same time, the intensity of sunshine at 30 degrees north latitude is 1.7 times the intensity of sunshine at 60 degrees north latitude. Kunming is at 25 degrees north latitude. The intensity of sunshine is very strong. The second is the high altitude. The higher the altitude above sea level, the stronger the sunshine. The reason is that when sunshine passes through the atmosphere, a part is absorbed, a part is scattered, so that the sunshine that shines through is weakened. The transparency of the atmosphere on the Yunnan Plateau is high, attenuation is small. The third is that there are more days of sunshine and the duration of sunshine is long. Take Kunming as an example. The annual average duration of sunshine is 2,527 hours and except for the rainy season from May to August, the remaining days are almost all sunny days. The fourth is that the annual temperature difference is small and the temperature of the environment is high. We can fully develop the rich and superior solar energy in our province to utilize solar energy in the cities and in the broad number of farm villages to heat water, for cooking, drying, distilling and all other possible uses. Kunming Railroad Bureau's Materials Plant has a heat collector with a light gathering surface of 56 square meters. On sunny days, it can serve the needs of over 100 people to take baths, conserving 30 tons of coal a year and 5,400 kilowatt-hours of electricity and 2,300 yuan in expenses. Practice proves utilizing solar energy has many benefits and it is not difficult to realize.

With the emphasis placed on it by the leadership at each level and the efforts of scientific and technical personnel, utilization of solar energy will produce results throughout our province.

9296
CSO: 4006/499

Use in Shanghai

Beijing TAIYANGNENG [SOLAR ENERGY] in Chinese No 3, 1981 p24

[Article by Zhu Chengming [2612 2052 0682]: "A Brief Description of Solar Energy Use in Shanghai"]

[Text] There are already more than 300 persons in Changhai specializing in solar energy research.

The Shanghai Solar Energy Society was created in June 1980, and now has more than 200 members.

The total solar collector area for water heating in the city is more than 5,000 square meters; a large proportion of this area consists of flat-plate, flat-tube design of the Shanghai Industrial Construction Design Institute. As of November 1980, the solar water heating equipment plant in Chanbei Ward, Shanghai City, had produced 3,700 square meters of water heating solar collectors.

The PH-1 plastic-tube solar water heating collector developed by the Shanghai Municipal Inland Water Transport Office and other units has a heating efficiency of 60 to 65 percent, and is now coming into more extensive use.

The Shanghai Institute of Silicates, Chinese Academy of Sciences, together with the Shanghai Medical Glass Combine and the Shanghai No 5 Enamel Plant, is developing high, medium and low temperature evacuated glass tubes and enameled heat collectors preparatory to fixing the design and putting them into production; research is also continuing on the "two in one" solar heater which is built into the roof surface.

There are still a few corrugated and shallow-pool water heating collectors.

The focusing solar oven developed by the Shanghai No 15 radio plant, the automatic tracking high-temperature solar oven (diameter 5 m) experimentally produced by Shangfeng Middle School, Shanghai, the drying apparatus and high-temperature oven developed by the Shanghai Construction Equipment Plant, and the air heater developed by the Shanghai Steam Fittings Plant have all been submitted to the Shanghai Municipal Energy Utilization Technology Research Institute, and improvements are continuing.

The Shanghai No 1 National Cotton Plant has developed a forced-circulation air collector which is used in drying textile machine parts and can save 15,000 kilowatts of electricity a year.

The Shanghai Mechanical Engineering Society's Solar Energy Research Institute has installed a set of experimental solar generating equipment rated at 1,000 kilowatts, and has carried out research on solar water pumps, air conditioning, heating and collectors. In 1980 it began recruiting solar energy research fellows, and together with the Shanghai Municipal Solar Energy Soviety it has held short courses in "Solar Energy Conversion Engineering," and "Solar Water Heating Equipment Test Standards."

The total power of solar electric power generating equipment citywide is more than 15,000 watts. It includes the 9,300-watt Xinhua Lamp Plant installation, the country's first large-scale solar-powered lighthouse, installed by the Shanghai Navigation Beacons Plant, the large-size solar powered quartz electronic clock test-produced by the Shanghai No 4 Watch Factory, the country's first lot of solar-powered wristwatches, developed by the Shanghai Light Industry Research Institute, and the focusing-type solar cell array developed by the Shanghai Xinyu Power Supply Plant and the Shanghai Xinhua Lamp Plant. Shanghai-produced solar cells are also in extensive use with agricultural ultraviolet lights, rubber-tapping lamps, electric fences, seismograph, rain gauges, soil testing instruments, lighting, railway signal lights, color television differential rotators, walkie-talkies, calculators, lighters, surgeon's headlamps and navigation lights, among other uses.

The Shanghai Research Institute of Nonferrous Metals, the Shanghai Metallurgical Institute, Chinese Academy of Sciences, the Shanghai Research Institute of Silicates, Shanghai Communications College and Shanghai Scientific and Technical College are developing cadmium sulfide, gallium arsenide, photoelectronchemical, noncrystalline silicon, cast polycrystalline silicon and other types of solar cells.

With the joint efforts of the relevant organizations, Shanghai has also developed a rubber belt type reflecting material (polyamide with a vacuum-deposited alimunum film).

The Shanghai Institute of Silicates, CAS, is carrying out research on selective coatings, basic materials for thermoelectric conversion and other topics and has developed a portable solar absorptivity measuring device and a small, fast emissivity measuring device.

The Nanhui County Agricultural Science Research Institute is test-producing a solar seed breeding unit and has carried out experiments on the use of irradiation in seed breeding.

The Changhai Municipal Energy Utilization Technology Institute is an organization which focuses on energy conservation and solar energy; it now has more than 20 persons engaged in scientific research on the utilization of solar energy, and is currently studying such topics as solar ovens, solar water heaters, reflective materials for solar uses, and cadmium sulfide solar cells.

8480
CSO: 4006/9

Solar Building in Quanji, Qinghai

Beijing TAIYANGNENG [SOLAR ENERGY] in Chinese No 3, 1981 pp 6-7

[Article by Zheng Minzhang [6776 2404 2374]: "Three Visits to the Quansi Solar Building"]

[Text] Quanji is on the northwest shore of Qinghai Lake and is the location of a commune in Gangcha County, Qinghai Province. This is an extensive, sparsely populated territory without an electrical network, and with little wood or straw. Cow manure is burned for fuel, and coal must be hauled more than 200 kilometers. However, there is an eye-opening solar house here. In the last year I have visited the Quanji solar building three times and have become inseparably tied to it. When I think of Quanji's brilliant sun, of the springlike atmosphere inside the solar building, and of the familiar faces of those who built, maintain and are testing the Quanji solar building, my mind is stirred and a thousand thoughts well up in it.

Last year, on the eve of the Spring Festival, while taking part in an evaluation conference on integrated solar-heated experimental buildings held in Xining, I had the good fortune to visit the Quanji solar building for the first time. This building is located over 200 li west of Xining at an altitude of 300 meters. Although the atmospheric pressure is low, the atmosphere's transmissivity is very high and the solar radiation is strong. Looking at the deep blue sky and the bright yellow sun, I was very excited: How plentiful the sunlight was here!

The Quanji solar building is a five-room, one-story building which houses the Quanji Post and Telecommunications Office and also serves as the residence for its employees. Although small, it is unique. Its south side is a two-layer glass wall and in addition there is a collector well 1 meter deep. This is a passively solar-heated building which combines direct use of the sunlight with heat-storing walls. When we entered the house out of the bone-chilling wind, we immediately were greeted by a flow of warm air. The mercury showed a room temperature of 10°C. Although this is not a high temperature, there is no auxiliary heat source; With the temperature below -20°C outside, it is by no means simple to obtain an inside temperature of 10°C relying on the sun alone. The comrades of the Quanji Post and Telecommunications Office said that since the solar building was completed in October 1979 they have used no combustion heating, and at dawn on the coldest mornings the room temperature still is about 2°C. In the coal-heated buildings in this area, the early morning temperature can be below freezing.

In addition to using solar energy for heating, the Quanji solar building also has a 100 watt wind-powered generator and a 20-watt photovoltaic panel in its courtyard. Because the wind blows on cloudy days here, and when there is no wind the sun shines, wind-powered electrical generation and solar electrical generation complement each other and meet the Post and Telecommunications Office's electrical power needs for the telephone switching equipment as well as the employees' low-power lighting needs in the evening. This is our country's first experiment in the comprehensive use of solar power, and it has provided this remote area on the Qinghai plateau with valuable experience in the use of solar power.

At the beginning of this year. I paid my second visit to the Quanji solar building as part of a joint test group organized by the Qinghai Province Scientific and Technical Committee for the purpose of carrying out tests of the building's thermal capabilities. Although only a year had elapsed, I was aware that many changes had taken place. The year before, the dimensions of the window frames and the glass on the south-facing collector windows had not matched, so that much of the glass was butted together, with large gaps, and there was much dust inside, which affected the transmissivity and the heat collecting characteristics. Following reconstruction, the heat collecting windows are tight, the rooms have suspended ceilings, the collector windows have heat retaining curtains, and the convection passages in the heat-collecting walls have been improved. The daily temperature measurements indicate that the heat collection efficiency is much better than the previous year. This winter they again used no auxiliary heat source, and the room temperatures were regularly over 10°C, falling to 5°C on only a few days; the collection efficiency was over 20 percent. A tambour wall filled with sawdust was used as outer insulation; its heat transfer coefficient was only about a third that of ordinary masonry half-walls (this insulating method is suitable for dry climates). The measurements also indicated that solar energy was indeed plentiful here; the total radiation incident on a vertical south-facing wall can reach more than 6,000 kcal/m^2-day, more than half again as great as in Beijing.

One month later I came to Xining again to take part in a technical evaluation of the Quanji solar building. The Qinghai Province Post and Telecommunications Scientific Research Institute, with the support of its sister organizations, had done a great deal of research in the past 2 years, and had made thorough preparations for the technical evaluation meeting. It presented a design report, a test report, a use report, a research summary and a preliminary economic evaluation on the Quanji solar building for consideration by the representatives. During the meeting I paid another visit to the building along with the other conference participants (a new 80-watt silicon solar cell array had been installed). Because considerable attention had been devoted to the economic results of the building, the comrades of the Qinghai Province Post and Telecommunications Research Institute presented an extremely convincing analysis for the representatives. They carried out a week of temperature measurements on the solar house and a nearby coal-heated bank building (the floor area of the bank was 39 square meters, slightly greater than that of the solar heated building). The measurement results indicated that the temperature levels in these two buildings were comparable, butthe room temperature in the bank building was somewhat lower in the morning. The heating season in this area is over 7 months long, and in 1 year the bank used 12 tons of coal, and the 200 kilometer hauling distance for each ton of coal cost over 80 yuan. So in a year the Quanji solar building could save about 1,000 yuan in coal expenses. The additional investment in the passive solar heating portion of the Quanji solar house was about 3,000 yuan, so that this part of the investment could be recovered in slightly over 3 years. Obviously, the economic results were good.

The technical evaluation committee, made up of 30 solar specialists from all over the country, made a conscientious evaluation of the Quanji solar house, and all of them approved the results of this test model and suggested that the experiment be expanded. Many representatives also suggested that additional experiments be included. For example, some of them suggested that water pumps be installed to supply subsurface water (the location is closed to Qinghai Lake and the water table is high), and that solar water heating equipment be installed, allowing our Tebetan brothers in the area to bathe; in addition, there is plentiful windpower here, and some of the participants suggested installing a 2 kilowatts solar generator to provide power for illumination.

The Quanji solar building shows that solar energy is already a viable energy source in the Jiquan area.

8480
CSO: 4006/9

Solar Cells for Railway Signal Power

Beijing TAIYANGNENG [SOLAR ENERGY] in Chinese No 3, 1981 p 20

[Article by Wang Changgui [3769 7022 6311] and Huang Xijian [7806 6932 1017]: "Solar Cells Used for Railway Signal Lights"]

[Text] Railway signal lights are an important piece of equipment for maintaining railway safety and on-time operation. Our country's railways now have more than 5,000 stations, and of these than 1,500 have either no electrical service or no reliable electrical service. These stations' signaling equipment is either kerosene lamps or lights powered by air cell batteries or dry cells. The signal lights' technical characteristics are poor, their operation is not stable, their energy consumption is high, and they are labor-consuming. In order to improve this backward situation and provide a better power source for signal lamps, people have recently begun to use silicon solar cells as a power source.

The Gaolingzi station of the Harbin Railway Office is in a rugged mountain area on a 1.3 percent grade, with a harsh climate and extreme temperatures. On windy, snowy nights, either the kerosene lamps are blown out or the signals cannot be seen because of the limited visibility. The trains generally have no way of approaching the station, and accordingly every year trains have to be stopped outside the station an average of 3 times and guided into the station 50 times, resulting in behind-schedule operation and gravely affecting traffic safety. The station's signal lights use to consume 600 jin of kerosene and 260 jin of soybean oil a year, equivalent to about 400 yuan. After the changeover was made to silicon solar cells, this expenditure was eliminated; the saving over 10 years is approximately equivalent to the cost of the solar cells and nickel-cadmium storage batteries.

The Ket railway station, located between Xining and Ge'ermu on the Qinghai Railway formerly generated all its electricity with a diesel generator. At this high altitude, the air is thin and the efficiency of the diesel engine was decreased by more than 30 percent, so that not only was fuel consumption high, but servicing was particularly burdensome. Currently, silicon photocells are used as a power source; they are easy to operate, save diesel fuel, require almost no servicing, and are extremely economical and convenient.

A silicon solar cell railway signal light system consists of the following parts: 1. a silicon solar cell array; 2. a bank of storage batteries; 3. a power control unit; 4. signal lights; 5. power lines; 6. the tray, frame and tracking apparatus for the silicon solar cell array.

Experience using the solar cells to power railway signal light systems indicates that the voltage is stable, the light is highly reliable and continuous, and not only is extinguishing of the lights prevented, but the visibility is approximately doubled, which is extremely important in assuring safe, on-time railway traffic and modernizing railway operations.

In the future as the cost of solar cells decreases and their lifetime is extended, the use of solar cells in railway signal lights will become more extensive, producing noteworthy technical and economic results.

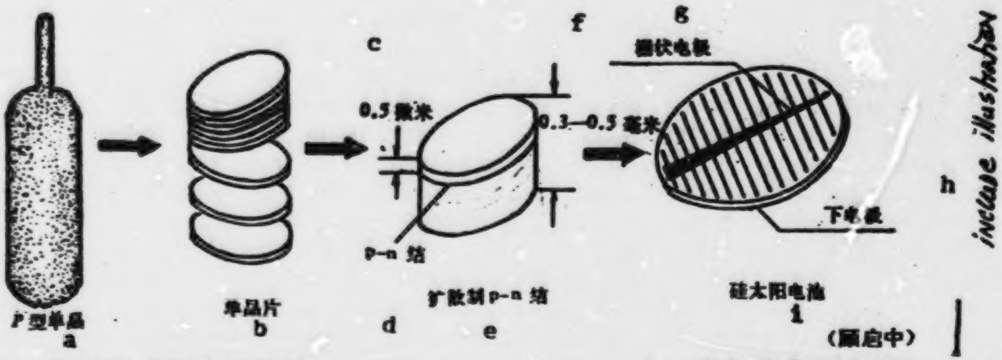
8480
CSO: 4006/9

Silicon Photoelectric Cells

Beijing TAIYANGNENG [SOLAR ENERGY] in Chinese No 3, 1981 p 7

[Article by Gu Qizhong [7357 0796 0022]: "A Silicon Solar Photoelectric Cell"]

[Text] The basic material for the manufacture of silicon photocells is monocrystalline silicon. In order to decrease costs, the use of polycrystalline silicon, cast silicon and alloy silicon to produce them is being studied. The process of producing monocrystalline silicon photocells is shown in the figure. P-type (phosphorus-doped) monocrystalline silicon is used as the base material. The monocrystalline rod is cut into wafers, generally 0.3-0.5 mm thick, which are then polished and cleaned to obtain a flat, shiny, defect-free surface. Then the high-temperature diffusion method is used to form a p-n junction at a depth of less than 0.5 microns. The two sides of this junction have particles with different conductivities: electrons and holes (positrons); these attract each other and accumulate a large electric charge, and because there is a positive charge on one side and a negative charge on the other, a field (or potential) from the p side toward the n side is created across the junction. When this electric field exists, if the surface is illuminated the energy of the photons can excite the electrons in the p and n areas to produce electron-hole pairs which accumulate on the two sides of the p-n junction, and if a metal wire is used to connect the device to an external circuit, electric current will flow from the negatively charged area, and solar energy will be converted into electrical energy.



include illustration

Key: a. P-type monocrystal
b. Monocrystalline wafers
c. 0.5 microns
d. p-n junction
e. Creation of p-n junction by diffusion
f. 0.3-0.5 microns
g. Grate-type electrode
h. Lower electrode
i. Silicon solar cell

8480
CSO: 4006/9

BIOGAS PROJECTS, USES EXPANDING

Expanded Role Foreseen

Beijing XIANDAIHUA [MODERNIZATION] Vol 3 No 9, 16 Sep 81 pp 4-5

[Article by Wei Lian [1218 1670] and Hui Zheng [1920 2973], Figures by Wang Shuzhang [3769 2885 2874]: "CH_4: The Rising Star of Energy"]

[Text] The Miraculous Ordinary Fuel

Imagine a fuel that has a greater reserve than oil, produces less pollution than coal, is safer than nuclear energy in power production and is more direct than solar energy. Sound like a miracle? Actually, millions of people have been using it. This fuel is plain old biogas, a colorless and odorless combustible gas known as methane (CH_4) in chemistry and is the simplest hydrocarbon consisting of a carbon atom surrounded by four hydrogen atoms. Nevertheless, many experts believe, methane will play an important role in alleviating the energy crisis, and satisfy people's energy needs for a sufficiently long time until immense energy sources such as nuclear fusion and solar energy can be developed and applied on a large scale.

At the mention of biogas, people often think only of the biogas produced by biochemical reaction from plants and manure in rural villages. Actually methane is ubiguitous. The main ingredient of natural gas is methane, so is the gas in coal mines. Of course, methane can also be produced artificially from coal, manure, garbage, and plants. Like oil and coal, biogas is produced by the decomposition of biological remains in an air-free environment, a microbiological process that has been occurring and will continue to take place. This process has formed underground gas reserves in every geological age. Today, millions of bacteria in the soil are continuing converting organic matters into great amount of biogas. Methane was first discovered in swamps and hence the name biogas or swamp gas. It escapes from the humus soil at the bottom of the swamp and repeatedly rises to the water surface as bubbles.

The Formation of Biogas

The common procedure of artificial fermention to produce biogas is a complicated biochemical process. It can be roughly divided into two stages: decomposition and reduction.

In the first stage, bacteria decompose complex organic matters such as hydrocarbons, cellulose, fruit acid, protein and fat into simple organic material such as ethyl acid, lactic acid, butyric acid, methanol, ethanol, and butyl alcohol and inorganic matters such as carbon dioxide, hydrogen gas and hydrogen sulfide. Bacteria for this stage include cellulose decomposition bacteria, fat decomposition bacteria, protein decomposition bacteria, and pectin decomposition bacteria, with the principal one being butyric acid fermentation of cellulose.

In the second stage, bacteria oxidize or reduce the simple organic matter produced in the first stage and carbon dioxide into methane. The bacterium responsible for this process is the methane bacterium, which causes the simple organic matters to react with water and decompose to produce methane:

$$(C_6H_{10}O_5) + nH_2O \xrightarrow{\text{methane bacteria}} 3nCH_4 + 3nCO_2 \text{ heat}$$

The methane bacteria can decompose butyric acid and ethyl acid into methane, oxidize ethanol and reduce carbon dioxide into methane and organic acid, and can cause the hydrogen gas to reduce carbon dioxide into methane. In short, the generation of biogas can be summarized as follows: complex organic compounds are first decomposed by bacteria into simple organic acids, alcohol and carbon dioxide, which in turn are oxidized or reduced by bacteria to produce methane.

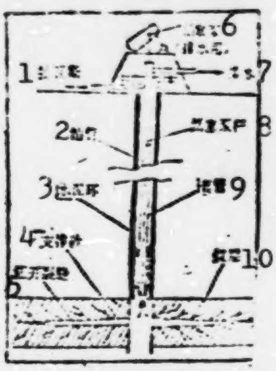
Close Relation with Other Fossil Fuel

Methane is closely related to other forms of fossil fuel. The great developments of natural gas today are at regions that were originally oil field developments. Engineers are also exploring potential gas fields locked in sandstones; however, natural gas can only be separated from sandstones at great costs and there is not yet a perfected technology to do so.

Oil shale contains not only petroleum but great amounts of natural gas as well, may be as much natural gas to last half a century. The problem is that natural gas is locked in the oil shale and cannot be easily drilled and piped to the ground surface like in ordinary oil fields.

In the United States, a University of Texas team is experimenting the extraction of steam from the high temperature high pressure saline water 10,000-16,000 feet under ground and uses the steam to drive a gas turbine to generate electricity. Underground saline water is saturated with methane which rises to the surface along with steam and the pressure may be as high as 12,000 pounds per square inch. Researchers are exploring ways to separate out the natural gas before the steam is fed into the gas turbine. There are also people who believe that the priority should be the separation of natural gas and geothermal steam that accompanies the natural gas should be used as a byproduct. According to the estimate of Jones, an American Academy of Sciences Scientist, natural gas obtained in this manner may last 500 years.

Natural gas also coexists with coal, known to the miners as gas. It poses a great threat to the miners and may lead to casualties in case of explosion. Researchers are currently studying solutions to two simultaneous problems: venting the gas out of the coal mines and recovering the gas as a fuel. In a coal mine near Waynesburg, Pennsylvania in the United States, a drilling team bored into 800-1,200 feet deep coal seam with an 8-inch diameter drill bit and pumped in high pressure mixture of water and sand through a pipe in the bore hole. After the coal seam is cracked, the water is pumped out and the sand stays in place to wedge open the crack in the coal seam. A number of 200-300 feet long cracks are formed and gas is brought to the surface through these cracks and through the pipe in the drill hole, see Figure 1. This drilling team drilled a gas well that produces 60,000 cubic feet of gas per day. A nearly high performance gas well only produces 10,000 cubic feet of gas per day.



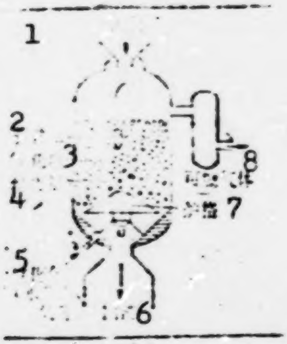
Key
1. Pumping out gas
2. Oil pipe
3. Concrete ring
4. Sand wedge
5. Forces the crack open
6. Piston pump (for water drainage)
7. Water drain
8. Piston rod
9. Sleeve
10. Coal seam

Figure 1

Fabulous Skills

Methane can also be produced directly from coal by a chemical method known as coal gasification. Low heat value coal can be used as raw material in coal gasification.

Coal gasification is a thermochemical process, it uses carbon and hydrogen contained in coal as raw material, oxygen, water steam, and carbon dioxide as gasification media and, through a minimum oxidization process, carbon and hydrogen are converted into combustible gases such as carbon monoxide, hydrogen and methane. In different gasification methods and techniques, the chemical reactions are different and the methane content in the product gas is also different. Generally, if the gasification is conducted under normal pressure, carbon dioxide, carbon monoxide, hydrogen and water steam are obtained; if the gasification is carried out under pressure, methane and hydrogenated methane are obtained, see Figure 2.



Key
1. Intake
2. Preheating layer
3. Gasification layer
4. Combustion layer
5. Gasification medium (water steam, oxygen, etc.)
6. Residue outlet
7. Furnace grate
8. Combustible gas

Figure 2

Major chemical reactions leading to the production of methane are:

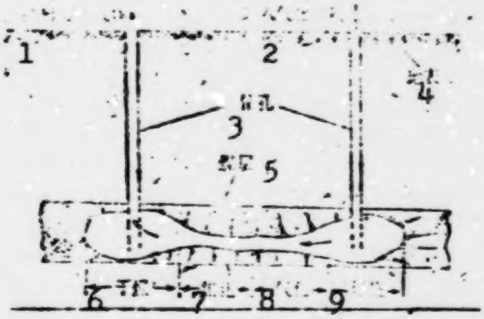
$$C + 2H_2 \rightleftharpoons CH_4 + \text{heat} ,$$

$$CO + 3H_2 \rightleftharpoons CH_4 + H_2O + \text{heat} ,$$

$$CO_2 + 4H_2 \rightleftharpoons CH_4 + 2H_2O + \text{heat},$$

$$2CO + 2H_2 \rightleftharpoons CH_4 + CO_2 .$$

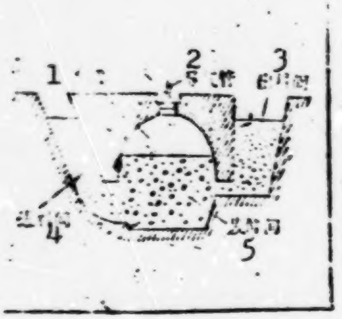
The first generation of ground surface coal gasification plants are already built. The U.S. government is also funding researchers at Lawrence Livermore Laboratory for the study of two usual gasification methods that may be more efficient. In one method, the underground unmined coal is heated and the methane gas produced is piped to the surface for further processing, see Figure 3. In the other method, solar energy is used to heat the coal directly by means of a complicated lens arrangement and causes gasification.



Key
1. Pumping out combustible gas
2. Pumping in gasification medium
3. Drill holes
4. Ground surface
5. Coal seam
6. Drying
7. Coking
8. Gasification
9. Bruning

Figure 3

Microbiological method is identical to the process in which swamp gas is formed in nature. Farms and garbage and sewer processing plants can all provide biogas. All that is required in producing biogas with naturally occurring bacteria is a constant supply of organic matters and a oxygen-free environment. Peasants load human waste, animal manure and straw of crops into a large air-tight decomposition container and maintain a certain moisture, temperature and pH value, biogas is produced after fermentation and decomposition by the bacteria. Biogas is taken out through a pipe at the top of container, as shown in Figure 4. Large biogas pools can be built in the cities to produce biogas from garbage on a large scale. It is estimated that if half the garbage is used to produce biogas, 1/5 of the natural gas demands in the United States can be satisfied.



Key
1. Gas plug
2. Gas pipe
3. Outlet chamber
4. Inlet chamber
5. Fermentation chamber

Figure 4

Branches and leaves of plants and organic waste of factories can also be used in the production of natural gas with suitable catalysts. It has also been suggested that seaweeds and water hyacinth can be converted into biogas.

Why hasn't biogas become today's major energy source? Experts believe there are technological as well as ideological reasons. In the technological aspect, great efforts are yet required in the development and exploitation of biogas as an energy resource and the costs need be greatly reduced. A more serious problem is that biogas has been neglected by people; however, as the energy crisis becomes more acute, people will undoubtedly reconsider the prospects of this form of energy resource and biogas will become one of the pillars of future energy resources.

9698
CSO: 4006/52

Methane Gas Widely Used in Jiangsu

Nanjing XINHUA RIBAO in Chinese 15 Aug 81 p 1

[Article by Wang Jianguo [3769 1696 0948]: "Methane Gas Finds Wider Usages in Jiangsu Villages"]

[Text] Methane gas is finding increasingly wide use in rural villages in Jiangsu Province. Methane is not only used in cooking and lighting, it is also used to grow seedlings in greenhouses, to power grain threshers, to process food and feed and to dry tea leaves.

Today there are 700,000 rural households in Jiangsu Province using methane gas in their cooking and lighting. This has saved a great amount of energy for the country, reduced the economic burden of commune members and promoted agricultural production. More than 300 methane gas electric power stations have been built in Jiangsu which produce almost 2 million kilowatt-hours of electricity every year. In 1981 all the production brigades equipped with methane gas electric stations have generally completed their three wheat grain threshing tasks ahead of schedule because of the uninterrupted supply of electric power. In some production brigades the power generated with methane is used to operate food and feed processing plants, providing convenience to the commune members and increasing the collective income. The Qingshan tea plant in Gaochun County uses electric power generated from methane as a substitute for coal in tea production, and the tea quality has been improved. The Douzhuang middle school in Danyang County built a methane gas electric power generating station using the dejecta at the school. They have not only solved the school lighting problem but have also built a small plastics processing plant and generated 100,000 yuan of profit. The Wansui commune in Wujin County has built some 20 methane power stations; when the voltage is unstable during the peak hours at night, the commune members connect up the methane electric source and watch television programs.

The application of methane gas fertilizer is also widening. Some places use methane gas fertilizer liquid to hatch fish, grow flowers, nurture pearl clams and mix it with pesticide for use as a spray; all have worked well. The Baijiahu hatchery in Nanjing municipality uses the draff from the methane gas to raise fish; they have found that the fry grow rapidly and their disease rate is reduced. In Wujin, Wuxi and Shazhou, precipitated draff from methane gas production is used to feed mushrooms. This practice has broadened the material base for growing mushrooms and has become an important avenue for diversified business in rural villages.

9698
CSO: 4006/496

Shoddy Construction Hobbles Digester Projects

Beijing RENMIN RIBAO in Chinese 16 Aug 81 p 1

[Article: "Almost 2,000 Biogas Digesters Built in Jilin"]

[Text] In the first 6 months of 1981 more than 1900 biogas digesters have been built in Jilin Province. Many of the rural areas in Jilin are short of firewood and peasants have been looking forward to using biogas at an earlier date. However, from 1975, when the pilot program began, to the end of 1981, only 1,000 biogas digesters were built in the 6-year period. In 1981, people at various places in Jilin consolidated the experience and lessons learned from the slow development of biogas and realized that the key issue is the construction quality of the biogas digesters. In many places the biogas digesters can be described as "hot for the first year, cold in the second year and fizzled out after 3 years". As a result, the enthusiasm of the public toward developing biogas was frustrated and they tend to shy away from biogas no matter how strongly it is advocated, even when they are presented with money. Therefore, efforts are made to improve the construction quality of the digesters so that every unit built is a useful one. Now that the public has benefited from biogas, they are now urging the cadres to build biogas digesters.

In less than 6 months, Yushu brigade of Dagushan commune in Yitong county built another 80 biogas digesters.

9868
CSO: 4006/31

GEOTHERMAL RESOURCES SURVEYED, DEVELOPED

Xizang Autonomous Region

Beijing XINHUA in English 0713 GMT 24 Oct 81 OW

[Text] Lhasa, 24 Oct (XINHUA)--Hot springs or places with potential geothermal resources have been discovered in 66 of 74 counties in the Xizang Autonomous Region, according to the Xizang Geological Department. Thus, Xizang ranks first in China in geothermal resources. Of the 600 hot springs in Xizang, 30 are hotter than the local boiling point of 85 degrees centigrade, the department said. A recent survey of 375 springs showed that the total energy they release in a year is equivalent to the burning of 3 million tons of coal. An experimental geothermal power station was set up in 1977 in Yangbajain. Its first 1,000-kilowatt generating unit has been in operation for 26,000 hours and generated 8.9 million kilowatt-hours of electricity. Installation of a second 3,000-kilowatt generating unit will be completed soon.

CSO: 4020/26

Low Resistivity Layers

Beijing XINHUA in English 0710 GMT 31 Oct 81 OW

[Text] Lhasa, 31 Oct (XINHUA)--Recent surveys by Chinese and French geologists in Xizang's Yangbajain geothermal field, one of the world's largest, have revealed three low resistivity layers in the shallow strata in the earth's crust which they presumed to be the three geothermal reservoirs there. The geologists were in Xizang under the terms of a 1978 Sino-French scientific cooperation agreement. Their explorations in the 15-square-kilometer field, 90 kilometers north of Lhasa, revealed three low resistivity layers at different depths. The first is 1 to 2 kilometers below the surface, the second 5 to 6 kilometers deep and the third 14 to 18 kilometers, the team said. Since 1975, 21 exploratory boreholes and production wells have been drilled in Yangbajain. An experimental power station was built in 1977 with a generating capacity of 1,000 kilowatts. A second station with a capacity of 6,000 kilowatts is now under construction.

CSO: 4020/33

TIDAL ENERGY FOR POWER GENERATION BEING DEVELOPED

Beijing XINHUA in English 0725 GMT 14 Nov 81 OW

[Text] Beijing, 14 Nov (XINHUA)--China could produce 58,000 million kilowatt-hours more electricity each year by using tidal energy, announced a Shanghai science forum last week. The figure was based on surveys in the past 2 years of 156 bays and 33 river mouths from the mouth of the Yalu River that separates China from Korea to where the Beilun River empties into the Beibu Gulf in Guangxi Zhuang Autonomous Region in China's far south. Chinese scientists have also reexamined surveys, designs and other work from 1958 to 1979 for exploitation of tidal energy. China's first experimental tidal-energy electric power station went into operation in May last year in Zhejiang Province, east China.

CSO: 4020/33

MAKING FULL USE OF WINDPOWER RESOURCES URGED

Strengthened Leadership

Beijing GUANGMING RIBAO in Chinese 18 Sep 81 p 1

[Article by Xie Jun [6200 6511]: "Windpower Specialists Suggest That Government Should Strengthen Leadership To Make Full Use of China's Windpower Resources"]

[Text] More than 100 windpower experts of China suggested recently that the governmental department in charge should strengthen leadership to change the backward state of windpower utilization in China today, to make full use of China's windpower resources, and to let the windpower manifest its economic effect on the four modernizations construction.

This suggestion was made at the first symposium on the utilization of windpower held in China which was just concluded. The symposium considered that China is quite behind in the utilization of windpower and its research standard is low. The main problem consists of the lack of leadership and unified planning, so that everyone does his own thing without communication, resulting in scattered forces and repetition of low standard works. Therefore, the windpower experts suggested that the governmental department in charge should draft China's windpower development plan with experts from various scientific fields participating in the drafting, take measure to concentrate properly the scientific research forces with united planning of the research funding, in order to improve the overall cooperation and to raise the standard of windpower research steadily. At present, the emphasis should be placed on the development of simple, durable and cheap windmill machines in order to provide windpower machinery to those areas where regular energy sources are unavailable such as remote farming and animal husbandry districts and islands. As to those small-scale windpower machines which have already been successfully developed and authenticated, there must be a corresponding technical policy supporting their quantity production and promoting their application step-by-step. At the same time, to cultivate technological reserve, a preliminary research work on medium- and large-scale windpower machines must also be planned and carried out systematically.

9113
CSO: 4006/51

20-Kilowatt Generating Set

Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 24 Oct 81 SK

[Text] The Heilongjiang machinery industry institute has successfully developed China's first 20 kilowatt generating set. The generating set has been in operation for 600 hours, producing 6,500 kilowatts of electricity. Suitable for use in cold areas at high altitudes, this new product will contribute to utilizing our country's wind power resources and solving the power shortage in the grasslands.

CSO: 4006/130

NEW ENERGY CONSERVATION TECHNIQUES PROMOTED

'Energy Conservation Month'

Beijing GUANGMING RIBAO in Chinese 24 Oct 81 p 1

[Article: "More Energy from Better Management, More Energy from Better Technology; The Economic Commission, The Planning Commission and The Energy Commission Kick Off the Third "Energy Conservation Month," Emphasizing that Energy Conservation and Implementation of Economic Responsibility System Must Be Coupled With the Reform of a Phenomenon: Enterprises "Eating From a Big Pot"]

[Text] The State Economic Commission, the State Planning Commission and the State Energy Commission have decided that all departments and districts nationwide shall kick off activities related to the third "energy conservation month" in November.

China's first "energy conservation month" activities began in 1979. In the 2 years or so since, all districts and departments nationwide have combined the activities related to "energy conservation month" with the routine energy conservation work and achieved outstanding results in the field of energy conservation. Energy equivalent in amount to 23.6 million tons of standard coal was conserved nationwide in 1979; 35 million tons of standard coal in 1980; and 14.6 million tons of standard coal in the first half of 1981. It is anticipated that the task of conserving 24 million tons of standard coal this year nationwide will be overfulfilled. However, the work related to energy conservation has just begun in China with the foundation of managing energy resources still very fragile, and the phenomenon of "eating from a big pot" in matters related to the utilization of energy resources has not yet been resolved, so that great potential exists for further conservation.

In order to get activities related to the third nationwide "energy conservation month" off to a good start, the State Economic Commission and other related agencies held a special conference today in which persons in charge of various industrial and transportation agencies under the State Council participated in making preparatory arrangements for the implementation of energy conservation work.

1) Strengthen leadership, promotion and supervision of energy conservation. The leading comrades of every district, every department and every enterprise as well as the leading comrades directly in charge of production must incorporate the energy conservation work with the entire production process from beginning to end.

During the planning stage of a production process, energy saving arrangements must also be made; during the process of inspecting production, the energy saving measures must also be inspected; and when the results of production are reported, the effectiveness of energy conservation measures must also be reported. During the "energy conservation month" every district and every department must motivate the masses to review the results of energy conservation in the light of the documents concerning energy conservation handed down by the Party Central Committee and the State Council, summarizing and spreading the good experiences while criticizing and assisting the backward.

2) More energy from better management, more energy from better technology. During the "energy conservation month," every province, every city, every autonomous region and every department must conscientiously inspect its own subordinate enterprises for proper management of energy conservation work, including inspection of instruments used, the measurements, statistics, quota management, and accomplishment of energy conservation tasks. Find out and provide measures to solve the problems wherever they are so that the unit energy consumption may be brought down as soon as possible. Those enterprises which consume large quantities of energy while their products are not in great demand should take decisive action to shut them down or stop production immediately. The Ministries of Machine Building must make plans to phase out those facilities which waste too much energy.

3) Energy conservation measures should be coupled with the economic responsibility system in order to eliminate the phenomenon of enterprises "eating from a big pot" on matters related to energy conservation. In the future, production must be encouraged according to whether the production norm is advanced or backward. Fuel must be distributed according to the norm while the enterprises must adopt an energy contract system, in which the savings in energy are returned to the enterprises. During the "energy conservation month," every department must carry out investigation and study in order to establish concrete standards for various enterprises on matters related to energy conservation and to develop methods for implementing energy contract system.

4) Enterprise energy equilibrium plans must be conscientiously implemented at a faster pace. Every district and every department must, during the "energy conservation month," make special effort to implement the plan to achieve enterprise energy equilibrium, to improve the quality of its work and to give a big push to this plan by modifying the measures, if necessary.

It was also suggested during the conference that every department under the State Council should dispatch work groups to the districts during the "energy conservation month," and to work closely with the districts so that the third "energy conservation month" activities may be carried out impressively and solidly.

9113
CSO: 4006/66

Reduce Oil Consumption

Beijing RENMIN RIBAO in Chinese 30 Sep 81 p 1

[Article: "State Planning Commission Calls For Further Reduction in Oil Consumption"]

[Text] The national conference on oil conservation and consumption reduction recently concluded in Beijing asked all the provinces, municipalities, autonomous regions and agencies under the State Council to overcome their indecisive wait-and-see attitude and to take effective measures in further promoting oil conservation and consumption reduction efforts and achieving greater results.

Representatives attending the conference believe that although there have been some achievements in the oil conservation drive, wastes in oil consumption are still serious and potential for further conservation is still great. For example, the thermal efficiency of some steel mill furnaces is only 8 to 10 percent, and every ton of rolled steel consumes as much as 300 kilograms of oil, which is more than 4 times the oil consumed by a regular furnace. Some glass plants use 17 kilograms of oil for each crate of glass produced whereas other glass plants working under similar conditions consume 59 kilograms of oil.

The conference called upon the provinces, municipalities, autonomous regions and agencies of the State Council to strengthen their leadership and continue to improve their oil conservation and consumption reduction with a keen sense of political responsibility and with the national economy interests in mind. All oil-burning industrial and civilian boilers and power station boilers designed to burn coal and later modified to burn oil must be converted to burn coal, and the conversion must be completed by 1985 at the latest. As for the power station boilers originally designed for oil burning, they should be modified to burn coal whenever possible, or high efficiency power generators should be built to replace them. Various types of oil-burning industrial furnaces and kilns should be systematically modified according to some schedule based on the local situation in the enterprise. Oil fields, refineries and their affiliated enterprises and business units that have been burning oil should be converted to burn coal according to schedule and by turns.

In order to further improve the effort of reducing oil consumption, it was determined in the conference, and approved by the State Council, that henceforth oil conservation projects shall be budgeted directly as national capital construction projects and equipment and materials required in the conversion will be completed and allocated as capital construction projects. Coal needed by enterprises with converted boilers and furnaces will be handled as a special project from distribution to requisition and contracts will be assigned to assure its supply.

This conference was jointly held by the State Planning Commission, the State Economic Commission, the State Energy Commission and the State Supply Bureau. Vice Premier Yu Qiuli [0151 4428 6849] attended and addressed the conference.

9698
CSO: 4006/33

Zhejiang Major Conservation Measures

Beijing RENMIN RIBAO in Chinese 26 Aug 81 p 1

[Article: "Zhejiang's Effective Energy Conservation Steps Produce Results"]

[Text] Industrial departments in Zhejiang Province are treating energy conservation as a key to developing production and have achieved good results by taking effective measures. In the first 6 months of 1981, the Zhejiang industrial system has saved 200 million kilowatt-hours of electrical energy, 230,000 tons of coal and 23,000 tons of oil. Although the energy supply is 1.27 percent less than that of the same period last year, total industrial production was increased by 1.548 billion yuan over the same period of 1980.

The following are the major energy conservation measures in Zhejiang:

--By establishing a healthy economic responsibility system, energy conservation targets are put on a solid basis at every level. Establish and promulgate energy consumption quotas for unit producing major industrial products, establish a level-by-level evaluation system and make a monthly check of the energy consumption by major industries.

--A series of codes and regulations conducive to energy conservation were established based on pertinent national regulations and taking into account the actual circumstances in Zhejiang. For example, they drafted and published "Temporary Regulations of Energy Management in Zhejiang Province" and "Tentative Rules Regarding Conservation Awards for Special Fuel and Raw Materials in Industrial and Transportation Enterprises" and promoted the development of energy conservation.

--Conduct thermal energy surveys for major industries and plan and carry out heat balancing for big energy consumers to improve the utilization rate of energy resources.

--Establish conservation service companies to provide technical consultation and technical service for conservation efforts throughout the province.

--Provide technical training for boiler operators throughout the province.

--Adjust the product structure, suppress the energy intensive and unsalable heavy industrial products and develop the less energy consuming, salable consumer goods. Use our limited energy resources where they count most.

9698
CSO: 4006/33

Guangdong Conserves Coal

Guangzhou NANFANG RIBAO in Chinese 13 Aug 81 p 1

[Article: "New Conservation Techniques Allow Guangdong To Conserve 100,000 Tons of Coal"]

[Text] In recent years Guangdong Province has promoted the application of new technologies, including far infrared drying, aluminum silicate fiber, and an automatic coal feeding device for boiler furnaces, and has obtained good results. According to estimates made by the provincial promotion station for industrial and communication technology, the energy saving per year is equivalent to 100,000 tons of standard coal. The manager of the station told the reporter the other day that conserving energy by scientific techniques is an important avenue to resolve the energy supply and demand conflict in Guangdong Province.

The technique of radiation heating and drying with far infrared was promoted relatively early and has now spread to almost 1,000 plants and enterprises, wherever electric heating and drying are required in the province, and has achieved 20 to 40 percent energy saving. Just from this one item Guangdong Province saved 70 million kilowatt-hours of electrical energy a year, equivalent to 30,000 tons of standard coal. Recently in some plants aluminum silicate fiber insulation has been used together with far infrared heating, and the effects have been even better. For example, the Hongxing pharmaceutical plant in Chaozhou municipality achieved a 50-percent saving of electricity by using far infrared in its vibrators and another 21.5 percent by using aluminum silicate fibers as thermal insulation; its actual electric consumption is only one-third that before the improvement.

Aluminum silicate fiber is a new thermal insulation material that is even more heat-resistant than asbestos or glass wool. Like far infrared radiation, the fiber also possesses the following advantages: low investment, quick result, mature technology, not difficult to adapt and adequate supply of material and equipment. Hence, it has quickly received wide application and has been used by more than 300 plants in many counties and cities in professions such as plastics, rubber, leather, ceramics, glass, food, medicine and electronics. Sometimes the fibers are used as an inner insulation sheath in tubes, and in other cases they are used to fill and seal jackets of furnaces and kilns or used as external insulation. Generally they can provide a 20 to 40 percent energy saving and they are an emphasized promotion item in Guangdong Province in 1981.

Guangdong has a lot of low grade coal, and many enterprises use boiler furnaces that burn low grade coal to meet this situation. But coal is fed into the boiler furnace simply on the basis of workers watching the condition of the flame. The furnace temperature is hard to control, scarring and die-out are likely, and more coal is used than necessary. To overcome this technical bottleneck, chemical meter plant No 2 of Jiangmen municipality developed an automatic coal feeding device based on a technical innovation at Kaiping nitrogen fertilizer plant. The new device automatically regulates the rate of coal feeding to insure the normal operation of the furnace. It not only assures product quality but also conserves energy. Two tons of coal can be saved in a 10-ton furnace, and the cost of installing this device can be recovered in 3 months. According to incomplete statistics, more than

100 boiler furnaces in the chemical, paper and print and dye industries in Guangdong Province have employed this device, saving 700,000 to 800,000 tons of coal a year.

In the past few months, experience exchange meetings have been held in Guangzhou municipality and in the Shantou, Zhanjiang and Foshan areas to further promote the application of new energy conservation techniques. In addition to those described above, items for promotion also include noiseless operation of AC contacts, automatic compensation of power factor, silicon-controlled speed regulation and bottomless valve water pump.

9698
CSO: 4006/495

Nanjing Refinery Conservation Efforts

Nanjing XINHUA RIBAO in Chinese 27 Jul 81 p 1

[Article by Xie Zhiliang [6200 2784 2733] and Zhou Zhengrong [0719 2973 2837]: "Nanjing Refinery Obtains New Results in Conserving Energy"]

[Text] After shooting flames day and night for over 10 years, the "sky light" of Nanjing refinery was turned off in April 1980. In the 15 months since this energy conservation measure was taken, 100,000 yuan of fuel gas has been saved.

Nanjing refinery takes energy conservation seriously. Since 1979, its energy saving has been equivalent to 80,000 tons of fuel oil and it has been evaluated "energy conservation progressive unit" by Jiangsu Province, Nanjing municipality and the Ministry of Petroleum.

Turning off the "sky light" is another important energy-saving achievement of Nanjing refinery. In the petroleum refinery process a combustible gas is released into the atmosphere; since this gas pollutes the air, it must be burned. This is how the "sky light" is produced and it is a form of wasted energy. For many years people believed it was "very difficult" to put out the "sky light". Last year the plant cadres and technical staff were determined to solve this problem. They studied and took a few measurements and extinguished the "sky light" at an expense of only 2,000 yuan. Today they are continuing their efforts to recover other combustible gases released into the atmosphere.

In the past 2 years Nanjing refinery has continued to achieve energy conservation results. One important reason is that it assigns energy conservation measures and targets in the same way it assigns production projects, and energy conservation achievements are evaluated the same way production results are evaluated. In 1980, the refinery made 35 energy conservation assignments and took 100 specific measures, all of which were accomplished by the end of the year. Another 93 energy-saving projects have been assigned this year and they are being carried out according to plan.

In its conservation efforts, the Nanjing refinery pays attention to the little as well as the large. Because the budget for energy-saving technical measures is limited, the plant weighed its priorities and went for high points on major energy conservation projects; in the meantime, it carried out a variety of small improvements and modifications according to the specific condition and situation. In 1980, while major energy-saving modifications of the second set of constant pressure drop distillation devices were being worked on, a series of simultaneous small improvements were made using new types of burners and adjustment of the pump load. Without spending 1 cent of the technical operation fund, the device energy consumption was reduced by 5.3 percent, saving the equivalent of 5,200 tons of fuel oil in a year.

The refinery has also implemented energy conservation awards. The method is to assign energy conservation targets to the shop and put them solidly on a shift and individual basis. Evaluations are made and money is awarded based on the scores given to accomplished results. Very good results have been obtained.

9698
CSO: 4006/496

Briefs

SHANGHAI ENERGY CONSERVATION--During the period from January to September this year, Shanghai's industrial enterprises lowered their energy consumption per 1 yuan of industrial output value by 2.1 percent compared with the same period last year. The total energy conserved during this period was equivalent to 300,000 dun of standard coal. However, waste of energy is very common. The Shanghai municipal energy conservation group and the Shanghai municipal economic committee have issued a circular calling on all industrial enterprises to make greater efforts to conserve energy during the third energy conservation month, a nationwide campaign in November. [Shanghai City Service in Mandarin 1130 GMT 31 Oct 81 OW]

CSO: 4006/130

END

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China Report

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No. 192

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24 December 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 192

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NATIONAL POLICY AND ISSUES

NEWS AGENCY LOOKS AT TWO KINDS OF READJUSTMENT

HK140303 Beijing ZHONGGUO XINWEN SHE in Chinese 0739 GMT 12 Dec 81

[Review: "Comparing Two Kinds of Readjustment"]

[Text] Deputies attending the fourth session of the Fifth NPC and members attending the fourth session of the Fifth CPPCC have been holding serious and warm discussions on Premier Zhao Ziyang's government work report in recent days. They have unanimously held China's national economic readjustment has gained notable achievements and the entire national economy has started to embark on the track of steady development. In his report, Premier Zhao scientifically summed up the experiences and lessons in China's economic construction and put forward 10 major construction principles. These are of great significance for the country's economic development.

China's economic readjustment has evoked strong international response, and even today some people are still dubious about it. One of the important reasons for this is that they mention China's economic readjustment in the same breath with economic readjustment in the West and regard the two as the same thing. In fact, these are two different kinds of economic readjustment, carried out under two different social systems, so their results are bound to be completely different.

China is a socialist country, and the major characteristics of its economic structure are that public ownership predominates and a planned economy is practiced, with economic regulation by market mechanism as a supplementary factor. China is carrying out economic readjustment in order to solve the serious defects of grave economic imbalance and irrational internal structure caused by a long period of guidance by leftist ideology, and thus guide the national economy onto the track of healthy development. This type of readjustment is therefore being carried out in a conscious and orderly way; it is a readjustment that can reach its predicted aims. This is precisely an expression of the superiority of China's socialist system. Premier Zhao's report forcefully proved this point.

The countries of the West are also carrying out economic readjustment. Both the Thatcher government in Britain and the Reagan administration in the United States have discarded the classic Keynesian economic theory of the demand side and replaced it with the economic theories of the monetarists and the supply side. They have attempted to treat the economic theories of the so-called "new development school" as a cure-all to help find a way out of the impasse. But what are the results? Let us just contrast the two different kinds of readjustment in the following four aspects:

Economic growth--China has carried out major readjustment this year and has also suffered severe natural disasters. Total value of industrial and agricultural output has risen by about 3 percent over 1980, and the entire economic situation is much better than expected. U.S. production fell by 3.5 percent last year, while Britain's fell by 6.8 percent. In the fourth quarter this year, the U.S. economic situation has deteriorated still more and production has shown a big decline. October auto sales showed a steep fall of 24 percent, while the number of business bankruptcies in that month rose by 42 percent compared with October 1980.

Finances--China has basically balanced its budget, and the deficit is estimated to fall to 2.7 billion yuan this year from 17 billion yuan in 1979 and 12.7 billion in 1980. The U.S. financial deficit is huge, and is expected to approach $100 billion in the fiscal year ending 30 September 1982.

Prices--While achieving a balanced budget, China has maintained basically stable market prices. Prices of certain commodities have indeed soared, but the government is now taking effective steps to solve these problems. U.S. prices rose by 12.6 percent in 1980, and are expected to show an annual increase of 14.4 percent this year.

Employment--China found urban jobs for 20 million in the previous 3 years, and expects to provide a further 8 million this year. U.S. unemployment was 7.5 percent in September and rose to 8 percent in October. The number of unemployed has reached 8.52 million.

Facts are the best teachers. Do not these simple contrasts clearly reveal the essence of the problem? CPPCC member and well-known economist Guan Mengjue put it well: Due to the ever-growing contradictions between the production socialization and private ownership forms in the West, the conflict between surplus production and shrinking markets is bound to become more and more sharp, and there is no way of solving this chronic malady, no matter what economic theories are applied or who comes to power. In a word, this is something determined by the West's social system, and cannot be changed by people's will.

According to Premier Zhao's report, China's economic readjustment will require another 5 years or maybe a bit longer. After the readjustment, China's national economy will lay a firm foundation for further development, and a period of economic boom will follow. The Chinese people have full confidence in this.

CSO: 4006/166

'ZHONGGUO XINWEN SHE' INTERVIEWS NPC VICE CHAIRMAN

HK150549 Beijing ZHONGGUO XINWEN SHE in Chinese 0930 GMT 13 Dec 81

[Feature by correspondent Huang Minxuan [7806 3046 8830]: "An Interview With Zhu Xuefan"]

[Text] Beijing, 13 Dec (ZHONGGUO XINWEN SHE)--At the fourth session of the Fifth NPC, Mr Zhu Xuefan was elected vice chairman of the Standing Committee of the NPC in a by-election. I expressed my congratulations to him.

He said: "Do not congratulate me because I personally am insignificant. You should congratulate our government and people. In a year of great disaster we have succeeded in gaining the second highest yields since liberation and striking a near balance of financial revenue and expenditure and of credit, and the people's livelihood has improved markedly. As the saying goes, people can move Mount Tai so long as they have unity of mind. This is the outcome of the government and the people in their common fight with one heart and one mind."

Zhu Xuefan said to me with deep feeling that what he longed for day and night was to see in his lifetime the compatriots on both sides of the Taiwan Strait shake hands and make it up. He said: "I sincerely propose that, before the official restoration of postal communications, colleagues of the postal services on both sides of the Taiwan Strait might as well ask for the approval from the postal service authorities of each side to mutually send 'relatives' post pags' once a week first. A transfer station can be set up in Hong Kong. The exchange post offices can temporarily be fixed in Beijing for the mainland and in Taibei for Taiwan. I hope our colleagues on both sides of the Taiwan Strait will study and consider the feasibility of this method."

People who are familiar with Mr Zhu Xuefan consider him a very energetic old man. He was the first minister of posts and telecommunications after the founding of the PRC. Although he no longer works in the Ministry of Posts and Telecommunications, he still likes to stroll in the streets and lanes and enters a telephone booth to make a call by the neighborhood telephone service to see how long it takes to get through, or goes to a post office in the downtown area to see what difficulties a sender encounters when sending a letter or a parcel. Since he often goes there, some old staff members and workers recognize him and called him "old minister" in an affectionate manner and say in a low voice: "Our old minister has come again to inspect work." Zhu Xuefan always smiles and talks with them about their professional work.

Born in Songjiang County's Fenjing Town, Jiangsu Province, Zhu Xuefan was admitted to Shanghai Post Office at the age of 19 and worked as a clerk there. In 1929, an incident happened which infuriated the residents of Shanghai: a richshaw driver was beaten to death by a foreign soldier. At that time, the workers and students in Shanghai set up a backup association and Zhu Xuefan was one of the representatives of the Postal Workers' Trade Union. He showed his organizational ability in the negotiations and was later elected a member of the Trade Union. From then on, he assiduously studied the profession of postal services while engaging in the worker's movement. He also served as chairman of the Shanghai Federation of Trade Unions.

In 1935, together with Tao Baichuan and Lu Jingshi, Zhu Xuefan organized the "China Association of Labor" in Shanghai. During the war of resistance against Japan, the "Labor Association" moved from Shanghai to Wuhan and then to Chongqing and Zhu Xuefan was the director general of the association. On many occasions he attended international labor conferences on behalf of the Chinese workers and visited many countries in Europe. To date our revered Mr Zhu can still speak a little English.

While engaging in the worker's movement before liberation, Zhu Xuefan did not cherish any political prejudices. He took advantage of the public and lawful position of the "Labor Association" to take possible measures jointly with the trade unions in the liberated areas and strive for the unity and unification of the worker's movement of the whole country. This was a great contribution in upholding the war of resistance against Japan. However, his enlightened attitude toward the worker's movement also brought about continuously escalating pressure from the Kuomintang authorities and on 15 November 1946 he was forced to flee from Shanghai to Hong Kong.

On the 10th day after his arrival in Hong Kong, Zhu Xuefan was injured in an assassination attempt. He went out by richshaw that day, and when he was passing near the Royal Navy Club at Johnston Road, a car suddenly knocked him down from behind with a powerful force. He fell to the ground in a swoon and was seriously injured. When his condition was a little better after being cured at Hong Kong's Queen Mary Hospital for a time, he went to the United States to meet General Feng Yuxiang. After his return to Hong Kong, he deliberated on the establishment of the Revolutionary Committee of the Chinese Kuomintang together with Li Jishen, He Xiangning and others. He was one of the founders of the Revolutionary Committee of the Chinese Kuomintang and is now a vice chairman of its Central Committee.

It was in January 1948 that Zhu Xuefan attended the Executive Committee meeting of the World Federation of Labor for the last time. When he arrived in London, he issued the wellknown "statement on the current political situation." Dissatisfied with the civil war "between brothers," he expressed his strong desire that China must be independent, democratic and in peace. After the meeting, which was at the end of February of the same year, he arrived from abroad at Harbin in the northeast liberated area and was warmly welcomed by CCP leaders Mao Zedong and Zhou Enlai.

After liberation, he served as vice chairman of the All-China Federation of Trade Unions.

He is concerned about the postal communications between the mainland and Taiwan and on many occasions has appealed to the Taiwan authorities: Let the family members on both sides of the Taiwan Strait communicate with one another.

Mr Zhu Xuefan has four sons and a daughter. A son and a daughter who engage in social science and natural science are now living with him and he has a group of grandchildren. Once, when someone wanted to take a photo of Uncle Zhu's "whole family," Mr Zhu laughingly said: "Do not bother. If you take a photo of my grandchildren as well, I am sure I can form a squad;" our reverend Mr Zhu is indeed a man of great humor.

His interests in life are collecting calligraphy and paintings, but they are not from well-known persons; he likes growing flowers, but they are the precious ones. He also often practices calligraphy after a model. He said: "Practicing calligraphy is the best rest for my brain."

CSO: 4006/166

NPC DEPUTY ON PEOPLE'S RISING PURCHASING POWER

OW100426 Beijing XINHUA in English 0310 GMT 10 Dec 81

[Text] Beijing, 10 Dec (XINHUA)--As people have more money in their pockets, they are now buying better food and a greater variety of consumer goods, said Zhang Binggui, a shop assistant and deputy to the National People's Congress.

National model worker Zhang Binggui, who works at Beijing's biggest department store, said that customers, both young and middle aged, men and women, were choosing more stylish clothing nowadays.

Young women now buy more colorful costumes, better face creams and hair oils, Zhang Binggui said. A new kind of face cream containing pearl powder that soothes the skin well is a best seller although it costs about one yuan more per bottle than the common types.

"The policy of giving priority to light industry mentioned by Premier Zhao Ziyang in his report to the N.P.C. session," he said, "is a policy for the people. It has put a rich supply of consumer goods on the market."

People are no longer content with traditional patterns, he said. They want new designs of textiles, clothing, bed blankets, furniture, thermos bottles, vases and ornamental artificial flowers.

TV sets, woolen and silk textiles and tape recorders, only within the reach of people with higher pay before, are now quite popular items, the model worker said.

Zhang Binggui, now 62 but in good health, has been a shop assistant for 45 years and is now working in the candy selling section. Customers take more time to select candies, he said. Their favorite choices include famous Beijing crisp candy, walnut and coffee candies, and sweets containing calcium specially made for children. There is also a kind of candy suitable for people suffering from diabetes.

He said that his department store sold both luxuries and cheap things that cost no more than one cent, such as a piece of candy or a button, for the convenience of the people.

Zhang Binggui said that his department store at the downtown area of Wangfujing sells 28,000 varieties of goods ordered from all parts of the country. Its business transactions have grown in the past few years and amount to 220 million yuan this year.

Zhang Binggui still stands behind the counter about 2 hours a day. He always surprises the customers by his speed in taking, weighing and packaging candies and calculating the prices. "I do this to save time for the customers," he said.

His daily work also includes training young shop assistants and devising ways for improving management, Zhang Binggui said.

CSO: 4020/51

CPPCC ENDORSES REPORT ON STANDING COMMITTEE WORK

OW150441 Beijing XINHUA Domestic Service in Chinese 1158 GMT 14 Dec 81

[Resolution of the fourth session of the Fifth CPPCC National Committee on the report concerning the work of the Standing Committee--adopted by the fourth session of the Fifth CPPCC National Committee on 14 December 1981]

[Text] Beijing, 14 Dec (XINHUA)--The fourth session of the Fifth CPPCC National Committee unanimously endorses the report by Vice Chairman Xu Deheng on the work of the Standing Committee.

Our country's political and economic situation has been good and the patriotic united front has been further consolidated and developed since the third session of the Fifth CPPCC National Committee, held in September 1980, and under the leadership of the CCP. The Standing Committee has done a great deal of work, in compliance with its decisions and in keeping with the new situation, by relying on all CPPCC members. The session is satisfied with the achievements made.

The work principles and tasks for the CPPCC that are put forth by Vice Chairman Xu Deheng in his report are adequate. The session calls on the Standing Committee and other work departments to pay attention to the criticism and suggestions put forth by the plenary meeting, to adopt positive measures for strengthening the ties between the members and local CPPCC organizations, to conduct thorough investigation and study, to pay attention to summing up experience, to improve work and raise efficiency, to vigorously implement the principles and tasks put forward in the work report and the political resolution approved by this plenary meeting and to make new contributions toward accomplishing the socialist modernization, safeguarding world peace and fulfilling the great cause of reunifying the motherland.

CSO: 4006/166

NATIONAL POLICY AND ISSUES

BEIJING NPC DEPUTIES BRIEFED ON FINANCE MATTERS

OW131249 Beijing XINHUA Domestic Service in Chinese 1455 GMT 12 Dec 81

[Report by XINHUA correspondents Chen Naijin and Zhu Jigong]

[Excerpts] Beijing, 12 Dec (XINHUA)--NPC deputies think: Although the country still faces many difficulties, the party and government have made very great efforts to improve the livelihood of the people in urban and rural areas. This is by no means easy, and it demonstrates the superiority of socialism.

At their panel meetings to examine Premier Zhao Ziyang's report on the work of the government, the Beijing delegation attending the fourth session of the Fifth NPC asked a staff member of the Ministry of Finance present at the panel discussion to brief them on relevant financial conditions of the country. The comrade from the Ministry of Finance gave two accounts at the panel meeting:

First, in the 3 years from 1979 through 1981, increased purchase prices for agricultural and sideline products and reduced taxes in rural areas have reduced state revenue by a total of more than 52 billion yuan, of which more than 44 billion yuan was used for increasing purchase prices for agricultural and sideline products. The masses of peasants have increased their incomes as a result.

Second, in the 3 years from 1979 through 1981, more than 20 million people in cities and towns have been provided jobs. In addition, wages for workers and staff members have been increased, and a reward system has been implemented. This has resulted in increased expenditures and reduced revenue by a total of 40.5 billion yuan. Of that amount, 10.4 billion yuan has been spent for expanding employment in these 3 years. As more people are employed, the number of people supported by each worker or staff member in cities become fewer, and the livelihood of workers and staff members improves accordingly.

According to information provided by the Ministry of Finance, in order to stabilize market prices since purchase prices for agricultural and sideline products were raised, the state has taken measures to subsidize the prices of 28 basic necessities required by the people and products serving the needs of agriculture. In 1978 the state spent 7.8 billion yuan for price subsidies. This was increased to 14.6 billion yuan in 1979 and 20.8 billion yuan in 1980, and it is estimated that it will be more than 32 billion yuan this year. Of this year's price subsidies, subsidies for grain, cotton and edible oil will amount to more than 22.8 billion yuan. Subsidies for meat, fish, eggs, vegetables and coal for home use will amount to more than 2.4 billion yuan.

The briefing of the staff member of the Ministry of Finance evoked strong responses from deputies of the Beijing delegation. Zhao Ximing, NPC deputy and director of the Culture and Sports Department of the CYL Central Committee, said: I think the information given by the comrade from the Ministry of Finance is very important. We have the responsibility to explain and spread it among the masses of the people. The state is spending a lot of money to raise the purchase prices for agricultural and sideline products, to increase the peasants' income and to subsidize the prices of grain, edible oil, vegetables, meat, fish, eggs and other agricultural and sideline products needed by people in cities. This fully reflects the superiority of the socialist system.

Xu Qingwen, NPC deputy and national model workers, said: Since the 3d plenary session of the 11th CCP Central Committee, we peasants have deeply felt that the agricultural situation is excellent and there is reason to work hard, that economic policies have been implemented and we can rely on them, and that the harder we work, the greater the development. We feel that prospects are bright.

Zhang Binggui, NPC deputy and national model worker, said: From behind the counter I can clearly see how the people's living standards have improved. At our department store building, television sets, radios, wristwatches, woolen goods, woolen blankets and other high- and medium-grade goods are more and more welcomed by customers. Not only city workers and staff members are buying. Quite a few peasants from the suburbs and other places are also coming to make purchases. This shows that the state has made great efforts to improve the people's livelihood and has achieved remarkable results.

CSO: 4006/166

XIZANG NPC DEPUTIES VIEW IMPACT OF ZHAO REPORT

OW100648 Beijing XINHUA Domestic Service in Chinese 1203 GMT 8 Dec 81

[Text] Beijing, 8 Dec (XINHUA)--In the past few days, the deputies of Xizang autonomous region attending the Fifth NPC's fourth session have been earnestly discussing Premier Zhao Ziyang's government work report. In connection with Xizang's realities, the deputies spoke glowingly of the excellent situation in economic construction and deepened their understanding of the significance of the 10 principles of economic construction and the principle of readjustment, restructuring, reorganization and upgrading. They felt confident of the motherland's future and Xizang's prospects.

The deputies said: Premier Zhao Ziyang's report is inspiring and full of substance. It not only expounds upon China's remarkable economic achievements in the course of readjustment and the 10 principles for future economic construction but also analyzes the present difficulties and problems and lays out the prospects for China's economic development. The deputies were satisfied with the basic balance of financial and credit revenues and expenditures. They said: It was previously believed that in China, a big nation with 1 billion people afflicted by the poison of the left, it would be difficult to overcome the huge financial deficits that occurred in the past 1 or 2 years. It is beyond our expectations that the revenues and expenditures should be basically balanced within such a short time. This is remarkable indeed.

Speaking of Xizang's situation and changes over the years, the deputies said: Since implementing the guidelines contained in the central authorities' relevant document last year, Xizang has extensively popularized production responsibility systems in agriculture and stockbreeding, greatly aroused the masses' enthusiasm and promoted the development of agriculture and animal husbandry. The situation is gratifying. This year, despite serious droughts that affected agriculture and widespread snowstorms that hit animal husbandry, performance in agriculture and animal husbandry has been relatively good. Rapid progress has also been made in diversified economy. The gross and per capita income in Xizang this year will considerably surpass those of last year. Some impoverished areas have doubled their incomes within a year. The people have markedly improved their living and undergone tremendous changes in their mental outlook. They have full confidence that they can conquer poverty to become rich.

In their discussions the deputies used numerous facts to show the gratifying changes in Xizang. In Nagu Prefecture's Baqen County, which is located 4,600 meters above sea level, an extraordinary snowstorm the like of which has not been experienced in decades hit three of the seven districts in December last year. The peasants and herdsmen overcame difficulties, helped tide the animals over the crisis and registered high yields of butter, wool and milk residue. Some herdsmen that lived in tents for years have built new houses. Some of them have savings deposits of more than 10,000 yuan.

In the past, under the influence of the left Shannan Prefecture's Zhanang County abolished sideline production, which was considered a vestige of capitalism. Earning a livelihood became more and more difficult for peasants and herdsmen and the county was well known for its poverty. Since the implementation of flexible policies and restoration of sideline production the people have increased their incomes. Many commune members have built new houses. A peasant household was able to come up with 7,000 yuan in cash offhand to build a house worth 20,000 yuan. As the peasants' purchasing power increases radio receivers, tape recorders and sewing machines become popular.

The deputies also voiced their opinions concerning the 10 principles for future economic construction. Some deputies said: The 10 principles are comprehensive and specific. They conform to China's conditions and suit Xizang. The principle "depend on policies and science to accelerate agricultural development," in particular, has tremendous significance for Xizang. The deputies said: To promote agriculture and animal husbandry it is necessary to actively practice and gradually perfect production responsibility systems in their various forms, firmly rely on the party's policy and develop agriculture and animal husbandry by adopting measures suited to local conditions. Some deputies also said: The state has attached importance to the development of consumer goods industry and further readjusted heavy industry's service orientation. This conforms to the people's aspiration. Although Xizang has few branches of industry, it should try to make full use of the existing industries and run them well. In no way should Xizang get along by relying solely on state support. Xizang has many milk cows but still has to secure milk powder from the interior. We should earnestly sum up experience and find a proper way to develop Xizang's industry.

In their discussions, the deputies presented opinions and suggestions in connection with the 10 principles for economic construction and Xizang's realities. The deputies said: While increasing the production of high- and medium-grade goods needed by the society, we should never overlook the production of popular small commodities that do not yield high profit but are needed by the masses. The production of commodities specially needed by minority nationalities is too important to be overlooked. It is necessary to create new designs, improve quality, lower prices and avoid only going after profits. They hoped that departments concerned would incorporate the production and supply of special commodities for minority nationalities (such as tea, hats for formal occasions and golden-edge silks) into the state plan and sign contracts with enterprises concerned for 5 years or more to enable the enterprises to organize production and supply in accordance with the stipulations of the contracts.

Concerning energy and transportation, the deputies said: These two things are all the more important for Xizang. Transportation in Xizang is very poor. Trucks are still the major means of transportation. Civil aircraft are few and outdated. Xizang has rich mineral deposits. Its chromite, borax and copper are all urgently needed by the state. They are also good commodities for exports to earn foreign exchange. However, due to underdeveloped transportation and other limitations, these mines have not been exploited. To help Xizang develop politically, economically and culturally, to strengthen national defense and to enable Xizang to contribute its share to the motherland's four modernizations as soon as possible we suggest that the construction of railways linking Xizang to the interior be included in the state plan and that the existing civil aircraft in Xizang be upgraded.

CSO: 4006/166

LIAONING NPC DEPUTIES DISCUSS ZHAO ZIYANG REPORT

OW131100 Beijing XINHUA Domestic Service in Chinese 0818 GMT 8 Dec 81

[Excerpts] Beijing, 8 Dec (XINHUA)--The NPC deputies from Liaoning discussed Premier Zhao Ziyang's report on the government's work in the light of actual condition in the province.

NPC Deputy and Governor Chen Puru, citing the changes in five aspects of the economic situation in Liaoning, explained that the analysis of the economic situation in China over the past year made by Premier Zhao in his report conforms to reality and that our national economy has indeed embarked on the road of steady development.

The deputies offered some views and suggestions concerning how to improve the economic work. Deputy Zhang Shengji said: In renovating old enterprises, it is necessary to use advanced technology in order to raise the production efficiency, save money and conserve energy. He also suggested that in carrying out technical renovation, it is necessary to allocate funds for anti-pollution engineering projects. The present method of imposing fines on enterprises which discharge pollutants still cannot solve the pollution problem. Deputy Li Xun said: Speeding up the circulation of funds is the most important thing for improving the economic management. As a foreign saying goes, time is money--we must tap financial sources by speeding up the circulation of funds.

Deputy Li Songtang urged the government to limit the export of steel billets. It is necessary to fully utilize our country's blooming capability and roll steel billets into steel products for exports in order to earn more foreign exchanges. It is also necessary to curb the export of scrap steel and insure domestic supply first. He pointed out that in the past few years we have continuosuly reduced the scale of the production of steel and steel products in the country while exporting steel billets and importing steel products. This is a question that merits our study.

Deputy Jiang Peilu said that with its coastal location, beautiful scenery, complete industrial departments and convenient land and sea transportation, Dalian Municipality is endowed with favorable conditions for foreign investment. He hoped that the government will approve Dalian Municipality as a special district as soon as possible.

Deputies Qian Lingxi, Zhang Guoshi and Guo Hefu said: There must be legislation for investment in educational undertakings.

It is necessary to set up a department to unify the work of scientific research, suggested Deputy Li Xun at a group meeting. He said: At present, the scientific personnel from five departments--the Chinese Academy of Sciences, the National Defense Scientific and Technological Commission, institutes of higher learning, localities and departments--are scrambling for research projects. They concentrate the efforts on projects that others are working while ignoring subjects that others also ignore, thereby blockading research information from each other and counteracting each other's efforts. The State Scientific and Technological Commission has failed to unify the research work. Why has the superiority of our socialist system not been brought into full play? It is because of the decentralization.

Some deputies made suggestions on the building of socialist spiritual civilization.

CSO: 4006/166

NINGXIA DEPUTIES DISCUSS ZHAO'S NPC REPORT

OW101003 Beijing XINHUA Domestic Service in Chinese 1410 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--The Ningxia deputies attending the NPC meeting warmly discussed Premier Zhao Ziyang's report on the work of the government.

They pointed out: Since the third session of the Fifth NPC, Comrade Zhao Ziyang has made many achievements in leading the State Council. The State Council has seriously implemented the important policies of continuing economic readjustment and achieving more political stability as laid down by the CCP Central Committee. It has taken a series of effective measures and done a large amount of efficient work to eliminate very large deficits. It has also basically achieved a balance of revenue and expenditure, stabilized the economy as a whole and brought about the beginning of steady economic development in China. This fully shows that the leadership of the State Council is strong. The people of various nationalities in Ningxia completely trust the leadership of the Party Central Committee and State Council.

Ma Qingnian, Ma Xin, Li Yun and other deputies said: The 10 principles for economic construction set forth by Premier Zhao in his report were not formulated easily. They were formulated after we corrected the influence of leftist thinking on the economic work and after summing up the experience of nearly 3 years of practice. They also include the summing-up of our experiences and lessons gained during the 32 years since the founding of the PRC. They completely conform to China's situation and the socialist objective law of economy.

The deputies urged the state to include the harnessing of the Huanghe in the state capital construction plan.

The deputies also discussed how to take advantage of Ningxia's rich coal deposits. Ningxia has an abudance of coal resources and has the capability to produce 10 million tons of various types of superior coal annually. The deputies suggested that the State Council should solve the transport problem and ship the more than 1 million tons of mined coal out of Ningxia as soon as possible to support national construction.

CSO: 4006/166

SHANXI NPC DEPUTIES STUDY ZHAO WORK REPORT

OW110101 Beijing XINHUA Domestic Service in Chinese 1312 GMT 8 Dec 81

[Excerpts] Beijing, 8 Dec (XINHUA)--In studying Premier Zhao Ziyang's report on the work of the government, the deputies of the Shanxi delegation attending the fourth session of the Fifth NPC said that the more they read Premier Zhao Ziyang's report, the more enthusiastic they feel.

Deputy Huo Shilian said: In his report on the work of the government, Premier Zhao Ziyang pointed out that emphasis must be placed on the exploitation of coal resources in Shanxi. This has greatly inspired and encouraged us. We must exert strenuous efforts in resolutely fulfilling the glorious tasks assigned the people in Shanxi by the CCP Central Committee and the State Council. It is earnestly hoped that the State Planning Commission, the State Economic Commission, the Ministry of Coal Industry, the Ministry of Finance, the Ministry of Railways and other departments concerned, as well as the fraternal provinces and municipalities will give us their great support and assistance.

He said: In order to increase coal production, we must do a great deal of work closely connected to coal production. The first is railway transportation. At present, coal accounts for 84.5 percent of the total freight. We are unable to export many other important supplies. In April of this year, Vice Premier Wan Li personally came to Shanxi to study transportation problems. He helped us overcome some major difficulties. To basically solve problems in transportation, it is necessary for the state to make investments to repair some railways. The second involves the public facilities for coal mines. Arrangements must be made to build schools, hospitals and stores in an overall manner. The third is the supply of farm and sideline products, particularly the supply of vegetables. For this, agricultural production must also be promoted. The fourth is water sources. The fifth is the comprehensive utilization of coal by doing a good job in coal liquefaction and gasification.

Deputy Ruan Bosheng talked about the economic situation in Shanxi. He said: In general Shanxi's economic situation conforms with Premier Zhao Ziyang's analysis of the national economy. First of all, we have a fine situation in agricultural production. Production responsibility systems have been enforced in 86 percent of the production brigades in our province, thus whipping up the peasants' enthusiasm for farming. Despite this year's serious drought, our province still registers an increase of summer crops as compared with last year. The growth of autumn crops this year is also not worse than that of last year. The fine situation in agriculture is the major trend. From now on, we must further consolidate and improve the responsibility systems. This is extremely important. The industrial production situation for the first 6 months of this year was not satisfactory. The situation in the second half of the year has gradually taken a favorable turn, thus reversing the passive position. Shanxi's heavy industry accounts for 70 percent of the total industry in the province. Therefore, we still need to solve the major issue of whom our heavy industry serves in industrial production in addition to our efforts to step up the production of daily necessities and coal.

Deputies Zhao Yuting and Shi Huaibi said: Premier Zhao's report has followed the principle of seeking truth from facts and proceeded from China's state of affairs. It is difficult to understand a nation's state of affairs. We have suffered many setbacks and committed "left" errors in the course of socialist construction simply because we fail to clearly understand our nation's state of affairs. The greatest feature in the work of our Party Central Committee and State Council today is to proceed from the actual conditions. This year natural disasters affected 533 million mu of land in the whole country. Some 260 million mu were seriously affected. More than 130 million people have suffered from natural disasters (Shanxi Province is not included). However, we still reaped a good harvest this year and the situation is quite favorable. We have scored this achievement by relying on policy and science. We mainly rely on policy.

CSO: 4006/166

SHANGHAI NPC DEPUTIES HAIL ZHAO ZIYANG'S REPORT

OW110229 Beijing XINHUA Domestic Service in Chinese 1804 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--The members of the Shanghai delegation attending the fourth session of the Fifth NPC held panel discussion meetings in the past few days to discuss Premier Zhao Ziyang's report on the work of the government. All the deputies freely expressed their views in a buoyant atmosphere.

Hu Lijiao, NPC deputy and second secretary of the Shanghai Municipal CCP Committee, said: Premier Zhao's analysis of the present national economy entirely conforms with the situation in Shanghai. The situation in Shanghai remains favorable [compared with] other localities in China. Shanghai's total industrial output value this year is expected to increase by 3 percent as compared with last year. There are marked increases in the production of consumer goods. In heavy industry, we have readjusted the service orientation and the product mix. Metallurgical, chemical building material and other industrial departments have offered definite contributions to the supply of raw materials and equipment for the production of consumer goods. Shanghai's trade situation is also good this year in both domestic consumption and export. From January to October the total value of daily necessities and industrial products shipped out of Shanghai to various localities throughout the country has reached 9.2 billion yuan, marking an increase of 6.3 percent as compared with the same period last year.

Liu Nianzhi, NPC deputy and vice chairman of the All-China Federation of Industry and Commerce, said: In the past, I studied capitalist economics abroad. Despite the fact that there are many economists holding doctoral degrees in economics and many foreign experts are invited to tackle problems, capitalist countries still cannot solve their economic problems. Our nation is large and has a population of one billion. In the past few years, we have had many problems because of the disproportions in our national economy. However, after we implemented the principle of making readjustments, our deficit dropped to this year's 2.7 billion yuan. This is not an easy task. Each of the 10 principles put forward by Premier Zhao from agriculture to industry and from science to culture and education takes the interests of the people into consideration.

The Shanghai deputies also put forward constructive suggestions on urban construction, developing agriculture, changing organizational structures, and on developing education, science and research work. Zhao Zukang, NPC deputy and deputy mayor of Shanghai, suggested that it is necessary to correctly handle the relationships between urban construction, economic construction and social construction and to develop such relationships in a coordinated manner.

Liu Funian, NPC deputy and president of the East China Teachers University, and Rong Yiren, NPC deputy and vice chairman of the National CPPCC Committee, stressed the need to transform government structures. Rong Yiren said: If the government structures are not changed and government organs still dispute over trifles, it is impossible to transform the economic system. In my present work, the problem of government organs disputing over trifles gives me a number of headaches. Liu Funian said: To change the government structures, we should not only simplify the administration and reduce the staff, we must also change the situation by which the government departments responsible for the work rigidly control everything and exercise their authority in all events either major or minor.

Several deputies including Sun Daguang, Zhang Wenyu and Su Buqing expressed their views on the fact that there are many scientific research institutes in China with scattered scientific and technical forces and not closely connected with education and production. On the basis of the fact that there are not enough scientists and technicians in factories and industrial enterprises while there are many scientists and technicians in the Academy of Sciences and various departments of the Science and Technology Commission for National Defense with some idle, Zhang Wenyu suggested that the scientists and technicians of the Academy of Sciences and the various departments of the Science and Technology Commission for National Defense be linked to those in factories, enterprises and institutions of higher learning. Su Buqing also suggested that universities set up a 4-year system and a 2-year system to train people of all types. College students who have graduated from the 2-year colleges can be generally assigned to work in factories in order to raise the technical level and production efficiency of an enterprise. They can also be assigned to teach in middle schools.

CSO: 4006/166

HUNAN'S MAO ZHIYONG HAILS CCP CENTRAL COMMITTEE

OW091223 Beijing XINHUA Domestic Service in Chinese 1751 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--During panel discussions, the Hunan provincial delegation attending the fourth session of the Fifth NPC discussed Premier Zhao Ziyang's report on the work of the government.

They unanimously held: The report has summed up the present excellent economic situation, predicted the bright future of China's economic development and clearly pointed out the orientation and the way for our future efforts. It is unadorned, comprehensive and is with depth and insight, giving people great inspiration and education.

Mao Zhiyong, first secretary of the Hunan Provincial CCP Committee and deputy to the NPC, said: The excellent economic situation shows that the important policy decision made by the Party Central Committee and the State Council on achieving further economic readjustment and political stability is completely correct. It shows that the broad masses of people and cadres of various nationalities throughout the country highly trust the Party Central Committee and the State Council, that they have made strenuous efforts to implement the important policy decision of the Party Central Committee. It shows that the socialist system in China is incomparably superior, that it is entirely possible to accomplish the goal of the four modernizations step by step and stage by stage, and that any pessimism, disappointment and lack of confidence are groundless.

The deputies unanimously supported the 10 principles for economic construction set forth by Premier Zhao in his report.

While reviewing the excellent situation, the deputies also made some constructive suggestions.

Zhou Minghong and Chen Guoda said: China is not paying as much attention to intellectual development as the economically developed countries do. This is unwise and a very big mistake. The government should do its utmost to invest more money in educational undertaking and intellectual development.

Tang Lijun, Kuang Zeilan, Liao Xingchu, Tang Liqun and other deputies said: A new situation and new problems have occurred and the birth rate is rising after the government promulgated the new marriage law and implemented the system of economic responsibility in the countryside. We hope that the government enacts the family planning law as soon as possible in order to use the law to control population increases. Otherwise, it is very hard to implement family planning.

NPC Deputy Wen Xinzheng said: Hunan is a land of non-ferrous metal and its mineral resources are a great value. However, these resources are not well protected as some peasants are doing unauthorized mining in mining districts and causing serious damage to mineral resources. According to a preliminary investigation by nine mining districts under six tungsten mines, usually there are 4,000 peasants entering the mining district to mine without authorization and the number will rise to 6,000 during slack farming seasons, outnumbering the mine workers there. Moreover, accidents constantly happen in those several mines, causing some 2,609 deaths in 1981. We suggest that the government enacts the mineral resources protection law as soon as possible. In the meantime, it is necessary to immediately take resolute administrative measures to save the mines.

CSO: 4006/166

SHAANXI DEPUTIES DISCUSS ZHAO'S NPC REPORT

OW101125 Beijing XINHUA Domestic Service in Chinese 1316 GMT 7 Dec 81

[Excerpts] Beijing, 7 Dec (XINHUA)--Over the last few days, the Shaanxi provincial delegation attending the fourth session of the Fifth NPC seriously discussed Premier Zhao Ziyang's report on the work of the government. The deputies unanimously said they were greatly inspired after listening to the report. They held the discussion in connection with the economic readjustment and the delightful situation on various fronts in Shaanxi.

They held: Premier Zhao Ziyang's thesis that China's national economy has begun a steady development entirely conforms to reality. The guiding thought on making further readjustment set forth by the Party Central Committee is correct. The economic development is sound and the achievements are remarkable. Since the readjustment tasks are arduous and we have been distressed by serious natural disasters, it is very unusual that we have made such good achievements.

Deputy Yu Mingtao said: Continuous heavy rains resulted in bad floods in areas west of the Qinling and Bashan Mountains and in Hanzhong Prefecture in Shaanxi during the fall of 1981. With the kind attention of the Party Central Committee and the State Council, and under the leadership of the Provincial Party Committee and provincial government, the broad masses of cadres, CCP and CYL members and people in the flooded areas shared weal and woe in waging an indomitable struggle against the floods. They also persevered in restoring production and in relief work. Many leading cadres who braved danger and provided good leadership and many heroic model persons who disregarded their own safety to save other's lives and protect state and collective property emerged. The PLA members advanced the glorious tradition of supporting the government and cherishing the people. They raced with time to save people's lives and property and repair highways, railroads, dams and unsafe sections of river dikes. They also helped to restore the electric power supply and communications and to maintain social order. The people praise and love them for their important contributions. The struggle to combat floods and provide disaster relief shows that the party organizations at all levels are strong in fighting power and that the great majority of cadres and CCP and CYL members can stand the test. It also fully shows the superiority of socialism.

During panel discussions, the deputies warmly discussed the 10 principles for future economic construction.

They held: The 10 principles suit China's situation and show the spirit of seeking truth from facts, stressing efficiency, acting according to our capabilities and working hard. If we follow them, we surely can accomplish the four modernizations step by step and stage by stage.

While happily reviewing the situation and discussing the principles, the deputies also made some comments and suggestions on questions concerning industrial readjustment, agricultural production and correction of unhealthy tendencies.

CSO: 4006/166

HEBEI DEPUTIES ENDORSE ZHAO'S NPC REPORT

OW091039 Beijing XINHUA Domestic Service in Chinese 1637 GMT 8 Dec 81

[Excerpts] Beijing, 8 Dec (XINHUA)--The 122 deputies from Hebei Province attending the fourth session of the Fifth NPC have wholeheartedly endorsed Premier Zhao's report on the government's work. They pointed out that the report has correctly analyzed the current economic situation, incisively summed up the experience in economic construction and explicitly put forth the 10 principles and expounded the prospects for economic development. The report is completely in line with the actual condition in China and coincides with the people's aspirations and demands.

During the course of discussion, the deputies made some suggestions:

1. It is necessary to take resolute measures to check the unhealthy tendency in literary and art propaganda work.

Deputy Wang Jian said: The Party Central Committee and State Council have time and again called for launching the "five stresses and four beauties" campaign, actively learning from Lei Feng and educating the young people with socialist and communist ethics, social values and attitude toward physical labor. However, some people in the literary and art circles have not followed the central authorities' policy on creative works and have acted exactly the opposite. Some works contain evil in both content and form.

2. It is necessary to strengthen the building of the contingent of political and judicial personnel and learn to use legal means to maintain economic order.

Deputy Han Bangju said: Of late, various evil practices and crimes have become rampant in economic life. In safeguarding the socialist material civilization and in flourishing the socialist spiritual civilization, we must strengthen the building of the contingent of political and judicial personnel and learn to use legal means to maintain economic order. It is imperative that we step up the work on economic legislation. Because of inadequate economic laws we are still using the regulations regarding the punishment of embezzlers, which were adopted in the 1950's, in handling economic crimes. Many of the regulations are out-of-date. The organization of forces to speedily formulate economic rules and regulations is urgently needed.

3. It is necessary to streamline organs, overcome bureaucracy and change the cadres' work style.

Deputy Han Rongji said: As Premier Zhao pointed out in his report, bureaucracy in our current political life and economic administration is a serious obstacle to taking a new road in the development of the national economy and to building the four modernizations. The State Council has decided to start the reform in the departments under the State Council and instructed them to complete the reform within a specified time in order to set an example for local governments at various levels. This is an important question and must be tackled without delay.

I believe that in order to successfully solve this question, it is necessary to, first of all, continue to criticize the "leftist" line, eliminate the chaos and restore the order and effectively reduce the size of government organs in combination with the work to readjust leading bodies. Second, provincial government must emulate the central authorities in playing the exemplary role for prefectural and county governments. Third, it is necessary to make adequate arrangements for veteran cadres and enforce the cadres retirement system. Fourth, it is necessary to formulate a national "organization law" for streaming and unifying administrative organs.

CSO: 4006/166

XIZANG ALI PREFECTURE IMPLEMENTS WORK INSTRUCTION

HK081356 Lhasa Xizang Regional Service in Mandarin 1130 GMT 6 Dec 81

[Text] The party and government cadres of Ali Prefecture have conscientiously studied and implemented the regional CCP Committee's instruction on work in Ali Prefecture and pledged to unify their thinking, brace themselves and promote work in all fields.

After the regional CCP Committee's instructions on work in Ali Prefecture were passed down, the Ali Prefectural CCP Committee immediately called an enlarged Standing Committee meeting. Comrades attending the meeting studied and discussed the regional CCP Committee's instruction. They enthusiastically said: The eight-point instruction of the regional CCP Committee will be the embodiment, in Ali Prefecture, of the line of the 3d plenary session of the 11th CCP Central Committee and of the Central Committee's instructions concerning work in Xizang. It is a very important document which will determine Ali Prefecture's future efforts to alleviate poverty and bring about prosperity and will guide work in the whole of Ali Prefecture. It conforms completely with the actual conditions in Ali Prefecture.

They unanimously expressed: Through study and implementation, we must further eliminate leftist mistakes, emancipate our minds, unify thinking, brace ourselves and carry out the important instructions of the Central Committee on work in Xizang and the instruction of the regional CCP Committee on work in our prefecture in a down-to-earth manner. We must resolutely implement the new economic policies in order to bring about a big production increase in animal husbandry and agriculture in the whole prefecture, a substantial improvement in the people's livelihood and a fundamental change in the state of pverty and backwardness. We must strive for successes in satisfying the needs of the people of Ali Prefecture and make greater contributions to the state.

On 21 November, the Ali Prefectural CCP Committee held a rally in Shiquanhe. The rally was attended by party and government officials, armymen and civilians. At the rally, Comrade (Miao Shiqing), secretary of the Prefectural CCP Committee, transmitted the regional CCP Committee's instruction on work in Ali Prefecture. On behalf of the Prefectural CCP Committee and the prefectural administrative office, he also called upon the cadres, staff and workers and masses of peasants and herdsmen to actively go into action and whip up a great upsurge in studying, publicizing and implementing the instruction of the regional CCP Committee.

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INDIVIDUAL ECONOMY CONSIDERED NECESSARY IN CITIES, TOWNS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 5, 1981 pp 29-34

[Article by Xi Guizhen [1153 2710 3791] and Yang Xian [2799 8300]: "On the Objective Necessity and Nature of Individual Economy in Cities and Towns"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, individual economy has been rapidly reactivated and developed in the cities and towns of our country. By the end of May 1981, 4,015 households and 4,306 persons in Beijing municipality had already obtained business licenses for individual industrial or commercial activities. The number of these households is 71 percent more than that by the end of 1980, and even exceeds that of 1957. From this, we can anticipate further development of individual economy in the near future.

Why should there be still individual economy on the socialist great soil of our country? What is the nature of individual economy? Will it breed capitalism? If we cannot find scientific answers to these questions, it will be difficult for us to handle individual economy in cities and towns properly.

Existence of Individual Economy in Cities and Towns Determined by Present Productive Forces in Society

Since the basic completion of the socialist transformation of private ownership of the means of production in our country, individual economy in cities and towns has taken a tortuous path, and for quite a long time people have looked down on it as a "heresy" which socialism could not tolerate, or as a "capitalist tail" to be proscribed. Yet despite its setbacks, individual economy has not been "exterminated" after all. Like the sturdy grass on the mountain cliff, it continues to flourish. This clearly shows that when the socialist economic system of public ownership has been completely established and remains predominant, the existence of individual economy is still an objective necessity. To illustrate this point according to the law of the correspondence of production relations to the characteristics of the productive forces, it is necessary for us to start from the material foundation of a socialist society.

As we all know, in the socialist society envisaged by Marx and Engels, individual economy does not exist, and there should be only one single system of social ownership in the whole society. Laborers are directly integrated with the means of production in the society so that everyone should be an owner of the means of production and every laborer should have equal rights and responsibilities in the use of public-owned means of production. Unemployment would be unheard of, and social products are to be distributed under a unified plan throughout the society. Actual developments have gone beyond the expectation of Marx and Engels, because victory for socialist revolution was first won in a country with a backward capitalist economy. Building socialism in such a country encountered many extraordinary and complex problems and difficulties which Marx and Engels had not anticipated. When victory for the revolution was won in our country, the development of productive forces and the socialization of production were at a very low level, and small-scale production was still preponderant. It was therefore impossible to set up a single system of social ownership for the entire society, and in addition to the coexistence of the system of collective ownership and the socialist system of ownership by the whole people, there is also individual economy.

Individual economy exists in the cities and towns of a socialist society because the laborers are not yet completely integrated with the means of production within the scope of the economic system of public ownership, which is restricted by the level of productive forces. Under the socialist system, labor is a means of livelihood, and in connection with labor, there are such questions as material benefits, equal remuneration for equal amounts of labor, and "he who does not work shall not eat either." Laborers must have the means of production to work with. Marx clearly pointed out: "Whatever the social form of production, laborers and means of production always remain factors of it. But in a state of separation from each other, either of these factors can be such only potentially. For production to go on at all, they must unite."[1] It is beyond doubt that in socialism, there must be sufficient means of production before all the laborers can have equal rights and responsibilities in work. When the socialist economy system of public ownership has been set up and remains preponderant, the laborers working in state-run enterprises or collective enterprises basically symbolize the integration of laborers and the means of production. However, because the material and technical foundations for the socialist system of public ownership at this stage are still weak, it is not yet possible for all laborers to become integrated with the means of production through the socialist economic system of public ownership, and a large number of people are unemployed. Although the constitution stipulates that every laborer has the right to work, such a stipulation cannot be carried out under the socialist economic system of public ownership in the near future because of the restrictions of the low level of social productive forces. In this case, the unemployed naturally have to find their own means of livelihood by acquiring the means of production with self-raised funds and to work under the system of individual ownership. Such is the innate source of vitality for individual economy which cannot be "exterminated" in cities and towns.

Another condition for the existence of individual economy in cities and towns is that the socialist economy system of public ownership is not yet powerful enough to permeate the entire social economic life, and there are still many "empty spaces" left.

Individual economy in cities and towns can take many forms, such as peddling along the streets and lanes, door-to-door delivery, and so forth, according to the consumers' requirements. Repairing shoes and bicycles in the streets, repairing furniture, radio sets and TV sets in the customers' homes, and so forth, are services rarely, or never, offered by the state-run or collective enterprises. These services, therefore, play a positive role in filling the gaps left by the economic system of public ownership at least for the time being. For example, two retired tailors in Haiding District of Beijing municipality continued their profession at home. Their work was good and prompt. A young couple were planning a travel wedding, and the wedding gown was completed in 3 days. These tailors thus won public approbation. Now, they are so busy with their work on hand that they dare not publicly display their signboard. Again, in the remote area of Beiwu of Yuquanshan in Haiding District, there was no state-run or collective restaurant, and an individual-run restaurant began to operate. Its business was so brisk that orders for its deep-fried dough cakes had to be placed 1 day ahead. The supplementary role of individual economy for the economic system of public ownership is an indication that its economic form is appropriate for our productive forces at their present stage of development.

We can imagine that individual economy will continue to play this supplementary role even though the total social productive forces develop to a higher level, and the socialist economic system of public ownership greatly expands with a firm material and technological foundation. By that time, individual economy may be reduced or even eliminated in some spheres, but it may also develop and become more widespread in other spheres. The reason is that in certain forms of economic life, the nature of small unrelated repair jobs, small service trades, and the procurement of sundry mountain products and native products creates the need for small-scale or even individual business. Only thus can the various wants of consumers be satisfied. Along with the development of productive forces and the progress of socialization in production, the standard of specialization and division of work in industry will also be further raised, and some large industrial enterprises may assign to individual laborers the tasks of producing small quantities of accessories or spare parts for their products. The widespread existence of individual mechanized family industry and individual chicken farms in certain economically advanced countries nowadays is an eloquent proof of this theory.

From this, we can see that for a fairly long time to come in our country, the existence and appropriate development of individual economy in cities and towns is unavoidable. This is determined by the state of development of social productive forces and is in line with objective laws which are independent of the wishes of people. If individual economy is arbitrarily abolished even though conditions are not yet ready, it will not only cause great inconvenience to people's economic life but will also be detrimental to social stability and unity and to the development of the socialist economy as a whole.

Individual Economy as a Subordinate and Supplement to Socialist Economic System of Public Ownership in Cities and Towns of Socialist Society

What is the character of individual economy in cities and towns under the socialist system? Some people hold that the character of individual economy is determined by the character of the dominating economy to which individual economy owes its existence in society. Under the capitalist system, it has a capitalist character, and under a socialist system, it has a socialist character. This view deserves discussion.

To correctly understand the character of individual economy in cities and towns, it is our opinion that we should first grasp its inherent basic characteristics. Individual economy in cities and towns is a kind of small commodity economy. On the one hand, the means of production and the products belong to the individuals; on the other hand, individual economy is based on individual labor and does not call for exploitation of other people. Besides working personally, the individuals in some cases have to train their apprentices and such training is also a form of labor. Thus the part of their remuneration in excess of the reward for their direct labor is for the production techniques which they have passed on to their apprentices. The products and labor of individual economy are intended for the acquisition of the means of livelihood in exchange. Throughout the long, long history of mankind, individual economy has existed in the slave society, the feudal society, the capitalist society and the socialist society. As an economic form, however, it has never been in a dominant position; it has survived only as an appendage to the dominant economic form.

In a capitalist society, individual economy is subordinate to capitalist economy, but we cannot come to the conclusion that its character is capitalist simply on this this account. The special features of capitalist economy are the capitalists' private ownership of the means of production and the exploitation of the surplus value produced by the workers. Individual laborers have no hired hands and do not exploit others. Since they live on the fruits of their own labor, how can there be any capitalist character to speak of? It is true that according to the law of value and the rules of competition, individual economy may give rise to polarization. However, before the polarization, the small-scale producers are still laborers and not capitalists. If we say that individual economy in a capitalist society has a capitalist character because of its subordination to capitalist economy, then, according to the same line of reasoning, the individual economy in a slave society has the character of slave economy, and individual economy in a feudal society has the nature of feudal economy. This kind of logic is absurd.

Then what is the character of individual economy in the cities and towns of a socialist society? Can we call it socialist? One of the features of socialist economy is the system of public ownership of the means of production. When we want to determine whether an economic system is socialist, we have to see whether it has the feature of public ownership, whether the laborers work with public means of production, and whether the fruits of labor are shared by all laboring people. As mentioned before, individual economy under the socialist system is an economic system of small private ownership, and the fruits of labor are at the disposal of the laboring individuals. Apparently, it does not have a socialist character.

Individual economy in the cities and towns of our country is an economic form under conditions of a predominant socialist economy of public ownership. Its business activities are subject to the influence and restrictions of socialist economic laws. That is why it is different from the individual economy of the past. Marx said: "In every social formation, there is a specific kind of production which predominates over all the others and whose relations therefore determine their rank and influence. It is a general illuminant tingeing all other colors and modifying their specific features."[2] In a capitalist society, individual economy is subject to the influence and restrictions of capitalist economic laws, and under conditions of ruthless competition and anarchy, a small number of small-scale producers may rise as capitalists, but the vast majority of them may sink to the level of hired hands. Although the socialist economy of public ownership was established before the socialist transformation of the system of private ownership of the means of production in our country, capitalism still remained extensively in urban and rural areas, and individual economy found itself at a crossroad. It could either develop into capitalist economy or become socialist economy through the cooperative movement. When the socialist transformation was basically completed, however, the brilliant illumination of the socialist economic system of public ownership gave individual economy in cities and towns the following main features:

First, since individual economy could survive and develop through its subordination to the socialist economic system of public ownership, this economic system became the base of its activities. Under existing conditions in our country, the equipment, tools and raw materials required by individual industrial or commercial households are mainly supplied by the economic system of public ownership, and only a small part of them can come from village fairs. The majority of them are directly sold to the consumers, but a fairly large portion of them are procured by state-run and collective commerce as a supplement to, and a component of, the socialist economic system of public ownership.

Second, there are restrictions on the sphere of individual economic activities. Although individual households engaged in industry and commerce, as independent producers of commodities, are in many ways connected with the free market, they are nevertheless restricted by state planning. Through economic means or the necessary administrative methods, such as the formulation of policies and decrees, the relevant state departments functioning under the system of public ownership can strengthen their leadership over these individual households, keep their business activities within bounds, and direct them into the channels of socialist economic development.

Furthermore, the class status of individual laborers has also undergone a great change. At present, most of those engaged in individual industry and commerce are unemployed youths, unorganized laborers and a small number of retired workers. The overwhelming majority of them are law-abiding and support the party and socialism.

In sum, individual economy in the cities and towns of a socialist society are dependent on the socialist economic system of public ownership, as a subordinate and supplement to the socialist economy.

Here, it should also be mentioned that the subordination of individual economy to the socialist economic system of public ownership refers only to the subordinate position it occupies in the national economy. This does not imply that the relationship between the state-run enterprises and the individual industrial or commercial households is one between the ruler and the ruled. Instead, their relationship should be one of mutual cooperation. Since both individual economy in the cities and towns and the socialist economic system of public ownership are commodity economy, and the economic relationship between them is through the medium of commodity, the cooperation between them is naturally manifested in the exchange of equal values as well as competition. Even though individual economy in cities and towns is subordinated to the socialist economic system of public ownership, the individual laborers, as small commodity producers, can act as independent commodity producers in their dealings with state-run enterprises or collective enterprises. In supplying equipment and raw materials to the small commodity producers and in procuring products from them, the public-run enterprise should uphold the principle of exchange of equal value. Since the relationship between individual industrial or commercial households and the public-run enterprises is one of commodity relationship, there is naturally competition between them. The workers and staff members of certain public-run enterprises have looked upon the reactivated and developed individual industrial or commercial households as their business rivals and have withheld the supply of raw materials to the individual households, destroyed their vending stalls, ransacked their homes, torn down their shop fronts, and resorted to various illegal acts in an attempt to wipe out their competition by forcible means. The relationship of equal rights and benefits was turned into a relationship between "monarch and vassals." This is not only a violation of the objective economic law, but also a deviation from the character of socialist economic system of public ownership. The public-run enterprises should work hard to improve their own business management and to strengthen their own competitive power through the production of low-price and fine-quality goods as well as offering better services. These enterprises and the individual industrial or commercial households should learn from and encourage each other in a common effort to bring prosperity to the socialist economy and to satisfy the wants of the people.

Impossibility of Individual Economy in Cities and Towns Under the Socialist System Breeding Capitalism

When the socialist transformation of the system of private ownership of the means of production has been basically completed, will the existence and development of individual economy to a certain extent breed capitalism? This is another important question in handling individual economy in cities and towns.

In his book "Economic Problems of Socialism in the USSR," Stalin said: "Commodity production must not be regarded as something sufficient unto itself, something independent of the surrounding economic conditions."[3] Since the birth of small commodity economy in the later stage of the primitive society, there were no capitalist production relations throughout the long periods of slave society and feudal society. This was determined by the economic conditions of the society. Small commodity economy at that time continued to bring about polarization; however, because of the dominant position of the natural economy, some small producers who had gone bankrupt sank down to the level of slaves or serfs, but not hired hands, while those with money in hand could only become slave owners or landlords, but not capitalists of the present age. It was not until the late feudal society that, on the basis of the expansion of commodity production and commodity exchange, two conditions were available for the birth of capitalist production relations. The two conditions were: first, the large concentration of money and the means of production in the hands of a small number of people; and second, the emergence of a large number of people owning nothing but personal freedom. It was only under these conditions that small commodity production could be transformed into capitalist production, and that the capitalist production relations could make their appearance. As Stalin said: "Commodity production leads to capitalism only if there is private ownership of the means of production; if labor power appears in the market as a commodity which can be bought by the capitalist and exploited in the process of production; and if, consequently, the system of exploitation of wage earners by capitalists exists in the country."[4] Obviously, such conditions are incomplete in a socialist society. In our country at present, no land can be freely sold; the majority of production means required for the individual economy come from the socialist economic system of public ownership; and its business activities are generally conducted within the scope previously prescribed by the state, with neither addition nor alterations permitted. The conditions of production and the business results among the individual industrial or commercial households may be different and may bring about a difference in their incomes; however, under the predominance of the socialist economic system of public ownership and given the series of party and government policies, decrees and the necessary administrative measures, it is generally impossible for huge amounts of money to be accumulated by a small number of individuals, and, at the same time, they cannot buy machinery and equipment at will. Particularly in a socialist society, labor power is no longer a commodity, while the labor rights of workers and peasants are protected by the state, so that they can never become hired laborers. Under such circumstances, money cannot be turned into capital. As we can see, the socialist system does not provide the conditions for the birth of capitalist economy, and individual economy in cities and towns generally cannot develop into capitalism.

In an attempt to prove that small-scale production in a socialist society can produce polarization and then breed capitalism, some comrades have quoted this passage from Lenin: "Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a large scale." This passage was quoted from Lenin's "'Left-Wing' Communism, an Infantile Disorder" written in April-May 1920. At that time, the Soviet Union was in the transitional period from capitalism to socialism, and the small-scale producers, like a huge ocean, had not been organized and were at a crossroad of capitalism and socialism. Under these special historical conditions, Lenin's statement was undoubtedly correct. Today, in our country, the socialist transformation has already been completed, and conditions in various respects are different from those of the Soviet Union at that time. We would be making a far-fetched comparison if we arbitrarily applied the concept from Lenin to the small-scale producers when the socialist system of public ownership remains predominant.

Of course, we do not mean to deny that individual economy in cities and towns is not without certain elements of spontaneity and rashness. Small commodity is now an antiquity in a socialist society, while the labor of small commodity producers is, on the one hand, social labor carried out for the production (of circulation) of commodities for the society under conditions of social division of labor, and on the other hand, private labor carried out as a means of livelihood under conditions of private ownership on a small scale. The contradiction between social labor and private labor is still manifested as the contradiction between the use value and the value of commodities. The business activities of small-scale producers are largely governed by the law of value, and therefore inevitably have a spontaneous capitalist tendency, which is manifested in real life in many forms, such as setting up vending stalls without licenses, cheating in work and materials, adulteration of inferior materials, using short weights and measures, and increasing prices at will. These practices, if allowed to continue, may possibly give birth to capitalism. We must be soberly aware of this situation and adopt forceful measures to check the spontaneity. For example, we can control the scope and orientation of their business through such channels as material supplies and bank credits; proscribe unlicensed vending stalls through administrative methods; and attack and apply sanctions on speculation, profiteering and other illegal activities through legislation, in order that individual economy in cities and towns will develop along socialist economic channels and play a more active role.

At present, we should continue to eliminate the "leftist" poison from the individual economy in cities and towns; give it the necessary support through loans, taxation, and material supplies; protect the legitimate rights, including the property and personal freedom, of individual industrial and commercial households from infringement; raise the political and social status of these households; and see to it that these people and their sons and daughters are not unfairly discriminated against in applying for admission to the party and the league, in joining the army and in entering a higher school. This will stimulate the business activism in individual economy in cities and towns and help it develop properly.

FOOTNOTES

1. Marx, "Das Kapital," Vol 2, p 44.
2. Marx, "Preface and Introduction to a Contribution to the Critique of Political Economy," "Selected Works of Marx and Engels," Vol 2, p 109.
3. Stalin, "Economic Problems of Socialism in the USSR," p 11.
4. Stalin, "Economic Problems of Socialism in the USSR," pp 10-11.

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GEOLOGICAL WORK MUST BE IMPROVED FOR BETTER ECONOMIC RESULTS

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 5, 1981 pp 44-47

[Article by Jiang Weilin [1203 3634 7027]: "How To Improve Economic Results in Geological Work"]

[Text] Stress on economic results should be the focus of socialist social economic management. Geological departments are the forerunners in national economy, entrusted with the task of underground exploration. In geology, the discovery of good or bad mines has a very important bearing on national economic development. Successful geological work will provide fairly dependable mineral resources of good quality and evenly distributed over different areas. The work should also be of low cost and able to provide worthwhile geological data. In short, it should help accelerate the four modernizations. If the reverse is the case, it will be a waste of state construction funds and become a "stumbling block" in the path of the four modernizations.

China is one of the few countries in the world with a fairly complete assortment of minerals, and Yunnan is one of the provinces with fairly good geological mineralization conditions and a fairly complete assortment of minerals, including nonferrous metal, ferrous metal, coal, phosphorus, asbestine, platinum and palladium, all with fairly rich deposits. More than 100 different kinds of useful minerals have been discovered and the deposits of 74 of them have been verified. The verified deposits of lead, zinc, tin and asbestine rank first among all provinces and regions in the country, and those of copper, platinum, palladium and phosphorus also occupy the upper ranks, thus basically meeting the needs of national construction.

Do these advantages indicate good eocnomic results in geological work? The answer is "no." Because of the "leftist" mistakes, particularly the interference and sabotage by Lin Biao and the "gang of four" over a long time, geological work has not been carried out according to objective laws, and there is a tendency to neglect economic results in geological work and in discovering mines. This is a fatal weakness in geological work. Poor economic results in geological work or in discovering mines are mainly shown in the following ways: 1) If we compare the expenditure of labor (including living labor and materialized labor) and the labor time with the results in geological work, there is a problem of heavy labor consumption and long construction periods. For example, even in prospecting the iron and copper deposits in the Dahong Mountain of Xinping County, Yunnan, which has yielded fairly good results, more than 1,000 persons were mobilized, some 40 million yuan was spent, and 16 years were required before detailed prospecting and detailed survey, culminating in a preliminary prospecting report, could be accomplished. In addition to repeated setbacks encountered in other mining sites, there have also been instances of lack of coordination, vying for ore fields and duplication of work, all causing great waste. 2) Judging from the results of geological work in the light of exploitation and utilization by the state, we see that the number of discovered mines ready for state exploitation and utilization is quite small, while the number of those which have to be left idle and unused is quite large. According to statistics, in Yunnan regarding 14 principal mineral products, including coal, iron, tin, copper, lead and zinc, reports have already been submitted on 505 mining sites with the amount of deposits verified. Up to now, only 199, or approximately 39 percent, of them has been exploited and utilized. In terms of verified amounts, the utilization rate is only 37 percent, and more than 60 percent of the verified deposits and ore fields cannot be exploited and utilized for some time to come.

According to historical experience, stress on the economic results in geological work should be based on a study of the relationship between input and output (consumption and results); the relationship between work intensity and a shortened work period; and the relationship between results in geological work and the exploitation and utilization to be carried out. Failure to study these relationships has been one of the important causes of our poor economic results for a long time.

To improve the economic results in geological work, we must earnestly study and solve the following problems:

First, the relationship between state construction requirements and the observance of geological laws should be correctly handled. Geological departments have to serve national economic development and should regard the requirements of national economic development as their starting point as well as end result. This is decided by the socialist basic economic laws and is a concrete embodiment of the policy of determining production according to marketing (demand) among the geological departments. Furthermore, we must be aware that mineral resources, as objective things, are subject to the laws of geology in both time and space. The role of geological work is only to explore and understand them; it is incapable of transforming or changing their material forms of existence. To obtain the expected results in geological work, we must strictly observe the laws of geology.

The requirements of the state and the observance of geological laws should be well coordinated, because none of them can be neglected. For this reason, we must divide the entire process of geological work into advanced and late stages according to its different characteristics and special features, and pay attention to both stages. Regional geological survey, scanning of materials, general mining survey, demarcation of mineralization zones and forecast of long-lasting deposits belong to the advanced stage of geological work. According to its special features, this stage is basically one of research and forecasting, and no mature data can be offered directly for exploitation and utilization. It calls for intensive intellectuals and technical effort, but no heavy investment and labor for "saturated" engineering. At this stage, therefore, greater emphasis should be laid on the observance of geological laws, and the state can provide only general guidance instead of setting any tight restrictions. Prospecting, especially detailed prospecting, belongs to the late stage of geological work. The special feature of this stage is that there will be mature data to be used directly for exploitation and utilization, and, relatively speaking, intensive use of funds and labor is required. Therefore, the work should be carried out selectively under necessary state restrictions, and mining zones under prospecting, particularly detailed prospecting, should have the following requisites: 1) Ores of relatively good and up-to-standard quality for selection and smelting; 2) state plan for exploitation including the assignment of a design unit; 3) proven economic value after feasibility study; and 4) reasonable demand on the extent and intensity of prospecting and the guaranteed number of years, based on the exploitation requirements. If these four requisites are in order, it will be possible for the huge amounts of funds and labor expended in geological work to be recovered fairly quickly in the form of investment returns. In the course of work, of course, the procedures of geological prospecting should also be strictly followed.

Second, the guiding thought with geological work and mine discovery as the central task should be upheld and the relationship between means and end should be properly handled. The end of geological work is to clarify the geological situation, to ascertain the mineral resources, and to meet the requirements of state construction. The methods used in geological work, such as geophysics and geochemistry; the use of drills, tunnels, wells and pits, remote sensing and other technical methods for analysis, appraisal, and comprehensive research are all means to the end. For many years, the relationship between means and end has been reversed in the practice of geological work. As a result of the confusion between means and end, certain erroneous slogans, such as "taking drilling as the key link," "taking drilling as the dragon head" and so forth, gained currency. In the plans handed down to the lower levels, the footage of drilling instead of the results in geological work was used as an index of investment returns. For this reason, there was frequent bickering resulting from the attempt to increase the workload regardless of the economic results. In evaluating a plan, the drilling footage again was used as an index. A unit having fulfilled or overfulfilled the quota of drilling was considered as having fulfilled or overfulfilled the plan. If the end of geological work was attained with a reduced drilling footage, this performance was not considered as being in line with the practice of economy, but on the contrary a failure to complete the plan, for which even enterprise funds might be withheld. There was a complete set of plans and indexes for the evaluation of the means, but not for the end. This reversal of means and end brought about serious consequences, such as blindly spreading out the drilling points and one-sidedly striving for increased drilling footage. These problems were attributed to factors of understanding, work and system, but mainly to the system.

In view of these problems, since 1979 the Yunnan Provincial Geological Bureau has gradually reorganized the present geological contingent--formerly run as a package deal--in accordance with the principle of specialization and coordination, by separating the work of geological survey from that of drilling and construction, to suit their different characteristics and features. Professional geological teams are organized according to the conditions of geological resources, to undertake the tasks of investigations and study in geology and mineral resources, and to submit various geological reports to the state. For prospecting, special prospecting engineering teams are formed to operate as enterprises. These teams will undertake the jobs of drilling, tunneling and other construction tasks given them by the geological teams, practice enterprise management and independent accounting, and assume responsibility for profits and losses. Through these preliminary reforms, the geological teams will be able to concentrate their efforts on the discovery of mines, while the prospecting teams can likewise devote their entire energy to engineering management and research. This will put an end to the internal disputes over means and end in geological work and encourage careful calculation and strict budgeting in the use of manpower for the discovery of mines as an end in geological work. Unnecessary drilling will then be reduced by a wide margin.

Although a clear goal has been set in geological work, there are still other problems--such as how to manage and evaluate geological work in the light of its strong points in exploration and scientific research so that it will bring about better economic results--requiring further study and solution.

Third, the relationship between the state, the collective and the individual economic benefits should be correctly handled in accordance with the principle of material benefits. Material benefits are also economic benefits. However, the relations of economic benefits are the foundation of all social relations, since no society whatsoever cannot be without the element of individual material benefits. Because of the "leftist" mistakes for many years, stress was laid only on the benefits of the state, while collective and individual benefits were dismissed in both theory and practice. Lin Biao and the "gang of four" positively rejected the principle behind material benefits and brought about the disintegration of the economic benefits of the broad masses of cadres and people, the interests of the state and the business results of enterprises. Thus socialist enterprises lost their innate driving force. This is a serious lesson for us.

Since 1979, when the geological contingent was reorganized according to the principle of specialization and coordination, the Yunnan Provincial Geological Bureau has proceeded with the reform in the system and methods of economic management, and has carried out preliminary experiments with a series of new systems and methods, including the systems of design budgets, economic contracts, profit-sharing, sharing of savings from the practice of economy, opening new avenues of resources, sharing net benefits, setting prices for prospecting engineering according to the quality of work, payment for the use of fixed assets and circulating funds and others, totaling 12 new systems, on the basis of which appropriate funds were set up for the development of production by enterprises and for the workers' fringe benefits and bonuses. In a nutshell, all these measures of reform were based on an organic integration of the economic benefits of the state, the collective and the individual, and the integration of the worker's economic benefits with the unit's business results according to the principle of material benefits. By this means, the leadership of the enterprise and the broad masses of workers will be concerned with the enterprise's business results not only for political reasons, but also out of consideration for their own economic benefits. This has helped enliven microeconomics under the guidance of macroeconomics, and thus stimulated the innate driving force of the enterprises, so that everyone will be concerned with the management of finances, and eager to increase the sources of revenue and to practice economy. There is now a marked rise in various technical and economic indexes, and the quality and efficiency of various engineering jobs, the revenues and the savings from reduced consumption have all reached unprecedented levels. In 1980, compared with 1979--when the plans were fairly well carried out--the efficiency of drilling platforms was raised by 31 percent and the rate of fine-quality holes was raised by 23.5 percent. Because of reduced production costs, the expenses on geological prospecting for the whole year were reduced by 2,008,700 yuan, twice the amount of saving in 1979. The amount of circulating funds used was also reduced by 19 percent, and as a result of increased avenues of revenue, the income in 1980 was 3.15 times that of 1979. Facts have thus proved that the principle of material benefits cannot be ignored. Any attack on or denunciation of this principle is unreasonable.

Of course, these measures of reform cannot be perfect at present, and the following tasks should be carried out for further improvement: 1) Immediate action should be taken on the work of designing in different phases, on the basis of which a budget should be worked out. This budget will serve as the principal criterion for calculating the share of profits to be used as bonuses. 2) A clear and easily understood index system should be set up after due study for evaluating the results of geological work. 3) A set of economic management methods should be worked out after careful study. These methods should be suitable for the index system for evaluating the economic results of geological work and capable of integrating the economic benefits of the state, the collective and the individual. Furthermore, in view of the exploratory and variable nature of geological work, some methods should also be devised for the distribution of economic benefits among the state, the collective and the individual in a way suitable for this exploratory and variable nature. If these problems are solved, it will be possible to achieve better economic results in geological work. 4) Forecasting and policy decisions must be carefully carried out in geological work. In the history of geology and geological work in Yunnan, incalculable damage has been caused by faulty policy decisions and other errors. We should take our lessons from this experience and strengthen our work in this respect. Forecasting and policy decisions, as a branch of science and technology for economic management, have their own specific substances, procedures and laws. For geological work, the forecasting and policy decisions should include the study of geological laws (including the study and forecasting of mineralization zones and their long-lasting deposits); the accumulation, study and analysis of historical data (including the accumulation, study and analysis of technical and economic data); the collection of economic data, the economic feasibility study in mineral deposits, the analysis and forecasting of the prospects of state exploitation and utilization, and the investigation, analysis and forecasting of social needs. Then on the basis of a comprehensive balance of past and future factors, forecasting and policy decisions should also include long-range and short-range plans and arrangements, study of the scope of manpower to be used and of various internal structures. In carrying out these tasks, we should fully utilize system theory, mathematical statistics, probability theory, numerical models, network technology, and other scientific and technical methods in order to work out not only quantitative but also qualitative comparative analyses, for the choice and correct decision of the policy decisionmakers.

In sum, forecasting and policy decisions are important factors which cannot be ignored. However, they also tax people's energy. If well done, they will be of great help in improving the economic results of geological work.

9411
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BRIEFS

HUBEI DEPUTIES DISCUSS NPC REPORT--Beijing, 7 Dec (XINHUA)--During panel discussions over the last few days, the Hubei provincial delegation attending the fourth session of the Fifth NPC discussed Premier Zhao Ziyang's report on the work of government. The deputies happily reviewed the excellent current situation, discussed the 10 principles for future economic construction and expressed their views on some real problems. While discussing the principles for future economic construction, the deputies emphasized the necessity to pay attention to the key issue of enhancing economic results. Deputies Zhang Xiulong and Lin Musen said: At present, waste is a very serious problem in many fields. The progress of all capital construction projects, big and small, is repeatedly delayed, constantly requiring additional funds. The central authorities have again and again called for an end to repetition in construction, but some localities and departments still continue to approve and build extraneous projects. In industry, management is poor and people only pay attention to output value and disregard quality and marketability of products. The deputies also expressed views on simplifying the administrative structure and stabilizing commodity prices. [Excerpts] [OW102335 Beijing XINHUA Domestic Service in Chinese 1822 GMT 7 Dec 81]

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ECONOMIC PLANNING

INPUT OUTPUT METHOD, USES EXPLAINED

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[Article by Chen Xikang [7115 6932 1660], Systems Institute, Chinese Academy of Sciences: "Input Output Method and Economic Work"]

[Text] Summary

There are many kinds of mathematical methods and models in economies. The input output method is a fairly well-developed one, and a method that has found wide-ranging application in many countries. What is the input output method? By input we mean the consumption involved in doing an economic activity. In the production process, for example, the various raw and processed materials, supplementary materials, energy, machines, and equipment are all inputs to production activity. Output refers to the results from these economic activities. As a result of production activities, for example, a certain quantity of goods are derived, and these goods are the output. There is a definite quantitative regularity between input and output in these economic activities. For instance, in the case of most products, within a relatively short time the quantity of input per unit of output, i.e. the quantity of consumption of various input factors (raw and processed materials, energy, equipment, and manpower) per unit of product produced remains relatively stable. This is because in the case of most products, the numerous factors in the quantity of input that decide output per unit--things such as technological levels, management levels, and resource conditions--cannot undergo any fundamental change within a short period of time. In some units, quantity of input per unit of output may be inconsistent, but the changes have definite regularity. In agriculture, for instance, where because of the limitations of the amount of land, in order to produce a larger amount of farm products from the same amount of cultivated land, the input per unit of farm product of fertilizer, electric power, and diesel fuel steadily increases. For instance, in 1957 for every 10,000 jin of grain produced in China, approximately 92 jin of chemical fertilizer and 3.1 kilowatt hours of electric power were consumed. In 1965, approximately 378 jin of chemical fertilizer and 80 kilowatt hours of electricity were consumed. In 1970, approximately 549 jin of chemical fertilizer and 165 kilowatt hours of electricity were consumed, and in 1980, approximately 1,480 jin of chemical fertilizer and 402 kilowatt hours of electricity were consumed.

The input output method entails use of mathematical methods and electronic computers to study the quantitative relationships between input and output for various forms of economic activity. This method has a great number of advantages for the scientific planning, forecasting, and analysis of economic activities. This method was born during the 1930's in the United States. It was put forward in 1936 by American economist Lieanjiefu [phonetic] and was inspired and influenced by a national economic balance sheet for 1923/1924 published by the USSR. In 1936, Lieanjiefu published an article titled, "Quantitative Relationships Between Input and Output in the American Economic System." In 1941, he published a book titled, "Structure of the American Economy, 1919-1929," and in 1953, he published another book titled, "Study of the American Economic Structure." In these works, Lieanjiefu put forward input output method theories, and used statistical data on economic performance published in the United States to construct input output tables for the United States economy in 1919, 1929, and 1939.

During World War II, input output methods began to win serious attention. In 1944, the United States Bureau of Labor Statistics used the input output method to predict what changes would occur in the employment situation in the United States during December 1945 were World War II to end on 30 June 1945. Study was made at that time of the 1939 input output tables formulated by Lieanjiefu and others. Because this method was felt to be superior to traditional methods, following World War II, the Bureau of Labor Statistics in the United States Department of Labor, in cooperation with the United States Airforce, spent $1.5 million and assembled between 50 and 75 people to compile an input output table for the United States economy in 1947. Subsequently, the United States compiled input output tables for 1958, 1963 and 1966.

During the 1950's, a mania for compiling input output tables developed in capitalist countries. Following America's lead, Western European countries and Japan first compiled input output tables. Next, developing countries, the USSR, and Eastern European countries also began to compile input output tables. Incomplete statistics show that in 1960 approximately 60 of the countries of the world had compiled input output tables. In 1979, approximately 90 countries compiled input output tables.

During the early 1960's, some scientific research organizations and institutions of higher learning in China began research in this regard. At that time, they mainly publicized, introduced and theoretically explored input output methods. In some enterprises, however, work was begun on the compilation of input output tables.

In 1974, at the instigation of the Systems Institute[1] of the Chinese Academy of Sciences, the National Statistical Commission and the State Statistical Bureau invited some units to began to compile an input output table for China's national economy in 1973. This table was successfully completed in 1976. During the next several years, input output methods were applied to the study of national economic planning.

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1. Formed from some Research Offices of the Former Institute of Mathematics

In June 1980, six scientists from the Systems Institute proposed to State Council leaders the compilation of new national economy input output tables, as well as the use of input output techniques in planning work. This suggestion met with the support of leadership comrades in the State Council, and now the units concerned are engaged in organizing its implementation.

In addition to national input output tables, the Shanxi Provincial Bureau of Statistics in cooperation with relevant units, is in process of compiling prefectural input output tables for Shanxi Province. The Academy of Chemical Industry Planning and Design of the Ministry of Chemical Industries has compiled input output tables for chemical industry units in 1978. The Anshan Steel Company and other enterprises have also compiled input output tables for their enterprises.

2. Basic Structure of Input Output Tables

Before applying input output methods to economic analysis and planning work, it is necessary first of all to compile an input and output table for a reporting period on the basis of the year's actual statistical data. The basic structure of an input output table is as follows:

Table 1. Input Output Table Units: 100 million yuan

		Industry	Agriculture	Other	Total	Investment	Consumption	Total	Total Product
Production Sector	1. Industry	1000	200	100	1300	400	300	700	2000
	2. Agriculture	200	100	50	350	50	600	650	1000
	3. Other	200	100		300	100	100	200	500
	Total	1400	400	150	1950	550	1000	1550	3500
	Fixed Assets Depreciation	60	20	20	100				
Newly Created Value	Labor Compensation	200	400	200	800				
	Social Net Earnings	340	180	130	650				
	Total	540	580	330	1450				
	Total Products	2000	1000	500	3500				

Table 1 is an input output flow table, or an input output table for short. For purposes of simplicity, the table contains only three sectors, namely industry, agriculture, and other sectors. An actual input output table includes several sectors or several hundred sectors. For instance, an American input output table for 1963 contained 367 sectors. A USSR output table in 1966 contained 110 sectors. A Japanese input output table for 1965 contained 156 sectors. China's 1973 input output table contained 61 sectors.

Looked at in terms of levels, this table shows the economic utility of products from each sector. The products of each sector may be divided into two major groupings on the basis of their economic utility, i.e. intermediate products and end products. Intermediate products are those products requiring further processing in the production field during the present period, items such as pig iron used in making steel, steel used in the manufacture of sewing machines, pig iron, timber, etc. These objects for labor, which are to be used in further production processes, looked at in terms of the overall society, are in an intermediate processing stage. They are materials in the process of manufacture or semi-manufactured goods, so they are called intermediate products. In Table 1, 130 billion yuan of the 200 billion yuan output value in the industrial sector is for intermediate products. Industrial products used in the industrial sector itself are worth 100 billion yuan; those used in the agricultural sector are worth 20 billion yuan; and those used in other sectors are worth 10 billion yuan. Agricultural products for use in the industrial sector are worth 20 billion yuan. This includes items such as cotton used for textiles, and sugar plants used for the crushing of sugar etc. Agricultural products for use in the agricultural sector itself are valued at 10 billion yuan. These include seeds, livestock feeds, etc. Agricultural products used in other production sectors are valued at 5 billion yuan. Agriculture's intermediate products total 35 billion yuan in value.

End products are those whose final processing has been completed in the production field during the present period, and are products that may be provided society for consumption and use. This includes consumption items used for the personal consumption of residents or consumption by society collectively, products used to augment storage and as national reserves, products used to increase fixed assets, and products used in net exports. In Table 1, end products in the industrial sector have a value of 70 billion yuan. End products in the agricultural sector have a value of 65 billion yuan.

The total of intermediate products and end products is equal to the grand total of all sectors. In Table 1, for the industrial sector, we have: (1000 + 200 + 100) + 700 = 200 billion yuan. For the agricultural sector we have: (200 + 100 + 50) + 650 = 100 billion yuan.

A look at the vertical direction of the input output table shows the value structure of products from each sector. The value structure of products may be divided into two large categories. The first category is the transferred value of embodied labor. This is formed from the means of production consumed in the goods' production process, and includes raw and processed materials, supplemental materials, and energy consumed, as well as depreciation of fixed assets. The second category is newly created value, which includes compensation for labor and various forms of social net earnings such as profits, taxes, and interest. In Table 1, the first column shows the value structure of products in the industrial sector. In the production of 200 billion yuan of industrial products, 100 billion yuan worth of products from the industrial sector itself were consumed; 20 billion yuan of products from the agricultural sector were consumed; and consumption of products from other sectors amounted to 20 billion yuan. Depreciation of fixed assets amounted to 6 billion yuan. The transferred value totaled 146 billion yuan. Industrial output value comprised 20 billion yuan of compensation to labor, and 34 billion yuan as social net earnings. Thus, the grand total was equal to the output value of the industrial sector. We have (1000 + 200 + 200 + 60) + 200 = 340) = 200 billion yuan. Similarly for the agricultural sector we have (200 + 100 + 100 + 20) + (400 + 180) = 100 billion yuan.

In the interest of simplicity, Table 1 contains only three sectors. For general purposes, imagine it contains several sectors. We use X_{ij} to stand for the quantity of i sector products consumed in j sector's production process. If X_{21} represents the quantity of second sector products consumed in the first sector's production process, X_i represents the product output of i sector. If X_i represents output of the first sector, Y_i represents the output of final products by i sector. If Y_i stands for the final product output by the first sector, by using these symbols, a look at the input output table in terms of the direction of levels gives the following balanced relationship:

$$\begin{cases} X_{11}+X_{12}+\cdots+X_{1n}+Y_1=X_1 \\ X_{21}+X_{22}+\cdots+X_{2n}+Y_2=X_2 \\ \cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots \\ X_{n1}+X_{n2}+\cdots+X_{nn}+Y_n=X_n \end{cases} \qquad (1)$$

Using D_i to stand for the amount of depreciation of fixed assets by j sector; using V_j to represent the amount of remuneration for labor in j sector; and using M_j to represent the amount of social net earnings in j sector, looked at in terms of the vertical direction of the input output table, we have the following relationship:

$$\begin{cases} X_{11}+X_{21}+\cdots+X_{n1}+D_1+ \\ \quad V_1+M_1=X_1 \\ X_{12}+X_{22}+\cdots+X_{n2}+D_2+ \\ \quad V_2+M_2=X_2 \\ \cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots \\ X_{1n}+X_{2n}+\cdots+X_{nn}+D_n+ \\ \quad V_n+M_n=X_n \end{cases} \qquad (2)$$

3. Direct Consumption Coefficients

By direct consumption coefficients is meant the quantity of direct consumption of products from each sector per unit of product produced by a sector. In foreign economics literature, direct consumption coefficient is also termed technical coefficient or technical input coefficient. Let us use a_{ij} to represent the quantity of i sector's products consumed in the process of producing a product by the j sector of a unit. The formula for making calculations is:

$$a_{ij}=\frac{X_{ij}}{X_j} \qquad (i,j=1,2,\cdots,n) \qquad (3)$$

In Table 1, if in the process of producing industrial products, 20 billion yuan of agricultural products are consumed, the output of industrial products is 200 billion yuan, i.e. $X_{21} = 200$, $X_1 = 2{,}000$, thus:

$$a_{21} = \frac{X_{21}}{X_1} = \frac{200}{2000} = 0.10$$

For the Table 1 example, we obtained the following direct consumption coefficient table:

Table 2. Direct Consumption Coefficient Table

	Industry	Agriculture	Other
1. Industry	0.5	0.2	0.2
2. Agriculture	0.1	0.1	0.1
3. Other	0.1	0.1	0

From formula (3) we can derive

$$X_{ij} = a_{ij} X_j \qquad (i,j = 1,2,\cdots,n) \tag{4}$$

Substituting formula (4) for formula (1), we have

$$\begin{cases} a_{11}X_1 + a_{12}X_2 + \cdots + a_{1n}X_n + Y_1 = X_1 \\ a_{21}X_1 + a_{22}X_2 + \cdots + a_{2n}X_n + Y_2 = X_2 \\ \cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots \\ a_{n1}X_1 + a_{n2}X_2 + \cdots + a_{nn}X_n + Y_n = X_n \end{cases} \tag{5}$$

Formula (5) may be written in matrix form as

$$AX + Y = X \tag{6}$$

This is the most basic series of balance equations for input output. Here A is n's step matrix; X and Y are n's only vectors.

$$A = \begin{bmatrix} a_{11}a_{12}\cdots a_{1n} \\ a_{21}a_{22}\cdots a_{2n} \\ \cdots\cdots\cdots\cdots \\ a_{n1}a_{n2}\cdots a_{nn} \end{bmatrix}, \quad X = \begin{bmatrix} X_1 \\ X_2 \\ \vdots \\ X_n \end{bmatrix}, \quad Y = \begin{bmatrix} Y_1 \\ Y_2 \\ \vdots \\ Y_n \end{bmatrix}.$$

With reference to the Table 1 example, we have

$$\begin{cases} 0.5X_1 + 0.2X_2 + 0.2X_3 + Y_1 = X_1 \\ 0.1X_1 + 0.1X_2 + 0.1X_3 + Y_2 = X_2 \\ 0.1X_1 + 0.1X_2 \qquad\qquad + Y_3 = X_3 \end{cases}$$

From formula (6) can be derived

$$X - AX = Y$$

$$(I-A)\ X = Y$$

Here I is n's step unit matrix. Its diagonal line element equals 1; the other elements equal 0. In input output, the inverse matrix of (1-A), $(1-A)^{-1}$ is existent. On both the left and right ends of the above formula, multiplied times $(1 - A)^{-1}$; thus we have

$(1 - A)^{-1}(1 - A)\ X = (1 - A)^{-1}Y$ from which is derived

$$X = (1-A)^{-1}Y \tag{7}$$

Once the numerical value of the vector Y for the final products of all sectors is known, by using formula (7), the numerical value of total output vector X for each sector can be derived.

Now let us apply the direct consumption coefficient to the input output table vertical direction relative formula (2). Substituting formula (4) for formula (2), we derive:

$$\begin{cases} a_{11}X_1 + a_{21}X_1 + \cdots + a_{n1}X_1 + D_1 + V_1 + M_1 = X_1 \\ a_{12}X_2 + a_{22}X_2 + \cdots a_{n2}X_2 + D_2 + V_2 + M_2 = X_2 \\ \cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots \\ a_{1n}X_n + a_{2n}X_n + \cdots + a_{nn}X_n + D_n + V_n + M_n = X_n \end{cases} \tag{8}$$

which may be simplified as

$$\begin{cases} \sum\limits_{i=1}^{n} a_{i1}X_1 + D_1 + V_1 + M_1 = X_1 \\ \sum\limits_{i=1}^{n} a_{i2}X_2 + D_2 + V_2 + M_2 = X_2 \\ \cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots\cdots \\ \sum\limits_{i=1}^{n} a_{in}X_n + D_n + V_n + M_n = X_n \end{cases}$$

The above series of formulas may be written in matrix form

$$CX + D + V + M = X \tag{9}$$

Here, C stands for the following diagonal line matrices

$$C = \begin{pmatrix} \sum_{i=1}^{n} a_{i1} & 0 & \cdots & 0 \\ 0 & \sum_{i=1}^{n} a_{i2} & \cdots & 0 \\ \cdots & \cdots & \cdots & \cdots \\ 0 & 0 & \cdots & \sum_{i=1}^{n} a_{in} \end{pmatrix}$$

D, V, and M represent the column vector for depreciation of fixed assets, the column vector for compensation of labor, and the column vector for social net earnings, respectively as

$$D = \begin{bmatrix} D_1 \\ D_2 \\ \vdots \\ D_n \end{bmatrix}, \quad V = \begin{bmatrix} V_1 \\ V_2 \\ \vdots \\ V_n \end{bmatrix}, \quad M = \begin{bmatrix} M_1 \\ M_2 \\ \vdots \\ M_n \end{bmatrix}$$

Formula (9) may also be written as $(1-C)\,X = D + V + M$

Using $(1-C)^{-1}$ to stand for the inverse matrix of matrix (1-C), it is existent. The above may be written as

$$X = (1-C)^{-1}(D + V + M) \qquad (10)$$

Formula (10) shows that once depreciation of fixed assets for each sector, the amount of compensation for labor, and the amount of social net earnings are known, one can calculate the total amount of total products from each sector.

4. Complete Consumption Coefficient

By using the input output method, one can calculate the final products of production units in each sector relative to the quantity of total consumption of other sector's products. Total consumption includes direct consumption and indirect consumption. The meaning of total consumption may be explained in terms of the various forms of consumption of electricity in making bicycles as follows:

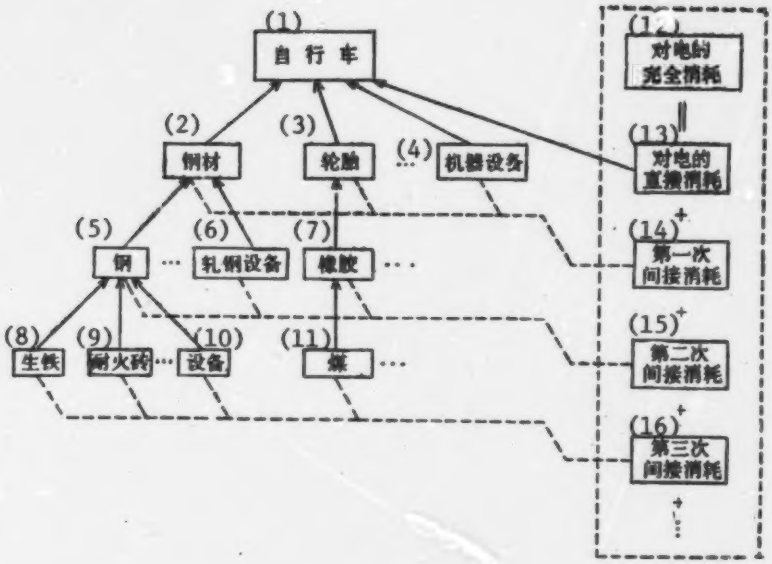

Figure 1

Key:
(1) Bicycles
(2) Steel manufactures
(3) Tires
(4) Machinery and Equipment
(5) Steel
(6) Steel Rolling Equipment
(7) Rubber
(8) Pig iron
(9) Fire brick
(10) Equipment
(11) Coal
(12) Total consumption of electricity
(13) Direct consumption of electricity
(14) Primary indirect consumption
(15) Secondary indirect consumption
(16) Tertiary indirect consumption

From Figure 1 it may be seen that electric power is consumed in the process of producing bicycles. This is the direct consumption of electric power for bicycles. However, in the production of bicycles, there is also consumption of steel manufactures, tires, machines and equipment, for which electric power was also consumed in the process of their manufacture. Since these steel manufactures and tires are used in the production of bicycles, this electric power has to be regarded as indirect consumption of electric power to make the bicycles. These we term primary indirect electric power consumption for the manufacture of bicycles. In the process of rolling steel for the steel goods, steel was consumed; in the process of manufacturing tires, rubber was consumed. In the process of producing both the steel and the rubber, electric power was consumed. This is secondary indirect electric power consumption for the manufacture of bicycles. In the process of smelting this steel, pig iron was consumed as was fire-resistant materials and metallurgical equipment. In the process of producing rubber, many products such as coal, were consumed. The production of these products consumed electric power. This is tertiary indirect consumption of electric power for the manufacture of bicycles. This process can continue ad infinitum, and we can derive countless instances of indirect consumption of electric power to manufacture bicycles. Total consumption of electric power to manufacture bicycles, on the other hand, equals the total of direct consumption of electricity for bicycle manufacture plus all this indirect consumption. Therefore, total consumption of electricity to manufacture bicycles includes not only the consumption of electric power by the bicycle plant to make steel materials at the time of bicycle manufacture, but also includes all the consumption of electric power in all the manufacturing processes that produced goods needed to manufacture bicycles. This reflects the total quantity of electricity contained in the bicycles.

The total consumption coefficient for products may be calculated on the basis of this economic concept by adding direct consumption to indirect consumption at the various times. After calculations have been made for several tens of times, the quantity of new indirect consumption becomes extremely small. The calculation process may then be halted. However, by using an electronic computer with the input output method, the numerical value of total consumption coefficients may be rapidly derived. The following formula may be used to figure total consumption coefficients.

$$b_{ij} = a_{ij} + b_{i1}a_{1j} + b_{i2}a_{2j} + \cdots + b_{in}a_{nj} \quad (i,j=1,2,\cdots,n) \tag{11}$$

Here b_{ij} stands for the total consumption coefficient of product j relative to product i, B representing the total consumption coefficient matrix.

$$B = \begin{pmatrix} b_{11} & b_{12} & \cdots & b_{1n} \\ b_{21} & b_{22} & \cdots & b_{2n} \\ \cdots & \cdots & \cdots & \cdots \\ b_{n1} & b_{n2} & \cdots & b_{nn} \end{pmatrix}$$

The set of formulas given in (11) may be written in the following matrix form:

$$B = A + BA, \text{ i.e. } B(1-A) = A, \text{ or}$$

$$\begin{aligned} B &= A(1-A)^{-1} \\ &= (1-A)^{-1} - (1-A)^{-1} + A(1-A)^{-1} \\ &= (1-A)^{-1} - (1-A)(1-A)^{-1} \\ &= (1-A)^{-1} - 1 \end{aligned} \tag{12}$$

Ordinarily we use formula (12), and on the basis of the given fixed direct consumption coefficient matrix A, we calculate total consumption coefficient matrix B.

In the Table 1 example, the direct consumption coefficient is as shown in Table 2. The total consumption coefficients of each sector as calculated with formula (12) are shown in Table 3.

Table 3. Total Consumption Coefficients

	Industry	Agriculture	Other
1. Industry	1.2084	0.5459	0.4693
2. Agriculture	0.2730	0.1911	0.1737
3. Other	0.2481	0.1737	0.0670

The first column of figures in Table 3 shows that for every 10,000 yuan of finished industrial goods, the direct and indirect amount of consumption of products from all sectors in the production process is a total consumption of 12,084 yuan of industrial products, a total consumption of 2,730 yuan of agricultural products, and a total consumption of 2,481 yuan of products from other sectors. Therefore, for every 10,000 yuan of final products from industry, the industrial sector has to produce 22,084 yuan of products (12,084 yuan of which is consumption internal to the production process); the agricultural sector has to produce 2,730 yuan of products (the entire amount being consumed in the production process), and other sectors must produce 2,481 yuan of products (consumed in the production). Similarly, the second column shows that for every 10,000 yuan of agricultural final products produced, the industrial sector has to produce 5,459 yuan of products (consumed in the production process); the agricultural sector has to produce 11,911 yuan of products (1,911 yuan of which is internally consumed in the production process); and other sectors have to produce 1,737 yuan of products (consumed in the production process).

In 1973, China had materials measuring units calculate the direct consumption factors and the total consumption factors for 61 different major goods. The consumption factors for the various major goods are shown in Table 4. The table also shows pertinent figures from Soviet input output tables for 1972 for comparison purposes.

Table 4 shows that:

1. In China's machine industries, some of the major products are comparable with the Soviet Union in consumption of raw and processed materials, the differences not being large;

2. As compared with the USSR, China's consumption coefficient for energy to produce metallurgy industry products is vastly higher. Direct consumption of electric power per ton of steel, for example, is 208 percent that of the USSR, and total consumption is 200 percent that of the USSR. Direct consumption and total consumption of electric power per ton of ferroalloys have a coefficient that is 153 percent and 144 percent respectively that of the USSR. If the energy consumption factors for China's metallurgical industry products are compared with those of the United States, Japan, and West Germany, the difference is even greater. This shows that energy waste by China's metallurgy industries is very serious and that vigorous energy conservation efforts should be launched.

The consumption coefficient for electric power per ton of raw coal in China (including medium and small coal mines) is lower than in the USSR. This is because small coal mines in which the extent of mechanization is very low account for a very large proportion of China's raw coal output.

Table 4. Direct Consumption Coefficients and Total Consumption Coefficients of Various Major Products

		China (1973)		USSR (1972)	
	Units	Direct Consumption	Total Consumption	Direct Consumption	Total Consumption
Seed consumption per 10,000 jin of grain	jin	720	777		
Processed steel consumed per bicycle	kilo	32.18	33.34		
Processed steel consumed per automobile	kilo	2487	2962	2500	3200
Processed steel consumed per machine tool	kilo	1452	1643	1300	2100
Electricity consumed per ton of aluminum	kwh	16576	18339	11154	14669
Electricity consumed per ton of ferroalloy	kwh	4976	5888	3257	4088
Electricity consumed per ton of steel	kwh	199	690	95.5	345
Electricity per ton of finished steel products	kwh	196	1146	110	549
Electricity consumed per ton of crude oil	kwh	24.6	35.1		
Coking coal consumed per ton of pig iron	kilo	728.11	742.61		
Coal consumption per ton of coking coal	kilo	1575	1681	1289	1330
Electricity consumption per ton of coal	kwh	28	34	33	37

5. Role of Input Output Tables in Economic Work

The role of input output tables may be roughly divided into two aspects, namely use in economic analysis and use in planning and forecasting.

An input output table contains and abundance of data. It is a composite balance sheet explaining economic activities and mutual relationships of every sector of the national economy during the reporting period. Use of the data on this table permits a series of economic analyses, such as calculating the structure of the social products sector, studying the value structure of social products, calculating the intermediate product rate and the final product rate (the intermediate product rate and the final product rate meaning the ratio of intermediate products or final products among all products) of each sector, studying the sector structure of final products, studying the proportional relationships of the two major categories, studying the relationship between accumulation and consumption, and studying the proportional relationship among agriculture, light industry, and heavy industry, etc.

The role in planning and forecasting of input product models has the following principal aspects:

1. Calculation of the total output value of each sector on the basis of final output value during the period of plan.

Use of input output methods in planning work requires, first of all, use of final products as the starting point for planning work. When undertaking planning work, it is necessary, first of all, to establish on the basis of the situation during the planning period, both consumption programs and accumulation programs, and one may formulate multiple final product programs for the planning period using the following formula:

$$X = (1-A)^{-1}Y \tag{13}$$

After calculating the total output of each sector, one should consider whether on the basis of productive capacity, natural resources, and the workforce situation whether it is possible during the period of plan to produce these total products, and then, on the basis of the situation, to revise, as necessary, the final product plans and programs.

For example, in the case of the Table 1 example, we hypothesize the quantity of final products from each sector for the period of plan as follows:

Table 5. Final Products Program for Plan Period

	Investment	Consumption	Total
Industry	430	370	800
Agriculture	60	640	700
Other	120	130	250
Total	610	1140	1750

Using formula (13), we can calculate the total products of each sector as follows:

$$\begin{bmatrix} X_1 \\ X_2 \\ X_3 \end{bmatrix} = \begin{bmatrix} 2.2084 & 0.5459 & 0.4693 \\ 0.2730 & 0.1911 & 0.1737 \\ 0.2481 & 0.1737 & 0.0670 \end{bmatrix} \begin{bmatrix} 800 \\ 700 \\ 250 \end{bmatrix} = \begin{bmatrix} 2272.95 \\ 1095.53 \\ 586.85 \end{bmatrix}$$

This means a planned output value of 227,295,000,000 yuan for industry, 109,553,000,000 yuan for agriculture, and a planned output value of 58,685,000,000 for other sectors. On the basis of the foregoing final products plans and programs, we can derive the following plans and programs (see Table 6).

Table 6. Plan Input Output Table Units: 100 million yuan

	Intermediate Products				Finished Products			Total Products
	Industry	Agriculture	Other	Total	Investment	Consumption	Total	
Industry	1136.47	219.11	117.37	1472.95	430	370	800	2272.95
Agriculture	227.29	109.55	58.69	395.53	60	640	700	1095.53
Other	227.30	109.55	0	336.85	120	130	250	586.85
Total	1591.06	438.21	176.06	2205.33	610	1140	1750	3955.33
Depreciation of Fixed Assets	68.19	21.91	23.47	113.57				
Compensation paid labor	227.30	438.21	234.74	900.25				
Social net income	386.40	197.20	152.58	736.18				
Total	613.70	635.41	387.32	1636.43				
Total Products	2272.95	1095.53	586.85	3955.33				

2. Checking whether existing plans and programs are balanced and coordinated in the proportions for each sector and in the proportions of products.

If input output methods were not used in the compilation of existing national economic plans, we can use these methods to check whether or not the proportional spread among sectors and among products is right, thereby guarding against serious imbalances cropping up. Reportedly, many national and regional input output tables compiled in the USSR are used to check the balance of existing plans and programs. Input output tables played a role in this regard, for example, in the case of 1962 plans for the Beyelorussian Republic, and in the 1965 plan for Georgia. Many of the input output tables compiled by Eastern European countries also function as a check on whether national economic plans are balanced in apportionments to various sectors, e.g. the input output table for Bulgaria's 1964 plan, the input output table for Hungary's 1956 and 1970 plan, and the input output table for Czechoslovakia's 1970 plan, all of which served this function.

3. Use of input output methods to study the effects on the economy resulting from adoption of a major economic policy. The United States, for example, has used input output methods to study the effects of the adoption of different energy policies on the speed of economic growth and on employment. It also used input output methods to study a 20 percent reduction in American military disbursements, and the effect on output value in various sectors and various regions of the United States on their transfer to civilian use. The results of this study showed that where a 20 percent cut in military disbursements transferred to civilian use, the output value of certain sectors such as the aviation industry and the military armaments industry, and the research and

development sector would decline by 16.05 percent, 15.42 percent, and 13.26 percent respectively, while the output value of the agricultural sector, and of the consumer goods and civilian services sector would increase.

4. Use of input output methods to study methods of calculating product value and product prices, as well as to study the effects on the prices of products from each sector resulting from changes in wages or changes in the price of energy. For example, the United States has used input output methods to calculate the rate of increase in the price of goods from all sectors resulting from a 10 percent increase in wages. At this time, the prices of construction industry products rose most, and following a 10 percent increase in wages, living costs increased about 3.8 percent, the actual benefit gained by staff and employees thus being only 6.2 percent.

5. Use of input output methods for economic forecasting. An instance was the United Nations compilation of a world input output model to forecast development of the world economy up to the year 2000. In England, compilation of trend models for numerous sectors in Cambridge permitted forecasting of economic development for England from 1978 to 1990.

6. Use of input output methods to study pollution problems, employment problems and population problems, as well as the overall balance in the internal output and energy of enterprises, etc.

9432
CSO: 4006/117

FISCAL CHECK UPS REPORTED IN THE OFFING IN SHAANXI

Xian SHAANXI RIBAO in Chinese 1 Nov 81 p 2

[Article: "Provincial Financial Commission Sets Criteria for Major Inspection and Examination of Revenues"]

[Text] In order that major checkup of revenues will truly play a role in taking financial and economic discipline seriously, improve administration and management, and promote increased revenues and conservation in expenditures, the Shaanxi Provincial Finance and Trade Commission recently set criteria for a major inspection and examination of revenues, and decided that provincial level units would be examined by the Provincial Finance Bureau acting in conjunction with the departments responsible for work, and that prefecture, municipal, and county units would be examined by pertinent departments organized by the local people's governments.

There are six criteria for examination:

1. Whether all state organizations, enterprises, facilities, taxpaying units and individuals have increased their national sense and the concept of the law, regard seriously and obey financial and economic discipline, are law abiding, practice strict economy, work hard and practice thrift, pay taxes in accordance with regulations, and promptly turn over to higher authority profits and depreciation funds.

2. Full clarification of arbitrary squezing or pocketing of funds, interception of state revenues, arrears on payment of taxes, profits, or depreciation funds, as well as tax evasion or default in payment of taxes. Whether all public revenues (taxes, profits, and depreciation funds) have been paid into the treasury in accordance with policy stipulations. In cases where single sum payments would work a hardship, whether a plan for installment payments have been worked out.

3. In the case of those units or individuals who have already been found to have used various methods to embezzle state reveneus, and who have admitted their error, whether they have returned the funds or goods they took in violation of discipline, and whether measures have been proposed so that henceforth there will be no further violation of financial and economic discipline.

4. In serious cases of violation of financial and economic discipline in which the case related to party or government disciplinary action and the taking of responsibility for a crime, whether solemn disposition has been made, or whether units

concerned have accepted and heard the case placing the case on file for investigation or prosecution, or are in process of handling it.

5. Whether plans have been made for increased output at a saving, and for increased earnings with decreased expenditures, and whether these plans have been carried out.

6. Whether needed rules and regulations have been established and perfected, as for example for collection and expenditure of public funds, fiscal management, economic accounting, issurance of awards and allowances, and pay advances for staff and workers.

9432
CSO: 4006/120

ECONOMIC RESPONSIBILITY SYSTEM IN SCIENTIFIC RESEARCH UNITS

Guangzhou GUANGZHOU RIBAO in Chinese 27 Oct 81 p 2

[Article by Correspondent Ye Lifei [0673 7787 5481]: "Can Economic Work Contracting Be Instituted in Scientific Research Units?"]

[Text] Once economic contracting of work had been instituted in industrial enterprises, the promotion of production was effectively promoted. So, is it possible to institute economic contracting of work in scientific research units? This is an important question in scientific research management work. Some institutes have already begun to experiment with methods of a system of economic responsibility on problems, i.e. placing scientific research quotas on units tasked with problems in an economic contracting involving research expenses and the economic benefits of results. This is a new effort that merits serious attention and study.

The economic system of responsibility for research problems being tried by some of Guangzhou's research units is of three major kinds. One is a contract system of responsibility. The Guangzhou Light Industries Research Institute permits researchers to select research topics within the institute's research orientation, and following checking, approval and agreement, the unit tasked with the problem and the management of the institute sign a responsibility contract setting forth research tasks, technical norms, and dates of completion. Following completion, a certain proportion of reward funds are provided research personnel, the amount depending on the economic benefits derived from the results. Second, they have instituted a "four fixeds and one reward" coordinated process. For its key research projects, the Guangzhou Pharmaceutical Industry Research Institute has instituted fixed norms, fixed requirements, fixed time, and fixed personnel, integrating on the basis of project needs, a series of personnel responsible for research, testing, equipment, information, logistics, clinical applications, and management for a coordinated attack, responsibility for expenses being contracted, responsibility placed on the key task teams concerned. Following completion of tasks, award funds are taken from earnings from goods developed to be given to participants. Third is institution of research task accounting. The Guangzhou Radio Institute made the unit tasked with research responsible for all special equipment, raw and processed materials consumption and research expenditures allocated for each research task. All units completing their norms on time and having a surplus of contracted expense funds remaining could have 10 percent of the funds saved as a reward. Those who did not complete norms on time, even though they might have funds remaining, had their reward proportionately reduced.

Will these methods of economic contracting that are being tried work? Practice shows results have been very good. Last year after the Light Industries Institute tried out the contract system, the research personnel became extremely energetic, taking the initiative in proposing research topics and carrying out examination and research. They very quickly selected more than 30 projects to serve Guangzhou's light industrial production. After the institute selected 14 of these, everyone threw themselves into research with full vigor. The pace of research was quickened, and a new situation in which everyone competed to make contributions emerged. In recent years the Municipal Pharmaceutical Industry research laboratory required a relative short period of time to develop results with dinggongtengjian II [0002 0361 5671 4354 II] and naomaining [5207 9115 1380], which met advanced national standards. All were achieved through the method of "four fixeds and one reward." After the Radio Institute instituted research problem economic accounting, the research situation rapidly changed from a long period of stagnation to the complete satisfaction of norms and rapid production of results. Last year the institute completed 10 research projects and 5 developmental projects.

Heretofore quite a few people have felt that "production is a hard assignment but research is a soft assignment." Consequently some people did not bother about expenditures or economic benefits in doing research. Institution of a system of economic responsibility is an effective way to change this state of affairs. It links the results of scientific and technical work with the material benefits of scientists and technicians, strengthens the sense of responsibility of scientists and technicians, and arouses their initiative so that "soft assignments" become hard assignments with responsibilities and direction, which everyone strives to complete. Most of Guangzhou's institutes are conducting research in applied techniques, the results of which are directly related to economic benefits and for which use of economic methods is desirable.

Naturally, in instituting systems of economic responsibility, scientific research units should give attention to the individual characteristics of each institute and not entirely use the methods of plant enterprises. Each research unit can adopt diverse methods on the basis of actual circumstances. The basic principles are: Both attention to use of economic methods and attention to the guidance of research work on the basis of scientific laws with no "arbitrary uniformity." There are some nationally needed research projects of long range significance that should be given encouragement even though present economic benefits from them are slight, and the economic welfare of scientific research personnel working on them should be properly looked after. Some research projects on which the researchers responsible have exerted their best efforts have not been completed on time for objective reasons, and such cases should be handled with discretion and flexibility. In short, the method whereby research units institute economic systems of responsibility is a new effort in which numerous problems await continued exploration thorugh practice and the accumulation of experiences.

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NPC DEPUTY URGES PLUGGING FINANCIAL LOOPHOLES

OW131221 Beijing XINHUA Domestic Service in Chinese 1803 GMT 12 Dec 81

[Text] Beijing, 12 Dec (XINHUA)--While examining Premier Zhao Ziyang's report on the work of the government, Deputy Wang Daren, who is attending the fourth session of the Fifth NPC, suggested that five loopholes must be plugged in finance.

The five loopholes he referred to are:

--Ill-conceived plans and lack of strict control have resulted in a number of "half-finished" projects and long delays in putting them into production. This kind of waste is the greatest.

--Overstocking products adversely affects revenue. Some enterprises are producing blindly, concentrating on output value alone. As a result, products fail to meet needs or are of poor quality and high price and cannot be sold. Nearly 1 billion yuan worth of goods are piled up in warehouses in industrial, commercial and supply departments in Jilin Province. This is more than 5 percent of the total output value of the national economy of the whole province.

--Losses are another big loophole. If the present annual losses of the whole country can be cut in half, it will be a very great help toward reducing this year's financial deficit. Losses of a policy nature are unavoidable, but some losses are problems of work, caused by the idea of eating out of the same big pot.

--Some financial subsidies are not exactly reasonable. Jilin Province pays more than 600 million yuan of subsidies each year, nearly half of the province's total revenue. This averages about 27 yuan for each person in the province each year (about 56 yuan for each person if only the urban population is considered). For a long time subsidies have accounted for more than 20 percent of our country's expenditures, and this is too large a proportion.

--The excessive distribution of bonuses also seriously affects the country's finances. Jilin Province issues about 250 million yuan of bonuses each year. approximately equivalent to 20 percent of the wages of woerkers and staff members in the whole province. Some bonuses are not earned by improving management and increasing output; they are obtained by certain inappropriate means. Moreover, due to the practice of equalitarianism, some bonuses have failed to produce the effect of arousing socialist enthusiasm among workers and staff members.

Deputy Wang Daren said: Effective measures should be adopted to plug financial loopholes. This is a way to accumulate wealth that must not be ignored.

CSO: 4006/166

FINANCE AND BANKING

ANHUI'S ZHANG JINGFU URGES ECONOMIC DISCIPLINE

OW110035 Beijing XINHUA Domestic Service in Chinese 0255 GMT 9 Dec 81

[Text] Hefei, 9 Dec (XINHUA)--Vice Governor of Anhui Province Meng Jiaqin said at a provincial meeting recently that since the inspection of financial and economic discipline conducted earlier, cases of indiscriminate issuing of bonuses and goods, extravagance and waste, extravagant eating and drinking, the buying of small motor cars without authorization, the building of courtyards for private use and arbitrary apportioning of funds have been reduced in various localities throughout the province.

Provincial revenue has increased monthly since the inspection of financial and economic discipline was launched in July of this year. October has become a record, peak month in revenue receipts in the province topping September by 25.29 million yuan. At present, 70 percent of the total amount of tax evasion and delinquent tax discovered during the inspection of financial and economic discipline has been recovered and delivered to the state treasury.

The Anhui Provincial CCP Committee and the Anhui Provincial People's Government have attached great importance to the inspection of financial and economic discipline. In late August, the province organized 100 cadres into financial-economic discipline inspection groups to work in 16 prefectures, municipalities, and counties and units directly under the province. On 5 October, after hearing reports on the progress of inspection in various localities, First Secretary Zhang Jingfu and Second Secretary Gu Zhuoxin of the Provincial CCP Committee and Governor Zhou Zijian called on various localities to further mobilize the masses to carry out this work as an important step in rectifying the party's work style and improving the mood of society.

Some of the problems discovered in the course of the inspection have been solved by clearing up facts and adhering to the party's policies and the state law. With regard to typical cases of a more serious and obnoxious nature, most of them have been dealt with according to law, thereby making the violators of financial and economic discipline pay their debts so that they cannot gain an extra advantage by unfair means. In conducting inspection in various localities, the inspection groups have also established and consolidated financial and economic disciplines, rotated the training of financial and accounting personnel and plugged all kinds of loopholes.

CSO: 4006/166

BRIEFS

CALL FOR PROTECTING RESOURCES--Nanjing, 13 Dec (XINHUA)--Chinese geologists, at a recent meeting of the Geological Society of China in Wuxi, Jiangsu Province, have called for a committee to protect the country's mineral resources. The gathering said China's 134 mineral deposits made it one of the world's five richest resource countries. Most of the deposits contain more than two kinds of minerals. However, the meeting warned, many mines exploit only the major mineral and waste the rest. Backward technology and administrative inefficiency cause the loss rate of ore to exceed acceptable limits. Commune-administered mines still excavate with little planning. The meeting called for establishment of a committee to survey, verify, plan the exploitation and use of mineral resources and oversee and encourage development of mining technology, dressing and metallurgy. The geologists also suggested to formulate a law governing mineral resources. [Text] [OW131303 Beijing XINHUA in English 1219 GMT 13 Dec 81]

GANSU ELECTROLYTIC NICKEL PRODUCTION--Lanzhou, 11 Dec (XINHUA)--Jinchang, China's leading nickel producer, in Gansu Province, met its annual electrolytic nickel production target 70 days ahead of schedule, the Jinchuan Nonferrous Metals Company announced today. Annual output quotas were also met ahead of time for electrolytic copper, platinum, palladium, gold and silver, the company said. The nickel recovery rate is 2 percent higher this year than last, and the recovery rate of platinum, palladium and other precious metals also has increased, the company said. Jinchang has the second biggest deposits of nickelous sulfide in the world after Canada. The city also has mining, smelting, power and construction industries and facilities for industrial and mining research. Jinchang also produces 20 other metals, including gold, silver, platinum, copper, cobalt, palladium, iridium, ruthenium and rhodium. [OW120625 Beijing XINHUA in English 0740 GMT 11 Dec 81]

CSO: 4006/166

INDUSTRY

OFFICIAL REPORTS ON SUPERVISION, INSPECTION OF PRODUCT QUALITY

Beijing BIAOZHUNHUA TONGXUN [STANDARDIZATION JOURNAL] in Chinese No 5, Oct 81
pp 2-6

[Excerpts from a speech by Yang Jizhi [2799 3444 0037], deputy director general of the Bureau of Standardization and concurrently director of the Bureau of Quality Supervision, to a State Bureau of Standardization Meeting in Yantai on 16 June 1980, on the work of product quality supervision and inspection in medium and small cities]

[Text] Report by our correspondent: From 13 to 16 June, the State Bureau of Standardization held a meeting at Yantai for the exchange of experiences in the work of product quality supervision and inspection in small and medium-size cities. At the conclusion of the meeting, Yang Jizhi, deputy director general of the State Bureau of Standardization and concurrently director of the Bureau of Quality Supervision, made a summary speech.

I. Continue To Implement the Spirit of the Wuhan Conference

In April of last year, a conference was held in Wuhan with the State Council's approval on the work of nationwide product quality supervision and inspection. In the conference, the policy and task of product quality supervision and inspection were clearly defined. At the same time, it was proposed that a fairly complete, authoritative and efficient network of supervision and inspection be set up throughout the country within the next few years so that the exercise of supervision and inspection could be gradually extended to key products, products which might affect people's safety and health, products bearing a "superior" stamp, and certain import-export commodities.

After that conference, the standardization bureaus in various localities have implemented conscientiously the policy of "blazing a trail through diligence and frugality, consolidating the foundation, and carrying out overall planning and active development" adopted at the conference. Despite the shortage of manpower, equipment and funds, these bureaus have overcome various difficulties and achieved great success in creating the necessary conditions and in actively developing the work. According to incomplete statistics, by the end of May, 666 inspection stations had been set up throughout the country, while 63 product quality inspection institutes were reactivated, improved or established, and more than 50 inspection-test centers were established in 7 ministries, thus laying a preliminary foundation for the inspection network.

Though still in the process of formation and far from perfection, the present inspection organs have nevertheless done a great deal of work in exercising supervision and inspection in certain key products; in carrying out inspection on other people's behalf; in the evaluation, selection and further checkup on fine quality goods; in arbitrating quality disputes; in determining the grade of new products; in inspecting exported commodities and demanding compensations; in helping enterprises set up standards and promoting all-round quality control; and in the transmission and feedback of information on quality and in technical training. They have also played an active role in enforcing technical standards and improving the quality of products.

In the past 2 years, we have also done a great deal of work in quality control, resulting in the improvement of product quality. Speaking of the quality of our industrial products as a whole, however, many products are not yet up to the required technical standard, and the "quality first" idea has not taken firm roots among many enterprises. Whenever there is a clash between quantity and quality in production, quantity always has the upper hand with the result that even substandard products have found their way into the market and caused losses to the state and the people. This shows the urgent need for state supervision and inspection of product quality.

Some leading comrade of the State Council recently said: "There are now some products on the market of inferior quality but with high prices. Some people said that goods of even poor quality can be sold, and at negotiated prices too, simply because of the scarcity of goods on the market. This is victimization of the people." "Some solution should be quickly worked our particularly as to the problem of the standard of quality. We cannot afford to sell substandard goods." He also pointed out strongly: "The question of quality is a political one, or a question of whether or not we are responsible to the people. It also affects the cardinal issue of the worker-peasant alliance and the urban-rural relationship. Quality improvement is no easy matter, because it calls for scientific research, design, fine material quality, management and technology. If we cannot bring the products up to the required standard, it would be better for us to produce less. We must never produce anything in a rough and slipshod way." "Good quality is necessary not only for exported goods, but also for those used at home. We must not produce anything in a sloppy way, and anything that may cause inconvenience to people must not be allowed to leave the factory. Strict control is necessary." These remarks pointed to the importance of quality control and clearly showed the origentation of our work.

The foundation of our supervision and inspection on product quality is still very weak; and the supervision and inspection apparatus is not only imperfect, but also practically nonexistent. Because of the stress on quantity at the expense of quality and the greater attention paid to the production equipment than to the means of inspection and testing, the enterprises are incapable of examining and testing, their own products. Some of their examination instruments are fairly outdated, and even these instruments are hopelessly insufficient. Some enterprises are using instruments and equipment left over from the 1930's, while others without even their instruments and equipment are relying only on their experiences. These conditions are incompatible with the development of domestic and foreign trades and the requirements for competition on the market. It is therefore necessary for us to strengthen our constant supervision and inspection. The setting up and perfrecting of a supervision and and inspection network for product quality is now an objective necessity, and this necessity is particularly urgent for the small and medium-size cities.

If an inspection network can be formed to cover approximately 200 small and medium-size cities and to exercise the work of supervision and inspection, the quality of our products can be greatly improved. I hope that through the present exchange of experiences, this network can be set up at an early date.

II. The Question of Organizing an Inspection Network

Product quality supervision and inspection means the exercise of supervision and inspection by the government on the quality of the enterprises' products on the basis of technical standards, and, if necessary, the prerogative of the government to determine whether an enterprise is in a condition to produce up-to-standard goods (or fine-quality goods). By this means, the enterprise will be encouraged to raise its technical and management standards and to produce goods of high quality. In view of the huge quantities and numerous varieties of goods, the task of supervision and inspection can hardly be acoomplished without an organized supervision and inspection network.

How will the supervision and inspection network be organized? Based on our recent experiences, the following basic principles are generally applicable:

1. The organization of a supervision and inspection network must be suitable for local conditions and based on realities.

The organization of such a network should proceed from our national conditions and the present realities in our national economy, and help foster the spirit of pioneering through diligence and frugality. According to the guiding thought proposed at the Wuhan Conference for organizing this network, we should first organize the existing inspection forces and bring them into full play. On this basis, the provinces and municipalities having the required resources can gradually set up and strengthen their inspection institutes which should be distributed evenly throughout the areas. In organizing the network, the following points should be noted.

a. First, careful investigations and study should be conducted to ascertain the existing conditions, and plans for the organization should be worked out accordingly. After more than 30 years' experience, we should have a sure foundation in construction, and many scientific research units, universities, professional training colleges and trades have set up their examination and testing centers. Most large and medium-size enterprises are also in possession of a certain amount of examination and testing instruments and equipment. After mutual consultation, they can all be organized to set up inspection stations to undertake certain supervision in inspection jobs on behalf of other people. The localities can decide on the number and the specialization of stations to be set up according to the local industrial structure and then plan for the organization of a network. One inspection station can be set up for many enterprises producing the same products. For those enterprises producing a single product of a highly specialized nature, some other forms of supervision can be adopted in lieu of a specialized station.

b. Inspection stations form an important component of the inspection network, and should not be regarded as some temporary or transient form. Therefore, the quality of these stations should deserve great attention. In selecting the sites for station building, the following conditions should be considered: a fairly strong inspection force; the required instruments and equipment; a system of rules and regulations; the qualifications for fulfilling the task of supervision and inspection on behalf of others in a fair way; the enthusiasm of unit leadership in undertaking the task; and so forth.

There are now three prospective locations for the building of stations: first, the laboratories of scientific research units; second, the examination and testing centers of different trades under various departments (such as stations for routine electronic experiments); and third, the production enterprises with fairly good facilities for examination and testing. In view of their capacity as unbiased observers, it would be preferable to set up inspection stations at the first two types of locations, and all units in a position to do so should act accordingly. If inspection stations are set up in production enterprises, which are themselves subject to supervision and evaluation, their judgement as unbiased observers may be questionable. We should, therefore, make full use of all available equipment and data, and select people from various units to act as supervisors and inspectors. It is also advisable for people to be assigned by higher authorities.

c. All prefectures and municipalities can set up inspection institutes provided the required facilities are available. From a long-range view, we can see that if a city with concentrated industrial activities wants to do well in the supervision and inspection of product quality, it must have its own inspection institute in order to be efficient. In setting up inspection institutes, we should not form any "large and all-inclusive" or "small and all-inclusive" units, and every effort should be made to avoid any duplication of equipment or functions. The building of inspection institutes should be based on reality, kept within the limits of feasibility, and carried out in a planned, systematic and selective way. We must guard against "acting rashly on the spur of the moment." In setting up inspection institutes, we must bear in mind that these institutes will have to perform major functions, serve many trades, and undertake inspection jobs of long cycles, or such jobs as are beyond the capability of inspection stations. A great deal of organization and coordination should be carried out within the inspection network.

d. In organizing and building inspection stations, we should pay attention to their consolidation. Inspection stations generally undertake the task of scientific research and production. Now that they have to undertake inspection as an additional task, some real problems or difficulties may crop up in the course of this work. These problems and difficulties should be promptly tackled, or they may dampen the enthusiasm of the workers and impair the consolidation of these stations. How should they be consolidated? First, leadership and ideological-political work should be stepped up. We should pay constant attention to their work, help them solve problems, and instill a sense of responsibility among the inspection personnel. Second, the tasks to be undertaken by each inspection station should be fairly clearly defined, and a suitable system of management should be set up, so that all inspections can be conducted in a systematic and planned way. Third, attention should be paid to the economic benefits of the inspection stations.

e. Professionally, the municipal inspection stations should be under the leadership of the municipal inspection institute or a corresponding section of a provincial inspection station. There should be suitable vocational relations between the stations and the institutes.

2. A Strong Contingent Is Needed

The principle behind the work of quality supervision and inspection is to "control, help, and promote." While stressing the need for good quality, it is also necessary to provide the enterprises with technical assistance in order to promote improvement. Besides being familiar with the technology of production and the required standards and being able to operate the equipment and instruments, the inspection personnel should also be good at uncovering problems and introducing new ideas for improvement. Therefore, a high level of vocational or technical skill and a keen sense of responsibility are necessary. In building up a strong [inspection] contingent, the following points, based on our common experiences, should be noted:

a. In the selection of personnel, attention should be paid to their qualifications. Because of the numerous varieties of products requiring supervision and inspection and involving many professional and technical branches, in addition to the large volume of work and the shortage of personnel, it would be difficult to proceed with work if the question of personnel qualification does not receive due attention. Therefore, we must be sure that the vast majority of the assigned personnel are of a high technical standard and have good experiences.

b. Attention should be paid to regular training. Inspection personnel should have a diversified knowledge. If we want them to be both specialized and versatile, we must pay attention to their regular training. This is all the more necessary for those comrades with a comparatively weak training foundation.

c. In addition to a professional inspection contingent, we should also invite some workers in plants or scientific research units to participate in the inspection work on a part-time basis as a remedy for the shortage of personnel. It is also advisable to invite highly qualified engineers and technicians to participate in difficult tasks whenever such occasions arise. These engineers and technicians can also undertake the work of technical consultation.

3. A System of Rules and Regulations Is Necessary

First, we must see to it that the local government publicizes the methods of control over the supervision and inspection of product quality under its own jurisdiction; stipulates the tasks and responsibility of the organs of supervision and inspection; and clearly defines the position occupied by these organs, the scope of their authorities, their relations with the relevant departments, the forms of supervision to be exercised, and the procedures for the disposal of substandard products. These measures will enable the inspection network and the relevant departments and enterprises to have some rules and regulations to go by, and will insure the smooth progress of the work of supervision and inspection.

To insure their own normal operation, the inspection organs should set up a system of job responsibility; a system of repairs and maintenance of their instruments and equipment; and the systems of periodical calibration, sampling and testing, vocational conferences, inspection reports, regular vocational training, and so forth.

4. Reasonable Inspection Fees Have To Be Charged

The present charges mainly take two forms: First, the charges are based on the consumption of labor and materials including water, electricity and others; the depreciation of equipment; and a certain amount of operating expenses. The second method is to take a certain portion of the sales value of the products inspected as inspection fees. Since conditions are different in various localities and we have not yet had much practical experience, the following principles are offered for consideration:

a. The fees should be reasonable and not too high. Fees for inspection in the function of supervision should be lower than those charged for inspections undertaken on another's behalf. Generally, it should be reasonable to charge according to the consumption of water, electricity and other materials; the expenditure of labor and the depreciation of fixed assets.

b. Fees must not be duplicated. If one type of product has to be inspected by several parties, arrangements should be made with the authorities concerned for a joint inspection to be considered.

c. The fees collected by an inspection organ should be used mainly to meet their own expenditures.

III. Several Questions To Be Noted in Proceeding with the Work of Supervision and Inspection

1. To Be Good at Organization and Coordination

At the Wuhan Conference, it was pointed out that our departments in charge of standardization should undertake the work of organization and coordination. "First, organization means the rational organization of our existing inspecting strength for full utilization. Second, coordination means streamlining the relations between the central and the local governments for the purpose of a rational division of work and coordinated efforts and avoiding duplication. Third, service means assistance in solving problems in the course of inspection work." Organization and coordination with other professional inspection organs involving such questions as whether the mass line has to be implemented, and whether all positive factors have to be mobiliized in forming the network. We must coordinate the efforts of all forces in various quarters and give full play to their various functions before our supervision and inspection of product quality can effectively insure fine quality.

In addition to the inspection organs of the standardization departments, supervision and inspection of product quality are now being carried out by the professional inspection organs of other concerned departments, and the product inspection centers formed in various branches. Despite their different affiliations, the work of all these inspection organs is similar. In other words, all these inspection organs are components of the same inspection network, and their functions are naturally closely related. Thus, problems in coordination will unavoidably arise in certain specific jobs. For example, there may be either duplications or omissions. Therefore, we must step up our efforts in organization and coordination, and even without any change in the affiliations and division of work, there should be mutual respect, mutual support and good coordination among different organs in order that duplication of work can be avoided. In this connection, we should all continue our practice and sum up our experiences in order to blaze new trails.

2. Active Coordination With the Central Task

Our work is only part of the overall task of economic management, and must therefore be coordinated with the central task in order that we may make greater contributions to our economic development. To coordinate with the central task, the following points should be carefully noted:

First, we must assist in the appraisal and choice of products for the national quality awards and other fine quality ratings. Rewards for fine-quality products are in line with the important state policy for the control of production quality. Every year, the state holds a "quality month" campaign during which state quality prizes are awarded and the evaluation and choice of fine-quality goods are carried out at provincial levels. We must participate actively in these activities under the unified leadership of the economic commissions at various levels.

Second, it is necessary to assist enterprises in promoting total quality control. Total quality control is a scientific method of quality control in modern industrial production as well as the central link of enterprise management. In carrying out total quality control, we should adhere to the principle of "prevention first," and exercise quality control throughout the process of design, trial production, regular production and postsale services. All workers and staff members should participate in this work of production and inspection by strictly complying with the technical standards and by combining self-inspection with mutual inspection in an all-out effort to eliminate substandard goods in the course of production. This is the basic way to guarantee the fine quality of products. Efficient total quality control by the enterprises is the foundation of state supervision and inspection, and shares a common goal with quality supervision and inspection. Therefore, we should assist the enterprises in setting up and perfecting a system of total quality control and then encourage the enterprises to keep up their efforts in this direction, in order to raise the quality of the products to a new level.

Third, assistance is required in the transmission and feedback of information on quality. Through their evaluation of the quality of the enterprises' products, the supervision and inspection organs are in a position to possess and accumulate a huge amount of numerical data. They should report at regular intervals to the planning and economic commissions, the bureaus in charge, and the production enterprises on the situation of product quality, and offer their views and proposals on the ways and means to improve quality control and to deal with incidents resulting from the use of inferior products.

There must be a strict control of product quality so that no substandard products will be accounted for in the fulfillment production plans or in the computation of input values; and no substandard products can be sold at the same price as up-to-standards goods. Furthermore, we have to help and to promote, that is, to help the enterprises analyze the problems of quality discovered, study the methods of solving these problems and improving the quality, and promote the continual improvement of their product quality. This is also a basic measure of protecting the economic interests of the broad masses. In actual work, we should on the one hand examine the quality of the enterprises' products so as to be sure that they are of fine quality; and, on the other hand, we should dispose of the substandard products which are already on the market by directing the enterprises to set up a system of repairing, replacing and recovering these products within a specified period. This is an important work in protecting the economic interest of the broad masses, and this work must be carried out in earnest.

All these views are offered for the comrades' reference. As to the way to set up the network, let me quote for a leading comrade of the State Council as follows: "Conditions in our country are too complex and it is impossible to use a single formula for the solution of all problems. We must adapt measures to the local conditions, conduct more discussions and then seek truth from facts." We should learn from the experiences of other regions in the light of our own realities, and carry out our work by adapting measures to local conditions.

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INDUSTRY

RESTRUCTURING MANAGEMENT OF TEXTILE ENTERPRISES DISCUSSED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 5, 1981 pp 54-57

[Article by Zhang Quan [1728 2938]: "A Preliminary Discussion of Experiments in the Restructuring of Economic Management System in Textile Enterprises"]

[Text] Guided by the "eight-character" policy, 11 textile enterprises experimenting in the expansion of decisionmaking power in Yunnan Province had a total output value of 294 million yuan in 1980, an increase of 16.2 percent over 1979, and a total profit of 41.95 million yuan, an increase of 42.94 percent over 1979. In 1980, they handed over to the state 25.44 million yuan in profits, an increase of 11 percent; their industrial and commercial tax paid amounted to 28.76 million yuan, an increase of 14.8 percent; they retained 10.06 million yuan, an increase of 87 percent over 1979. With their profits, they also redeemed 2.76 million yuan of various loans. Such a rapid growth was unprecedented in the textile trade of Yunnan. Other enterprises not yet given expanded power for decisionmaking, but sharing profits or being responsible for limiting loss to a certain extent, also achieved fairly good economic results.

Several Methods of Experiment

The textile enterprises of Yunnan have tried out several methods in restructuring their economic management system.

1. Profit sharing. Six enterprises tried out this method. Profit sharing was classified into "sharing total profits," "sharing above-quota profits," and "sharing base profit with an extra share for above-quota profit," with different ratios of sharing. As shown by the economic results in 1980, three of these 11 enterprises with expanded decisionmaking power adopted the method of profit-sharing and had the highest profit rates. Among these three enterprises, the first one retained 40 percent of the profit, and its profit increase rate was 120 percent. The second one retained 30 percent of the base profit with an addition of 50 percent of the above-quota profit, and its profit increase rate was 128.9 percent. The third one retained 20 percent of the profit with an addition of 40 percent of the above-quota profit, and had a profit increase rate of 85 percent. However, another three enterprises with the lowest profit increase rates also adopted the method of profit-sharing. The first one, which retained 30 percent of the profit, had a profit increase rate of 14 percent; the second one, retaining 24 percent of the profit, had a profit increase of 5.67 percent; and the third one, retaining 6.6

percent of the profit with an addition of 15 percent of the above-quota profit, had a profit increase rate of 8 percent. From this, it is not difficult to find out that among the enterprises with expanded decisionmaking power, those having a larger share of the profit also have a higher rate of profit increase, and those having a smaller share of the profit have a lower rate of profit increase. Profit increase can certainly be attributed to many factors, but a correct proportion of sharing and a rational distribution among the three parties are certainly the important ones. If the ratio of sharing is inappropriate, there will be the spectacle of "penalizing the advanced units," because those who have contributed more cannot be duly rewarded, and this will naturally dampen the enthusiasm of the workers.

2. Independent accounting, paying state tax, and assuming responsibility for profits and losses. Three factories tried out this method. At first, the taxes paid by them were 34.38 percent, 40.82 percent and 48.8 percent respectively. This method was warmly welcomed by the enterprises, because a certain portion of the total profits can be used to solve some urgent problems in production and improvement of the workers' livelihood, which was already overdue. The economic results were good during the experiment in the fourth quarter of 1980, but generally this method was suitable only for enterprises with a fairly good profit foundation for the following reasons: 1) In using this method, wages, fringe benefits, and bonuses are linked up with profits. Those enterprises not so sure of profits are unwilling to take any risk by assuming responsibility for profits and losses. 2) This method calls for complicated calculations, and the enterprises concerned have to spend a lot of energy in working out the portions to be retained and to be paid. There have been protracted bargaining and negotiations for the ratio of state tax to be determined. Since the beginning of this year, income taxes have been levied at a uniform rate of 50 percent with the addition of a regulating tax. The computation of regulating tax is even more complicated, and after repeated trials, one of the plants had to pay 1 percent for regulating tax, while another paid only 0.2 percent. The former had to pay 5 times that of the latter. 3) Provided the system and methods of wage payment remain unchanged, the basic wages are to be appropriated out of the retained profits. At present, this does not seem to make much difference because even though an enterprise retains more profits, there is no corresponding adjustment of wages for the workers and staff members. Their wages are not much affected by the profits.

3. Merits of Responsibility for Profits

Compared with the various other methods, responsibility for profits has the following merits:

1. It is suitable for enterprises with or without expanded decisionmaking power; for prefectures, municipalities, departments and companies as well as units, workshops, work teams, and even individuals in all trades and undertakings. It can also be used in the control of material consumption and administrative expenses.

2. This method of calculation is fairly simple. Instances of wrangling on this score have been very rare.

3. When the amount of profit to be handed over has been determined, and the enterprise has a clear goal for its efforts, economic management and the sense of

responsibility will be strengthened in every link and at every post of production, and great efforts will be made to increase production and practice economy, to increase income and curtail expenses, and to reduce the consumption of energy and raw materials. All these efforts will result in great economic benefits.

4. Based on the profits to be made and the need for production development, the enterprise can work out active and yet steady and reliable long-range plans. The Kunhu Knitted Goods Mill is now proceeding to build 10 branch mills which will be of great help in the readjustment of the industrial structure and the development of the textile and knitted goods trade.

5. While the state can increase its revenue in a steady and sustained way and thus greatly reduce its financial burden in the form of financial allocations for enterprises, the enterprises can also use their own funds in a planned and timely way to develop their production and improve the conditions of production and the welfare of the workers and staff members.

Merits of "Responsibility"

1. "Responsibility" and "eating out of the same pot" are mutually contradictory. Because of the effects of "leftist" ideology since the founding of the People's Republic, "responsibility" has been looked on as some sort of "capitalist ware" and repudiated as something "sinister." On the other hand, "eating out of the same pot" and "equalitarianism" were regarded as being in line with socialist economic principles. This has caused grave political, economic and ideological consequences. In order that production can develop normally, the practice of "eating out of the same pot" must be replaced by a system of "responsibility." Only thus can we bring more vitality to the enterprises and improve the economy.

2. "Responsibility" conforms to the principle of socialist material benefits through the integration of rights, responsibilities and interests. It also plays the role of incentives for the advanced while spurring on the backward ones through distribution of material benefits according to the enterprises' contributions to society. Handing over the profits means responsibility to the state, and keeping the excess profits means responsibility for the enterprises' development and responsibility to the workers and staff members. The increase in rights and responsibilities for the enterprises also means an increase in material benefits, and will serve to encourage every worker and staff member to be concerned with the economic results of their own enterprise operation.

Basis, Methods and Visisons of "Responsibility"

1. Rate of growth is an important basis for determining the rate of profits to be handed over to the state. The rate of growth in the textile industry as demanded by the Ministry of Textile Industry is a progressive increase of 8 percent every year, so that at this rate, the profits to be handed over to the state will be at least doubled in 10 years. For the Kunhu Knitted Goods Mill, the progressive rate of increase was fixed at 10 percent every year so that the profits would be doubled in 7 years. For the whole textile trade, an annual progressive increase rate of 8 percent would be more appropriate. Such a growth rate is not low, and it can be accomplished with some effort.

2. The experiment of expanded decisionmaking power by the Kunhu Knitted Goods Mill began in 1979, when 10.4 percent of the total profits were retained. In that year, the profits handed over amounted to 2.5 million yuan. In 1980, the system of responsibility for profit quota was adopted, and the amount of profits handed over in the preceding year was used as the profit base. With a 10 percent addition, the amount of profits to be handed over was 2.8 million yuan. After a deduction of 0.24 million yuan for the redemption of loans, the actual profits to be handed over were 2.56 million yuan, representing an actual profit increase rate of 2.4 percent. In 1981, the amount handed over in 1980, namely, 2.56 million yuan with a progressive increase of 10 percent, was used as the profit base. The amount of profit to be handed over in 1981 is 2.82 million yuan. Any excess over this amount will be retained by the enterprise to be used as production development fund, welfare fund and bonus fund. In 1980, the Kunhu Knitted Goods Mill's retained profits amounted to 2.39 million yuan. Out of this sum, 600,000 yuan was used to buy national bonds; 1.4 million yuan to buy four warp knitting machines and one beam warping machine from abroad; and the remaining 390,000 yuan for bonus and welfare funds. The investment of 1.4 million yuan in 1 year to upgrade equipment was unprecedented. Were it not for the system of responsibility for profits, it would have been impossible for an enterprise to spend so much money on the expansion of its productive capacity.

3. How will the base of profit to be handed over be determined after 3 years? This is a matter of great concern to many enterprises, and each case must be handled on its own merits. For enterprises with fairly steady production, the rate of profit increase can continue to rise on the basis of the original "responsibility." In other words, the amount of profits handed over in the third year can be used as the base, and the same procedure can be followed in future, provided the progressive rate of increase is properly adjusted from time to time according to changing conditions. If the amount of profits handed over in the third year is to be used as the profit base for some enterprises with fast developing production and making great profits, then the profits retained may be more than those handed over to the state. For the same reason, if the total profit of the third year is to be used as the profit base, the enterprise may not have much to retain. As the principle behind the solution of this problem, the state's income should increase along with the increase in the enterprise's profits, and the enterprise should also retain more in order that its activism in production will not be dampened.

4. Companies should also adopt the system of "responsibility for profits." The existing management system is not helpful to the companies in playing their roles of overall arrangement, business service, supervision and coordination. There are many problems in readjustment and restructuring that are difficult to solve. The system of responsibility for profits will help in strengthening the companies' overall leadership over the business management of the enterprises; in coordinating and evening up the supply of raw materials and readjusting the prices of products among the enterprises; in readjusting the product mix, and improving and promoting the regulative role of the market under the guidance of state planning; in solving the problem of uneven distribution of benefits and responsibilities among different enterprises and the problem of bonuses; in promoting training for and scientific-technical exchange among the workers and staff members; and in using the accumulated funds for tapping potential, renovation and transformation of equipment on small and medium scales, and developing the textile industry in a

planned and systematic way. In short, it will strengthen the companies' rights and responsibilties so that rights, responsibilities and interests will be integrated to promote the implementation of the "eight-character" policy as a contribution to the four modernizations.

Several Views on Restructuring

The period of experimenting in the various methods of restructuring the management system of textile enterprises is still brief, and no mature experience can be obtained. Yet one point is certain: They are the methods for correctly handling the interests of all three parties. Now I would like to present some views for discussion.

1. The state's share should be larger than the enterprise's. To guarantee a steady and sustained increase in state revenue is the principle which must be observed by every person working in government organs and every person responsible for the management of enterprises. Should there be any sharp rise in enterprise profits because of unforeseen circumstances (in which case, the portion retained by the enterprise will be more than the portion received by the state), consultations should be conducted with the enterprise concerned so that the state's share can be enlarged. However, instead of arbitrarily changing the original ratio and base figure, it is necessary to provide guidance and exercise proper control in the use of funds and the payment of bonuses by the enterprise.

2. For enterprises enjoying favorable production conditions and earning high profits, their retained share of profits should not be too small. Their retained portion should increase along with the increase in the state's portion so that these enterprises may have a goal to strive for. At the same time, we should note that the textile enterprises are generally using rundown buildings and outdated equipment, and have many long-standing problems to solve. Therefore, we should be liberal with their retained share.

3. Sharing the total profits provides no incentives to the fulfillment of the profit plan. If the ratio of the retained share is small, it may even dampen the enthusiasm of the enterprises in production and affect the state's steady income. It is proposed that hereafter, this method will be used sparingly or not at all. Last year's experiences proved that the enterprises retaining only small shares had rather poor economic results.

4. The principles in assuming responsibility for profits should be clarified. For example, the base profit and the progressive rate of increase should remain unchanged for 3 years instead of being changed at will. The enterprises are afraid of policy changes.

5. In assuming responsibility for profits, the enterprise should also gradually strive to link the profits with the completion of production plans, and the fulfillment of the quality, varieties, production costs and other technical and economic targets in order that there can be an all-out implementation of the system of economic responsibility.

6. The departments in charge should use the necessary administrative intervention and other effective means of control in the use of retained funds and the payment of bonuses by the enterprises.

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INDUSTRY

MEASURES TO DEVELOP TEXTILE INDUSTRY EXAMINED

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[Text] Chapter 1. China's Policy for Development of Its Textile Industry

I. Reevaluation of the Textile Industry

China's textile industry consists of 10 areas, including cotton textiles, wool textiles, linen textiles, synthetic fiber textiles, textile printing, knitted fabric, secondary products, spinning machinery, and spinning equipment. As of 1979, there was a total of 4,958 enterprises in the textile industry departments, and the total manpower involved was 3.1 million men. The total production for the same year accounted for 11.8 percent of the total industrial production of the country (Note 1). This ratio was not as high as the 37 percent during the initial days of the country's founding (Note 2), but there is no question that, even today, the textile industry is one of the important industries of this nation.

The administrative organ for the textile industry in China's central government is the Textile Industry Ministry. At one time between July 1970 and March 1978, the Textile Industry Ministry was incorporated into the Light Industry Ministry. This appeared as a so-called "Jingbing Jianzheng" ["better troops and simpler administration"] (simplifying mechanism) that was a manifestation of the Cultural Revolution, but the actual situation was the little regard for the textile industry. In March 1978 after the overthrow of the "gang of four," the direction and control of the textile industry on the part of the central government were strengthened, and the textile industry was separated and made independent of the Light Industry Ministry.

The administrative system over the textile industry was a comparatively centralized control system during the First Five-Year Plan (1953-57). On the other hand, as one phase of the modification of the entire industrial control system which started in 1958, the greater part of the industries which had till then come under the central textile industry departments' control was transferred to the localities (mainly at province level). This was the so-called "downward dispersion" of central industries to the regional levels. This dispersion of industrial control to the local districts as a whole did not continue very long, and after the collapse of the "Great Leap Forward," it became inevitable along about the first of the 1960's that a general readjustment of the country's economy be made, and there was a return once more to central control. On the other hand, the situation with respect to control over lower level enterprises was not too firmly handled, and most of the enterprises (plants) continued to remain under the control of various local governments, with the exception of major enterprises (plants) dealing with chemical fibers and textile machinery. In this manner, the textile industry departments have remained under decentralized local government control ever since 1958, and synthetic fiber integrated complexes and major plants making textile machinery are the only ones under the Textile Industry Ministry of the central government.

There are the following three types of local textile industry management systems (Note 3). 1) Urban textile industry bureaus directly under the central government--various specialized industrial corporations--enterprises (plants). This was the management system found in the three cities under direct control of the central government (administrative areas at the same level as the province) and was applied to Beijing, Tianjin and Shanghai. The lower specialized industrial corporations under each office were established according to the type of industry. For example, the Shanghai bureau has a breakdown into 11 corporations, such as cotton textiles, dyeing, predyed textiles, and knitted fabrics. At the present time, these special corporations do not comprise independent enterprise units but are intermediate between the bureau and enterprise (plant) and they are the organs which direct and coordinate the activities of various lines in the textile industry departments. 2) Province--country or urban textile industry bureau--enterprise (plant). Many of the provincial textile industry enterprises receive guidance in operations from the county or urban textile industry bureau to whose jurisdiction they belong. 3) Provincial textile industry bureau--enterprise (plant). This is the system in effect in some of the provinces such as Henan and Shaanxi. There were occasions during the cultural revolution when the enterprises were shifted to the counties or cities ("downward dispersion").

Now, as part of the economic readjustment initiated in 1979, there was a shift to emphasize development of all light industry, including the textile industry. This was, above all, a reaction to the overwhelming attention given the heavy industry till then with accompanying deemphasis on development of agriculture and light industry. There already had been a reaction to this overwhelming development of heavy industry during the "Great Leap Forward" (1958-1960) in the first half of the 1960 decade, and a proposal was made to reorganize economic planning in the order of agriculture, light industry and heavy industry, but this policy was not implemented as the country became more deeply involved in the cultural revolution. As the 1970 decade came, the priority of industries in the order of "heavy industry, agriculture, and light industry" was applied throughout the country, and it was a trying period for light industry (Note 4).

The development of all light industry, including the textile industry, was suppressed by the overwhelming preferential development of heavy industry. This can be seen, for example, in the amount of national capital construction investment allocated to light industry of 5.7 percent for the First Five-Year Plan (1953-57) during the middle of the 1950's, declining to 4.8 percent during the Fourth

Five-Year Plan (1971-75) in the first part of the 1970's (Note 5). Furthermore, there were insufficiencies in the supply of facilities, raw materials, and energy to all departments of light industry, and these shortages were sometimes considerable. The electric power allotted to industry was taken up by heavy industry to the extent of 80-90 percent, and industries such as metallurgy and chemicals used as much as one-third of the total power while the light industrial departments could use but about 10 percent (Note 6). In other words, the heavy industry departments of the country, including energy production, was undergoing the so-called self-serving type of development, and serving light industry and agriculture was downplayed, or even suppressed.

Because of the little regard for production and construction as well as suppression of all light industry departments, including the textile industry, there was an accompanying limitation to any expansion of the supply of daily-use industrial products so deeply tied with the people's livelihood. Even the data supplied by the Chinese shows that the per capita consumption of textiles is about 40 percent that of the world's average (Note 7). The average per capita consumption of cotton goods in 1969 was 17.1 chi (1 chi is one-third meter, the Chinese chi is equivalent to 1.1 Japanese shaku) which was the ration ("fabric ticket"), and there has been little increase over the past 10 years (Note 8).

With the proposal of the so-called "four modernizations" (modernization of industry, agriculture, national defense, and science and technology) as the pressing subjects of the country following the fall of the "gang of four" in the autumn of 1976, construction in the heavy chemical industry was reactivated. The adoption of the ambitious "10-Year Plan for National Economic Development" at the National People's Congress in the spring of 1978 spurred on this movement. On the other hand, it became clear as early as 1979 that this urgent and excessive construction of heavy chemical plants was causing severe imbalance in the national economy, and it was decided to undertake a 3-year period of economic readjustment at the National People's Congress in June of the same year.

It was recognized at that time that a revision of the priority order in the economic plan for agriculture, light industry, and heavy industry was, first of all, the most pressing issue for economic readjustment. The reaction had taken place to the former setup whereby agriculture and light industry were sacrificed for the one-sided and runaway development of heavy industry, and recognition developed that this practice was the prime factor responsible for this economic imbalance.

With the recognition of the so-called "agriculture, light industry, heavy industry" policy, the role of light industry, including the textile industry, in the nation's economic development began to be stressed once more. First of all, it was emphasized that light industry is an important source of national income. Let us look at some data released by China. During the 28 years from 1950 through 1977, enterprises in the light-industry departments, including the textile industry, contributed close to 30 percent (29 percent) of the national income (here and below, includes fiscal income of the central and local governments) in profits and taxes and 70 percent of the capital construction investment for the same period (Note 9). Looking only at the textile industry, it accounted for only one-tenth of the total profits and taxes during recent years (Note 10).

It is sometimes emphasized that there are good returns on investments in light industry in line with the important role assigned to it to accumulate capital. For example, the country diverted but 510 million yuan to the renewal of old plants located in China's largest textile base in the Shanghai area for the past 30 years (1950-79), while the profits and taxes returned by the industry to the country for the same period was 42.62 billion yuan, more than 83 times the sum invested (Note 11). At the same time, it was pointed out that "the history of industrialization of many of the leading countries started with the development of the textile industry" (Note 12), and an expansion of the textile industry also is associated with development of light industry to lead to the "light industry nourishing heavy industry" (hereafter abbreviated to light nourishes heavy) method (Note 13).

The second point stressed in the roles of the light industry and textile industry is the role they play in the improvement of the life of the people. The policies of the past which involved blind pursuit of rapid growth and high targets sacrificed the well-being of the people and stressed construction of heavy industrial facilities. The new people who came into power after the overthrow of the "gang of four" were imbued with the need to redeem the government from the "bill of sale" the people had been saddled with. Vitally needed rises in the prices of agricultural products and increased wages for staff members and workers were put into effect after what had been an interminally long period at no change. At the same time, the suppression of consumption, which had continued for a long time, was eased, and a demand was made that increased supply of various light-industrial products necessary to the people's livelihood be pursued. This move was also necessary to draw the people into whole-hearted participation in modernization.

The third point brought out in the roles of the light industry and textile industry was expansion of export products. According to a recent Chinese publication, about 45 percent of the income from export was attributable to the light industry and textile industry, which was considerably better than the 31.9 percent contributed by heavy industry (Note 14). It was said that the textile industry alone accounted for more than 20 percent (Note 15). Unlike a temporary closing of the gates, as long as modernization proceeds with the promotion of "economic policy for release to the outside" (Note 16), there may be much greater request for export than was experienced in the past. It is only natural that there are greater expectations for the role of light industry, particularly the textile industry.

At the People's Congress of June 1979 when this economic readjustment was formally hammered out, the second item on the list of 10 major tasks was to "take measures directed at developing light and textile industries." The first item was, needless to say, to strengthen agricultural development.

Management to speed up light and textile industry development materialized with the enactment of the "six priorities" in 1980 (Note 18). The "six priorities" involving the light and textile industries were 1) supply of raw materials, fuels, and electric power, 2) development of latent capacities, technological innovation, and improvement, 3) capital construction, 4) bank loans, 5) allocation of foreign exchange and introduction of technology, and 6) traffic and transport.

It was indicated in the economic readjustment which followed in 1981 that these "six priorities" with regard to the light and textile industries will be continued (Note 19).

II. Raw Material Problems of the Textile Industry

The greatest problem facing China's textile industry presently is that of raw materials. This has two aspects described below. The first is expansion in sources of natural fiber raw materials and the other is the promotion of synthetic fiber production.

Let us consider the first aspect. In the past, a policy based on "food" as the fulcrum was promoted throughout the country, and this caused severe impediment to development of diversification in agricultural production. Afrer the fall of the "gang of four," there was diversification in agriculture suitable for the conditions of any given area such as, for example, stressing the advantages of animal husbandry for the vast plain areas. At the same time, the development of the traditional silkworm industry was promoted in those regions best suited for it. Corresponding to such movements, the latest potential of the woolen textile industry using sheep wool as raw material and the fiber and silk industries were emphasized. In addition, there was considerable leeway for raw material development for linen weaving, but some insufficiency in finishing capacity was indicated (Note 20). In addition, there has been indicated a need to modify the imbalance in the area of the textile industry using natural fiber raw materials where development has taken place mostly along the lines of cotton spinning.

In addition to development in production of a variety of natural fibers, establishment of a synethetic fiber industry is being promoted, and an increase in the ratio of chemical fibers is being emphasized.

The development of China's synthetic fiber industry was greatly motivated by the decline in its raw cotton production. The overall picture was that a rapid large increase in cultivated area of cotton was not a desirable situation since any increase in cotton production would compete with the production of food. There had already been the development and reinforcement of the synthetic fiber industry planned during the adjustment period of the first half of the 1960 decade to indirectly lessen the load on raw cotton through the production of substitute fibers by the so-called "industry supporting agriculture" (industrial departments to support agriculture) concept. It was during this time that new manufacturing plants for fibers such as nylon, vinylon, and acrylic, as well as manufacturing plant technology, were imported from the Western industrial countries.

Beginning with 1970, there was the call that "the entire country put its efforts into light industry, light industry put its efforts into textiles, and textiles put its efforts into synthetic fibers" (Chou Enlai), and there was considerable force directed at the development of the synthetic fiber industry (Note 21). At that time, there was in the background the spectacular development of oil in China, and four synthetic integrated complexes (Shanghai, Liaoning, Tianjin and Sichuan Provinces) using oil and natural gas as raw materials were constructed with leading plant technology introduced from foreign countries. Although all of these plants are not complete as yet, there has already been a tremendous boost in the nation's production capacity. According to Chinese statistics, the production of synthetic fiber during 1980 reached 440,000 tons. This is an increase of more than 53 percent over the 287,000 tons in 1978 just 2 years before (Note 23). With this sudden increase, the amount of total fiber raw material accounted for by synthetic fibers increased to 9 percent in 1979 (Note 24). Needless to say, this level of development still places the country far behind the leading countries of the world.

Now, the development of China's synthetic fiber industry ran into the unexpected reversals in the expected expansion of crude oil production, and the future of oil production did not seem too rosy. Crude oil production in China had been achieving the high rate of growth of about 20 percent a year up to the middle of the 1970's, but this rate of growth decreased as the latter half of the 1970's was entered, and the plateau of 100 million tons was attained in 1978 and is the level presently being maintained. There was a slight decline in production from the preceding year (0.2 percent) in 1980 (Note 25). There is the pessimistic prediction that production in 1985 will be roughly 10-20 percent lower than the present 100 million tons (Note 26).

Added to the stagnation in production is the domestic oil consumption which is growing beyond anticipated levels, and export capacity of oil is sharply declining. The volume of export to Japan which is the largest importer was established by a long-term Japan-China agreement signed in 1978 which called for 9.5 million tons in 1981 and 15 million tons in 1982, but it was reported last fall that only about 8.3 million tons can be exported in these 2 years, with an even more bleak outlook that this year may see an even further cut in exports (Note 27). In this manner, the strategy to use foreign exchange balance obtained by the export of oil to introduce leading plant technology from foreign countries and thereby accelerate modernization was quickly quenched. It is clear that the reinforcement in economic readjustment planned from this year on through the introduction of plant technology mainly through large project construction had to be suspended because of a large miscalculation of the oil supply picture.

Except for the plant tied in with the Shanghai Baoshan Steel Plant, the large projects whose construction had to be suspended were all petrochemical industry related plants. China's crude oil is mainly heavy crude, and it is said that the content of naphtha which is the raw material for the petrochemical industry is extremely low (9.4 percent in the oil from the Taching oilfields and 6 percent in the Shengli oilfields in Shantung) (Note 28). If the production capacity of the petrochemical industry should sharply increase, there will be need for that much more raw materials over what is normally needed. For example, even if the project were completed, it can be assuredly predicted that full operation would not be possible because they would face lack of raw material, and this is thought to have been the factor responsible for the drastic actions that were taken.

If now "5 million tons of crude oil can be drilled, 1 million tons of synthetic fiber can be produced. One million tons of synthetic fiber is equivalent to 20 million dan (1 dan is 50 kilograms) raw cotton" (Note 29), but this optimistic outlook on the future of China's synthetic fiber industry clearly needs to be reassessed.

At the same time, there are reviews and studies being directed on methods of plant technology introduction with regard to the construction of synthetic fiber integrated complexes (Note 30).

III. Developing the Latent Capacity of Existing Synthetic Fiber Enterprises

Up to the present time, the textile industry of China was mainly based on developing its existing enterprises through technological innovations and improvements to "develop their latent capacity" (this is called "Wagian" in China). One classic example is the development of the Shanghai textile industry, the country's largest textile base.

During the 30 years since the founding of the country, there was no basic hope for construction of new plants for Shanghai's textile industry. In addition, close to 100 plants moved or shifted to inland areas. There was roughly a 20 percent reduction in the all important spindles and machines respectively, and there was a reduction in the work force to 400,000 from a maximum of 430,000. Despite this decrease in facilities and workers, the production of the Shanghai textile industry increased 6.5 times during this 30-year span, and labor productivity is said to have increased 3.8 times (Note 31).

This display of developing latent capacities through technological innovation and improvement of old plants rather than through the construction of new ones is well shown by the accompanying statistics. The country invested 510 million yuan to improve the old plants in Shanghai over this 30-year period, but during this period the textile industry of Shanghai turned in 42.6 billion yuan to the government coffers in profits and taxes. There was a return of 83.6 times in the country's investment through taxes and profits (Note 32). Because of this development, the textile industry of Shanghai produces 24 percent of the nation's textiles, and its profits account for 31 percent of the nation's total, despite the fact that its labor force is but 14 percent of the nation's textile labor force. It is also said that textile exports from Shanghai during recent years accounted for about half the total textile exports (Note 33).

Although the Shanghai textile industry is making this large contribution to the nation's effort, there is still a wide gap between the production and the country's and people's needs, as well as a wide gap between the levels of these plants compared to the levels of the leading countries. Many problems are present. For example, many of these products do not have sufficient competitive strength on the international market, many of the plants are crowded and have not been repaired for a long time, there is inadequate capacity for weaving cotton, wool, and synthetic fibers, so the needs of the finishing processes which follow are not adequately filled, there is no balance between the production facilities and the health, welfare, and recreational facilities at the different plants, and past practices such as low regard for improvements in workers, living standards are coming to haunt them (Note 34). The principal factor responsible for these problems is the very small investment made in the textile industry during past years. If the data presented above is reworked, the investment the country made in Shanghai's textile industry amounted to but 1.2 percent of the taxes and profits which the industry turned in.

If now this past policy of bringing out latent capacity to develop the textile industry were to be followed, there may be need for a fixed rate of investment. As mentioned before, there is great likelihood that with the economic readjustments taking place, China's investment in the area of the textile industry will increase over the past. On the other hand, China's present structure is such that there is a built-in limitation to this increase. This is why the people in charge of the Shanghai textile industry are considering means to increase profits and retain a portion of them for improvements to the old industry and to develop productivity as a premise for improving the group welfare (such as quarters) of the workers and increase worker bonuses and thereby reverse the "practices" of the past. This method is called "enterprises nurturing enterprises and using their own efforts to modernize themselves" (Note 36).

Now, the Textile Industry Bureau of the city of Shanghai is operating on the premise of retaining all profits and has guaranteed that production, profits, and export will increase gradually at the rate of 8 percent/year over the next 5 years. With such a guarantee as premise, 90.5 percent of the total profits from the enterprises under the umbrella of this textile bureau will be paid to the government and the remaining 9.5 percent will be retained. Since the 9.5 percent retained will be kept for 5 years, naturally there will be an increase in the absolute value of retained profit as the total profit of this bureau increases.

This total retained profit will be disbursed in the manner that 40 percent will be directed toward developing productivity while 30 percent each will be directed to the group welfare and bonuses for the workers. It is hoped that during the 5 years starting in 1979 a total of 512 million yuan will be available as retained profit production development funds, and this amount will be very close to what the government invested in the textile industry of Shanghai during the 30 years since the founding of the country. It is also said that roughly 40 percent of the sum allotted to the group welfare of the workers will be used for quarters construction (1 million square meters).

In this manner, the characteristic feature of this profit retention plan being followed by the textile industry of Shanghai is not based on individual enterprises but on the city's textile industry bureau as the unit. There are more than 430 textile enterprises under the jurisdiction of this bureau, and each enterprise belongs to one of 11 corporations (for example, cotton textiles, knitted goods, wool and linen, etc) established by industry under the bureau (Note 37). A portion of the total profits of these 430 enterprises will be retained by this bureau and then be distributed to the bureau, corporations and enterprises. For example, the funds from the retained profits earmarked for production development have been estimated to come up to 512 million yuan in the 5-year period starting in 1979, as mentioned before, and 200 million yuan will be retained by the industry bureau, 100 million yuan will be retained by the corporation, and the remaining 212 million yuan by the enterprises (Note 38). This distribution of profit to the corporations' enterprises has merit in that the innovations and improvements which each industry deems very important and which are important from the standpoint of the Shanghai district textile industry overall can proceed as planned.

This profit retention with the bureau as the basic unit is said to be advantageous also from the view that the "imbalance between sweet and bitter" brought about by external conditions can be overcome. Under the situation in our country, the size of the profit is not determined by how well the enterprise is doing but by occasional price increases. A portion of the goods will return greater profit when the price is high, while a portion will return greater profit when the price is low. In this manner, it is not strange that considerable differences in profit levels can arise depending on the type and array of products between industries and enterprises. This is the phenomenon of the so-called "imbalance between sweet and bitter." Taking the example of the Shanghai textile industry, the printing industry through the development of polyesters, mixed cotton fabrics, and medium-length fiber fabrics yielded a profit of 382 million yuan in 1979 by the effort of 26,000 workers. Now, the towel and sheet makers working mainly with purely cotton products while employing 25,000 workers or nearly the same work force as the printing industry was able to reap a profit of only 70 million yuan during 1979. Even within a given industry as, for example, the 19 polyester mixed-product enterprises coming under the cotton textile industry and the 12 enterprises working purely with cotton products showed differences 6-7 times in their profit levels despite the same size labor force (Note 39). It boils down to the situation where mixed synthetic fiber product is more profitable than purely cotton product, and the differences in profit levels between industries and enterprises become greater than necessary bringing out the so-called "imbalance between sweet and bitter" phenomenon.

In order to resolve this matter, the Shanghai Textile Industry Bureau first of all established different profit retention rates according to industry in the process of distributing the total profits of the bureau between the different corporations and the lower-level enterprises, while the amount distributed to individual enterprises within a given type of industry is figured on an internally calculated price rather than the going price. This internally calculated price has no relationship with the commercial departments or consumers and is designed to make for a more rational calculation of the retained profit by each enterprise within a given type of industry (Note 40).

Any revision in these differences in profit levels between industries and enterprises arising from irrationalities in the going price system must come from overall revision of the primary going price. If the adjustment in going price is effective throughout to even adjust to retail price of the consumer goods, there will be some large effect on the people's livelihood. This is why this is something which cannot be readily started unless the proper conditions are set up, and it should not be started. For example, in order to revise the irrational difference in profit levels between industries and enterprises under the going price setup, the method presently in use by the Shanghai Textile Industry Bureau may be evaluated as the next to the best solution. At the same time, should the internally calculated price be able to provide sufficient adjustment capability, it may serve as a basis for future price adjustments.

To be sure, this method of profit retention based on the bureau of the Shanghai textile industry as the unit recognizes the retention of profit by the bureau or by a corporation, and the effect on expansion of autonomy of the lower-level enterprises can be discounted that much. In the particular situation in which the profit retained by the bureau or corporation is used to make technological innovations or improvement considered important for the whole industry, it is often the case that small enterprises are not included, and there seems to be considerable dissatisfaction in them. Consequently, the profit retained by the bureau or corporation should fall within a range necessary to adjust for "sweet and bitter imbalance" among enterprises created by such objective factors such as irrationality in the going price according to a proposal which was made (Note 41).

"Developing of latent capacity" through technological innovation and improvement of existing enterprises is also a subject considered by the textile industries of areas other than Shanghai. Let us now look at the practice followed in Hubei Province (Note 42).

The first step is to revise the product makeup and plan to upgrade quality to medium and high-grade products. This type of management is considered the "key" for the rebirth of the textile industry. The Shanghai textile industry leads in this area as well and is regarded as a model. For example, the amount of the total cotton fiber production accounted for by synthetic and mixed fiber systems of Shanghai was 28.02 percent in 1978, but that of Hubei Province was but 14.33 percent. In addition, the ratio of total fabric production taken up by synthetic fiber and mixed fiber fabric was 33.67 percent at Shanghai while that of Hubei was 17.76 percent. Hubei, which has fallen behind in the matter of higher class goods, broader fabric, and synthetic fiber, plans to direct greater effort to rectify the situation.

The second step is to weed out gradually and in planned manner the ancient and dilapidated facilities of the 1920's and 1930's, renovate the facilities of the 1940's and 1950's, and refurbish part of them to leading levels. This practice has been pinpointed as the material foundation for the rebirth of the textile industry. Looking back on the overall situation of the Hubei province textile industry, the machine facilities can be classified according to the following three types: 1) Machine facilities of foreign make obtained during the 1920 and 1930 decades; 2) Textile machinery of the first generation produced by new China (about the level of foreign equipment of 1940 vintage); 3) Standardized second generation product of new China at the level of 1960 machinery. At the present time, the removal and renovation of the class 1 dilapidated equipment of the 1920's and 1930's is the major objective. These machines not only have low productivity and produce poor quality goods, but getting materials and parts is difficult and maintenance is a problem.

The third step is a fundamental improvement in working conditions. This practice is considered an important "assurance" to lessen the exertion laborers put out, improve the quality of products, and improve the situation of the old industry. This is because poor working conditions are a particularly distressing problem of old industries. Improvements and expansions of air conditioning facilities and increased installation of restrooms, change rooms, and toilets are targeted.

The cotton textile plants of Shanghai and Beijing have been using a three-shift, 1-day rest per week type shift system which has been changed to four-section, three-shift, 2-day rest per 8 days system, which is being favorably accepted by the workers (Note 43). Because there is an increase of an extra section, there is that much increase in number of workers, but this is not an unwelcome situation in cities where there are deepening unemployment problems.

In any event, it may be said that the various practices described above being adopted in Hubei Province are a model example of the renovation and improvement policy of existing enterprises of the country's textile industry.

It may be only natural that the enterprises have some definite authority in management in order to carry out these various practices. The expansion of so-called autonomy of an enterprise may become necessary. The expansion of autonomy in the fiscal management area such as profit retention may be the key to this development. This is because such a course will ensure one's own fiscal sources for technological innovation and improvement. In addition to the above, the retention and operating authority over fixed assets depreciation may become a problem in fiscal management. Up till now, the period for fixed asset depreciation has been extremely long (it is generally 25 years in the industrial area), and the reserve rate in depreciation was pegged at the 40 percent level. In addition, there were severe limitations to the use of new technology for the renovation of facilities, and only renovations termed "duplication of antiques" and "freezing of technological advances" could be performed (Note 44). Not only must the depreciation rate of fixed assets be jacked up considerably, but the depreciation through enterprise retention be increased and modification of rigid regulations regarding renovations be made in order to bring about technology innovation and modification of existing old enterprises. Some of these practices have already been introduced in attempts to expand the autonomy of enterprises.

IV. Development of Textile Industries With Special Regional Characteristics

With the passing of 30 years since the founding of new China, there are now textile industries to be found in every province, city and autonomous region throughout the country in varying scales.

Now, the industry locating policy adopted in China up to the present did not fully take into account the abundance of natural resources in a given area, geographical conditions, existing economic foundations or science and technology levels, and the location with respect to the rest of the country. There was a call for a uniform plan to set up a complete industrial system in each district to seek regional economic self-sufficiency. The cultural revolution was the wedge at which time the so-called "Xiao er guan" [small but complete] type establishment of local industrial systems of small-scale industries and different departments and industries were combined together by region (province level) and sometimes even down to the country. These are examples of what was described above.

In order to elevate the industrial departments known as the textile industry in every region, there was a strong trend to line up all different industries together as one set. As discussed before, the textile industry of China is comprised of the 10 types or lines, cotton textile, wool textile, linen textile, silk textile, printing, knitted fabric, secondary products, textile machinery, and weaving materials, and every locality tried to establish at least one of each kind. The plan to take advantage of the local features by extending the advantages of each region and exploiting the superior properties was avoided. There were times when such a course was criticized in that it brought out local imbalance. This standardization principle and average principle which prevailed in this industrial regional policy is now undergoing reevaluation in view of the situation that today there are considerable textile industries developed in all the regions. The so-called "develop good points, avoid drawbacks," make use of the advantageous features, avoid the shortcomings; and "develop superiority" (exploit the superior aspects of each region) were proposed as a new policy for locating industry, and it seems to be the direction which future development of the textile industry will take.

When the textile industries of each province, city, and autonomous region of the entire country are considered from the viewpoint of how they extend the advantageous features of the district and exploit their superior nature, they can be classified under the following four types (Note 45):

1. Regions which develop superiority in nature resources. Some specific examples are Jiangsu and Hubei for raw cotton, Xinjiang and Nei Monggol for wool, and Sichuan and Zhejiang for silkworm cocoons.

2. Regions with technological superiority. Shanghai, Beijing, Tianjin, Wuxi, and Changzhou are regions which have superiority through their old and new textile industrial bases. In addition, there are regions with superior technology for special types of industry and products. An example is Zhejiang for silk textiles.

3. Regions with superior management advantages. Specifically speaking, this refers to a situation in which a local product is well known in the market and has gained customer trust, the region is located close to a port for foreign trade, and much skilled manpower is at hand. It is well known that the Shanghai textile industry best fulfills these conditions.

4. Regions which combine two or three of the types of features given above.

The following situations are the limiting conditions which determine whether the superiority of the textile industry of a given locality can be developed (Note 46).

The first situation is that a high production quota increase is imposed on the enterprise (plant) each year, and there is always effort directed at exploiting its production capability fully. This situation is summarized by the word "jin" [literally, urgent, tight]. In other words, this points to a situation in which the production plant is assigned excessive production functions which are always pursued to the utmost. Under this situation, it is a natural consequence that even the textile industry of a region with superiority in technology or management is overtaken by increases in production quotas or production amount making it impossible to concentrate on research for new technology as well as to make use of the results and not even to put more strength into production for export.

The second problem is that the quality, specifications, color, and design of the product are all dictated to the enterprise according to the plans of the departments concerned of the higher level organs while the enterprise (plant) is bound hand and foot by these. This situation is summarized by the word "si" [death]. This pressure from above is so severe that it disrupts the intention of the enterprise to improve quality and increase variety.

The third problem is the situation summarized by the character "san" [dispersion]. This singles out the situation in which every local government level and every industrial department tries to plan development in a dispersed manner through its own "domain."

A problem which the textile industry recently has faced is the numerous newly constructed plants particularly in raw material producing regions (Note 47).

It is said that there are some regions where rural people's communes or production brigades have built their own small-scale spinning and weaving plants, silk plants, or knit fiber plants. The textiles produced by these plants in the raw material producing areas are often of inferior quality and the cost is high. This is why many of them have very limited domestic sales and export is well nigh possible. On the other hand, traditional textile centers such as Shanghai and Tianjin are sometimes faced with raw material problems. In other words, the phenomenon of the small plants being built in the raw material producing regions pushing the large plants of the finishing strongholds by "yi xiao jida" [literally, using the small to push aside the large] is taking place in the textile industry. This makes it difficult to combine the technological and operational superiority of the finishing strongholds with the superiority in resources of the new material producing regions.

The following measures have been proposed in order to resolve the situation described above which limits development of the superior features of the different regions. Some of these measures are already being tried out.

First of all, with respect to the situation termed "jin," targets for the rate of increase in production volume is to be determined in line with the degree to which the special features of the region and enterprise can be exploited. The practice up till the present of ignoring economic effects and going for a high rate of increase in an all inclusive, single-minded effort is now being criticized. In addition, the local textile industry's departments concerned are charged with assigning suitable interrelational target goals. For example, the Shanghai Textile Industry Bureau has already put out the following work rule with respect to this problem. Should there be an inconsistency between production quota and production volume, then production volume will prevail. Should production volume be inconsistent with quality and variety of products, then quality and variety will prevail. Should product variety and foreign exchange acquisition be in conflict, then foreign exchange acquisition will prevail. This is said to be the present setup (Note 48). In addition, the granting of autonomy to the enterprise to determine the targets of the various plans may become one of the future subjects. An even better approach will be to propose an economic policy which will coordinate the making of profit and acquisition of foreign exchange with increase in production quotas.

Let us now consider measures for the situation referred to as "si." Here the subject of market supply and demand adjustments is the main thing. This is now being practiced as one phase of the expansion in enterprise autonomy which was initiated countrywide in 1979.

Let us now look at some specific examples of market supply and demand adjustments practiced in Shanghai, Jiangsu and Zhejiang (Note 49).

1. Holding a new-product display and sales conferences. The price of new products is established by joint determination of the industrial and commercial departments concerned and receives approval from the price control departments.

2. Cooperation between plants and stores. There is the case in which plant and store relationship is one in which the concerned plant and store departments in

partnership and the case in which each seeks its own partner. The latter is the case in which the commercial departments strongly request lowering prices of goods which have been directed from export to internal consumption and that in which the plants look on their own for buyers.

3. Establishment of a new-product test retail section. The greater portion (80-90 percent) of the products actually sold in such retail outlets are goods which have been redirected from export to internal consumption, products which the commercial departments were not able to purchase, or products which were produced beyond the planned production of the plant. New products are seen very infrequently.

4. The so-called "private plot" formula. Just as the farmers are allowed "private plots" to earn income, an enterprise (plant) is allowed to use a part of its machinery (1-5 percent) to produce whatever type product it decides to manufacture, and independent search for a sales outlet is a part of this "private plot" method.

5. The so-called "fusion of industry and commerce." In order to advantageously coordinate production and sales, the plants do not leave the sales of products to the discretion of the commercial departments but themselves perform this function, which is called the "fusion of industry and commerce" method. The ribbon lace industry of Shanghai is one industry which has introduced this method and has been coming up with good results.

All of the above methods represent attempts at somehow easing the rigidity in supply and demand adjustments of the present national plan which is unable to cope adequately with the needs of the constantly diversifying market and also to make up for inadequacies. The fact that the tests being conducted by the Shanghai industry are but tentative first steps is indicative of the situation that the above-mentioned methods involve sales which are but 5 percent of total sales and mostly involve products manufactured under national plans which were originally intended for export but were then rerouted for domestic consumption, and new products are still very scarce. Market tests on demand and supply adjustments show the need for future trends to grant the enterprises greater autonomy in the selection of products to be manufactured, modify the present price structure which does not consider good or bad quality with one in which higher price is assigned to products of higher quality, and induce the country to engage in more energetic encouragement and subsidies for the production of new products.

Finally, let us consider the "San" situation (Note 50). First of all, as far as enterprises which have already been built in a dispersed manner are concerned, industrial association is being promoted whereby a cooperative system with division of assignments is made directed at the production of some final products. Some of these efforts include gradual modification and restructuring of counties and people's communes, even the small-scale textile industries which production brigades of communes have set up. At the same time, there will be a restudy of preferred treatment in the form of a 2-3 year period of tax-free status to facilitate dispersed small industry establishment on the part of people's communes and production brigades (Note 51). In addition, the textile industries of the large cities of Shanghai, Beijing, and Tianjin are supporting the production of raw materials through capital and machinery directed to the regions producing raw materials such as cotton, hemp, wool, and silk and ensuring themselves an established raw material supply channel. This is a type of enterprise link-ups spanning provinces and cities which is being encouraged. Furthermore, when a raw material producing region supplies a production region more than the quantity called for by plan, appropriate measures for suitable compensational disbursement, return of goods, and distribution of profits are taken to encourage greater production of raw materials (Note 52). In any event, it is claimed to be more advantageous that raw material producing regions be encouraged to produce more raw materials through proper incentives than for the raw material producing regions to blindly build inefficient small plants of their own.

V. Strengthening Economic Adjustment and the Textile Industry

Because the economic readjustment initiated in 1979 was not sufficiently effective, plans to strengthen readjustment through some modifications were introduced in 1981. The period of economic adjustment was lengthened from that initially anticipated, and the need to continue this readjustment throughout the entire Sixth Five-Year Plan (1981-1985) was formally acknowledged (Note 53).

In the midst of this economic readjustment which had to be strengthened midway, just what direction in development might be expected in China's textile industry? Let us look at the directions and tasks of the textile industry for 1981 hammered out at the national textile industrial bureau heads' conference held in Beijing between 13 and 23 February 1981 (Note 54).

First of all, the need to respond to changes in consumer activities of the people is required of the textile industry. These changes refer to that phase of the people's existence in which the level of clothing is improving. For example, the portion of the nation's retail sales of consumer goods accounted for by retail clothing sales was 22 percent in 1975 and increased to 25.2 percent in 1980 (Note 56). In addition, the results of a recently published survey of 500 households of staff members and workers living in the city of Shanghai showed not only increased disbursements for clothing, but a greater desire to purchase intermediate to higher grade products (Note 57). That is to say, as of the latter half of 1980, the outlay for clothing increased an average of 2.5 times over 1965 and this purchase accounted for 16 percent of the total outlay for product purchases, which represented an increase from the 14.4 percent in 1965. In this category synthetic fiber, wool, and silk textiles and their apparel products type middle and higher class clothing purchases increased by 6.2 times during this same period, and their portion of the total clothing outlay increased to 47.3 percent from 18.9 percent. In another direction, there was the contrasting phenomenon of the portion of disbursements for cotton textiles and cotton apparel versus the total clothing disbursement decreased from 29.6 percent to 9.3 percent. The living standards of staff members and workers of Shanghai probably is tops in this country, but the results of such household surveys are good indicators of the direction of change in the people's consumer habits.

In this manner, it is anticipated that the people will be making new demands for textile products in terms of quantity, quality, variety, and design. The way in which it responds to these demands of the people is what the textile industry faces. That is to say, where the situation in the past was weighted heavily on increased mass production, the once lightly regarded improvement in quality and increase in variety and grades will probably be in greater demand. At the same time, in view of the differences in income levels of the people, the need for ordinary textile products with low price and low profit margin to provide a market for the low income group and higher class products for higher income people to comply with the various needs of the consumer public has been indicated.

Secondly, there is the trend for investment directed at the textile industry under this economic readjustment. There has been a repudiation in this economic readjustment of the one-sided emphasis on priority to heavy industrial development of the past to an emphasis on light industry, including the textile industry, but this does not mean that the scale in capital construction for the textile industry can be expanded unchecked. The textile industry will probably be required to cut down on its construction scale in a corresponding manner. To this end, construction funds are presently the most important and there probably will be an emphasis on projects with economic effect. Some specific investment to objectives include, first of all, the early completion and initiation of operation of important integrated fiber combined complexes which are presently under construction to resolve the present raw material problem. Next in line is probably investment to expand production capacity of the wool industry which at present is beset with demand and supply difficulties. Doubling wool production over the next 5 years is planned. In addition, the finishing and regulating of various textile products after printing are said to be weak, and investment in the renovation and modernization of machinery and facilities in this area is one of the points being emphasized.

In the third place, should the scale of capital construction be cut down, there may be even greater demand to exploit the capabilities of existing enterprises to the limit. One approach which may be necessary is modifying the technology of existing enterprises. Another approach which may be necessary is reorganization, modification, and promotion of combining enterprises spotlighting specialization.

NOTES

(Note 1): "China Yearbook 1980," Beijing 1980, 331 pages. See reference material 1 of this report.

(Note 2): Trade Promotion Headquarters of Japan, "China's Economy as Seen From Japan," Tokyo, 1980, 105 pages.

(Note 3): Statement by a member of the Textile Industry Ministry at a briefing on the occasion of a visit in February 1981.

(Note 4): NCNA Reporter's Commentary "Give a Proper Place to Light Industry and the Textile Industry," RENMIN RIBAO 30 May 1979.

(Note 5): Same as above.

(Note 6): ZHONGGUO SHEHUI KEYUE, No 3 1980, p 32.

(Note 7): JINGJI JANJIU, No 1 1980, pp 8-9.

(Note 8): Ibid., No 3 1980, p 38.

(Note 9): Same as (Note 4).

(Note 10): Editorial in RENMIN RIBAO 2 February 1980. See Note 3 in this report.

(Note 11): SHEHUI KEXUE, No 2 1980, p 81.

(Note 12): Same as (Note 10).

(Note 13): Same as (Note 4).

(Note 14): Editorial in RENMIN RIBAO, 23 January 1981.

(Note 15): Same as (Note 10).

(Note 16): RENMIN RIBAO, 19 January 1981.

(Note 17): Hua Guofeng, Government Activity Report (RENMIN RIBAO, 26 June 1979).

(Note 18): Same as (Note 10).

(Note 19): Same as (Note 14).

(Note 20): Same as (Note 10).

(Note 21): Textile Industry Ministry's Research Office, "Prospects and Development of New China's Synthetic Fiber Industry" (RENMIN RIBAO, 24 September 1979). See Note 2 of this report.

(Note 22): NCNA item, 18 February 1981 (ZHONGGUO TONGYIN, 23 February 1979).

(Note 23): RENMIN RIBAO, 17 December 1980.

(Note 24): Same as (Note 1).

(Note 25): ASAHI SHIMBUN, 13 February 1981.

(Note 26): ASAHI SHIMBUN, 13 February 1981.

(Note 27): ASAHI SHIMBUN, 14 February 1981.

(Note 28): Editorial in NIPPON KEIZAI SHIMBUN, 10 February 1981.

(Note 29): Same as (Note 21).

(Note 30): See Notes 7 and 8 in this report.

(Note 31): Wu Fumin and Chen Ifana, "A Base From Which To March Towards Modernization," SHEHUI KEXUE, No 2, 1980.

(Note 32): Same as above.

(Note 33): Same as above, p 82.

(Note 34): Same as above, p 83.

(Note 35): Same as above, p 84.

(Note 36): Methods adopted for retaining profits by the textile industry include, in addition to the one used by the city of Shanghai, the methods of base figure profit retention + increased profit retention. This is a method which has been adopted on a trial basis by other industrial departments since 1980. In addition, there was a change from enterprise profit payment to an enterprise tax payment, and a method of giving bonus money as a means of using taxed profit to improve the welfare of the workers of the industry and to develop productivity is said to be in effect at some of the enterprises of the textile industry system in Szechwan Province (according to what was said at a briefing during a visit to China in February 1981). For the details of the profit retention system, see Akira Fujimoto's "Expansion of Enterprise Autonomy in China" (KYOSAN SHUGI TO KOKUSAI SEIJI, Vol 5 No 3) and Akira Fujimoto "Reform of China's Fiscal Management System" (Kobe University, KEIZAIGAKU NENPO, No 27). The explanation of profit retention by the Shanghai Textile Industry Bureau was mainly taken from (Note 31).

(Note 37): According to a briefing attended by an office member during a visit in February 1981.

(Note 38): JINGJI GUANLI 1981, No 1, pp 14-15.

(Note 39): Text of (Note 31), p 84.

(Note 40): Please refer to Reference Material 11 of this report for experiences in evaluation of enterprise achievements through internally calculated values by the Cotton Textile Industry Corporation of Shanghai.

(Note 41): Text of (Note 38), p 15.

(Note 42): The explanation of the management in Hubei Province given in this text was mainly taken from Jiang Chutang's "An Important Task To Rapidly Upgrade the Textile Industry," (JINGJI GUANLI, 1980, No 1). See Reference Material 9 of this report for a translation of this article.

(Note 43): According to an individual who attended a briefing during a visit in February 1981.

(Note 44): Sun Zhifang, "On the Need To Overhaul the Equipment Management System of 'Reproducing Antiques and Freezing Technological Progress,'" HONGQI, No 6, 1979, p 24.

(Note 45): "View 'Developing Good Points and Avoiding Drawbacks' From the Point of View of the Ministry of Textile Industry," RENMIN RIBAO, 25 July 1980. The translation of this article is in Reference Material 4 of this report.

(Note 46): The explanation of the situation given in this text was mainly from (Note 45).

(Note 47): The explanation here is mainly taken from "The Small Must Not Squeeze Out the Large," RENMIN RIBAO, 17 November 1980. A translation of this article is in Reference Material 6 of this report.

(Note 48): Text of (Note 45).

(Note 49): "The Market Must Also Be Adjusted for Such Major Consumer Goods as Textile Products," JINGJI GUANLI, No 8, 1980, pp 36-37. A translation of this article is in Reference Material 6 of this report.

(Note 50): According to text of (Note 47).

(Note 51): The tax exempt status from industrial and commercial taxes and income taxes was abolished as of 1 April 1981 (NCNA, 14 February 1981).

(Note 52): Editorial of (Note 14).

(Note 53): NCNA Commentary (ZNONGGUO TONGXIN, 3 February 1981).

(Note 54): [missing]

(Note 55): RENMIN RIBAO, 24 February 1981.

(Note 56): Ibid, 22 February 1981.

(Note 57): JIEFANG RIBAO, 1 February 1981.

2267
CSO: 8029/0109

INDUSTRY

'RENMIN RIBAO' ON ACTIVATING HEAVY INDUSTRY

HK071425 Beijing RENMIN RIBAO in Chinese 30 Nov 81 p 5

[Article by Qi Jian [7871 0256]: "How to Activate Heavy Industry in the Period of Readjustment"]

[Text] Our purpose in activating heavy industry at present is to further implement the principle of readjusting the national economy so as to enable our economy to maintain a certain rate of growth, to rationalize the economic structure and to improve the economic effect. An article entitled: "Activate Heavy Industry to Maintain a Certain Rate of Growth" (carried by this newspaper on 16 October) stressed the significance of activating heavy industry in an effort to maintain a certain rate of growth but hardly dealt with the question of what should be done by heavy industry during the readjustment period. This article deals with this question.

Owing to the influence of leftist guiding ideology that existed for quite a long period in the past, we one-sidedly stressed the importance of developing heavy industry and such a practice resulted in an abnormal structure which was characterized by paying too much attention to heavy industry and neglecting agriculture and light industry, which affected the development of the national economy. One of the important tasks in readjusting the national economy is to put agriculture in an important position and at the same time to step up the development of light industry and slow down the rate of growth of heavy industry so as to readjust the proportionate relations among agriculture, light industry and heavy industry. We have done such work over the past few years with considerable achievements. Good achievements have been made in agricultural production while light industry has been developing faster. The proportion of light industry in 1978 was 43.1 percent of the gross industrial output value. In September this year, it increased to 50.6 percent. The proportion of heavy industry was readjusted down from 56.9 percent to 49.4 percent. As the growth of heavy ndustry has been slowed down, we have consequently been able to use the necessary energy to develop light industry faster so as to ensure market supply, basically stabilize prices and improve people's living standard. The relations between agriculture and industry and the structure within industry has begun to harmonize and this situation has created favorable conditions for further improving the basic proportionate relations of the national economy such as the relations between the two big categories and the relations between accumulation and consumption. It is imperative, from the viewpoint of improving economic effect, to slow down the development of heavy industry.

The profit and tax revenue created by 100 yuan of funds in light industry is much higher than in heavy industry. Statistics show that in 1957, the former was 170 percent higher than the latter while in 1980 it was 210 percent higher. The consumption of energy to create 100 million yuan of heavy industrial output value is about 400 percent higher than light industry. Our gross industrial output value last year was 8.7 percent higher than the previous year and total energy consumption only increased by less than 1 percent. As the proportionate relations between light industry and heavy industry have been readjusted, the economic effect in the utilization of energy has been improved. Last year we saved 35 million tons of standard coal, of which 22 million tons were the result of the improvement in the structure of light industry and heavy industry. If we had not taken any measures to slow down the development of heavy industry, we would not have been able to guarantee the energy that was needed for the growth of light industry last year or this year.

The above-mentioned facts prove that it is imperative to slow down the development of heavy industry during the readjustment period. But some problems have cropped up this year and these problems merit our attention. That is to say, our heavy industry once dropped too drastically and there were objective reasons for such a drop. For quite a long period in the past, our heavy industry was mainly serving its own capital construction. But this year, our capital construction has been drastically curtailed. Consequently, orders for equipment and the purchases of the means of production have decreased and as a result, a number of heavy industrial enterprises did not have production tasks or operated below capacity. But there were also subjective reasons. For example, some comrades misunderstood the slowing down in the development of heavy industry as meaning that the industry was no longer important and consequently they regarded the existing heavy industry as a "burden." Some other comrades did not take active measures to readjust the structure of heavy industrial products and the service orientation of the industry, instead, they just maintained the situation of the industry and advocated that there should be "no changes in orientation and products, no laying off of staff and workers and no changes in equipment; tide over the readjustment to make a comeback." These comrades did not really understand the importance of readjusting heavy industry; on the contrary, they even bore resentment against the principle of readjustment. Because of the influence of such thinking, they decreased the output of products that should not have been decreased or decreased too drastically. Such practice not only hindered the readjustment of heavy industry but also hindered the readjustment of the national economy. If we do not overcome such subjective and objective reasoning and do not strive to change the trend of an excessive drop in heavy industrial production, we will only cause new difficulties for the national economy.

Can we say that to strive to maintain a certain rate of economic growth means that heavy industry should have the same rate of growth as light industry? No. We said that at present, light industry must develop faster than heavy industry. But we must also understand that industrial development is limited by various objective conditions. And first of all is the limitation of energy. No doubt, there are bright prospects for our country in developing energy, but for the next few years it can only be developed slowly and therefore we must mainly rely on saving energy in developing our industry. We have a big potential for saving energy but it needs a process to fully display such potential. Calculation shows that under the situation in which other conditions remain unchanged, the consumption needed for an increase of 1 percent in the growth of our heavy industry will cause the growth of light industry to drop by 4 percent. Therefore in order to ensure the energy that is needed for a faster growth of light industry, we cannot but limit the supply of energy for heavy industry. Under the present conditions in which the supply of energy is tight, it is impossible to demand that heavy industry develop at the same, or at a similar, pace as light industry. Otherwise, the growth of light industry will be drastically slowed down and such a situation is undoubtedly wrong. The development of heavy industry is also limited by other conditions such as the service orientation of the industry and the irrational structure of heavy industrial products. Therefore we must proceed from the present situation to minimize the development of heavy industrial production and strive to stop the drop so that production will gradually increase. Of course, because of different circumstances, the growth of heavy industrial production in one place may differ from other places.

How to activate heavy industry? The key point is to continue to readjust the service orientation of heavy industry and the structure of heavy industrial products and expand the range of service so as to meet the demand of customers. The demand of our national economy for heavy industrial products is enormous and covers many aspects and the demand has not been fully met. For example, the demand of the population in urban and rural areas for certain durable consumer goods is enormous; many peasants need enormous building materials to build their own houses. Following increases in the income of the urban and rural population, the demand for light industrial products will certainly increase and consequently light industry demands that heavy industry supply more means of production. The development of agricultural production also demands that heavy industry supply more and better products. The renewal of equipment and technical innovation in enterprises in particular makes new demands on the part of heavy industry. All these are favorable conditions for activating heavy industry. Heavy industrial departments such as machine building and metallurgy must be further diverted to the correct road of serving the technical innovation of the existing enterprises, serving the home market of agriculture and light industry, expanding exports and serving the modernization of national defense. Many enterprises have done this and surmounted difficulties, thus making contributions to the national economy as well as their own healthy development.

We must be resolute in preventing ourselves from committing again the previous mistakes of blindly developing heavy industry. We must prevent the misunderstanding which regards that by advocating the activation of heavy industry it is not necessary to readjust service orientation and the structure of heavy industrial products, to close down, suspend and merge enterprises and divert them to other production where necessary and to cut back where necessary. We must uphold the principle of realizing the proportionate relations among various economic departments with the main purpose of developing the production of consumer goods. Heavy industrial production must also be arranged according to this principle so that it will be in the interest of fulfilling the tasks of readjusting the economy. This is the correct way to activate heavy industry.

It is imperative for us to pay attention to economic effect in activating heavy industry. To improve economic effect is the key point in our economic work. But for quite a long period in the past, the economic effect of our heavy industry was very bad and no considerable improvement was made over the past few years. It merits our attention that since this year, the quality of some heavy industrial products has dropped while the consumption of energy and raw materials has increased. One of the key points at present in improving the economic effect of heavy industry is to readjust service orientation and the structure of heavy industrial products so that heavy industrial production will accord with social needs. In the process of implementing the principle of readjusting, restructuring, reorganizing and upgrading, it is imperative to enable heavy industrial departments to work hard to improve quality, increase variety and lower consumption and costs so that it will be able to meet the needs of the national economy. A number of heavy industrial enterprises have been able to improve economic effect after decreasing production according to plan and consequently handing over more profits to the state. For example, the steel output of the Shoudu iron and steel plant in the first quarter of this year was 17,000 tons less than the same period last year; but the plant was able to increase profits by 14.8 percent. The Fushun No 2 oil refinery processed 100,000 tons less crude oil in 1980 than 1979, but it increased profits by 61 million yuan while the profits that were handed over to the state increased by 37 million yuan. The volume of crude oil processed by the refinery in the first half of this year again dropped by 2.7 percent, yet the profits continued to increase by 2.6 percent. These enterprises have the common features of improving management and carrying out technical innovation. As a result, they were able to improve quality and lower costs and produce salable products that are in line with market demand. We must popularize the experiences of these enterprises so as to improve economic effect. As the service orientation of heavy industry and the structure of heavy industrial products are becoming more rational and economic effect is improving rapidly, our heavy industry will be able to develop healthily and make greater contributions to the national economy and the modernization program.

In short, in activating heavy industry we must handle well the relations of economic growth, economic structure and economic effect. With regard to the view which considered the speed that can be reached as "leftist," the previous article pointed out that economic growth is the basis for a change in economic structure. Such a definition is based on the general trend in the development of social history. From the historical viewpoint, the structure of the manufacturing industry, the structure of distribution and the structure of consumption will change along with the growth of the economy. But it is not complete because it does not stress the significance of the important role of the economic structure in developing the economy and the proportionate relations during the current readjustment. The history of economic construction in our country over the past 32 years shows that the economy will be able to grow healthily and better economic effect is guaranteed only when the economic structure and proportionate relations are rational; otherwise they will affect the growth of the economy as well as the economic effect.

CSO: 4006/166

BEIJING RADIO INTERVIEWS ZHEJIANG'S TIE YING AT NPC

OW140623 Beijing in English to North America 0000 GMT 9 Dec 81

[Text] Premier Zhao Ziyang told the NPC last week that, compared with the corresponding period of last year, China's gross industrial output dropped by 0.2 percent in the first quarter and increased 1.7 percent in the second quarter. In the third quarter, it was up 3 percent, and in October, 10 percent. Zhejiang Province, in coastal east China, is among those regions leading the country in industrial development. Radio Beijing's correspondent (Chen Feng) talked with the first secretary of the CCP Committee of Zhejiang Province, Tie Ying, who is attending the NPC session in Beijing as a deputy.

Tie Ying wrote out some figures for Zhejiang's industrial growth since December 1978, when the country's economic readjustment program began. The rate of increase was close to 18 percent in 1979 and 27 percent in 1980. Industrial output from January to October this year was 12 percent over the same period last year. Light industry is taking up an increasingly bigger proportion in the province's total industrial output value. It will reach 63 percent this year.

Tie Ying said such a fast rate of increase has had no parallel in his province. Compared with 1976, profits and tax income from industry last year have risen more than threefold. Tie Ying explained how this was achieved.

He said: To put it in a nutshell, it is possible because they had carried out the policies and principles on economic readjustment laid down by the CCP Central Committee and they had done so in light of concrete conditions in Zhejiang. Zhejiang has a good climate with plenty of rainfall, making it extremely favorable for growing all kinds of crops. Moreover, Zhejiang has a fairly good foundation in light and textile industry. The province, therefore, decided to develop a diversified economy instead of developing only grain production. Now, many counties have set up bases for growing raw materials to feed the light industry. As a result, besides a slight increase in the grain output, 1981 has seen major increases in the output of tea, oranges, rapeseeds and so on. There has been a boom in rabbit raising, which is guaranteeing an ever-growing supply of rabbit fur for the woolen textile industry. Flexible policies with regard to purchasing prices and taxation have boosted the peasants' initiatives.

Another reason for the fast rate of industrial growth in Zhejiang Province is the reorientation of heavy industry. This again is part of the central government's readjustment policy. While, in the past, heavy industry served almost only heavy industry, it was now reorientated to serve light and textile industry, that is, to supply the equipment for retooling and technical transformation of the factories producing textile and other consumer goods. In this way, heavy industry in Zhejiang Province has maintained an annual growth of 5 percent when it dropped for the country as a whole.

Tie Ying also gave credit to the rapid growth of collectively-owned and commune-run factories. He said their production accounted for 40 percent of the province's total industrial output value. These factories are encouraged under the present policy as a supplement to state-run enterprises.

Tie Ying also described the effort made to renovate existing factories, which has resulted in the fast growth of output value. He said the funds used for technical transformation this year was more than 10 times that as in 1978, and most of the money was spent on retooling the light and textile industry and for energy conservation. Zhejiang Province, Tie Ying said, has very little coal, and therefore, a shortage of fuel. Remodeling boilers with a mind to saving coal consumption has been a major task. Much has been achieved in this respect by the small chemical fertlizer plants in which the province abounds. The province has also built a good number of small hydroelectric power stations and popularized methane gas and bone coal.

Industrial development in Zhejiang Province is now in orbit. The readjustments are beginning to show their effect. A more rational industrial structure is taking shape. Tie Ying looks with confidence to a steady growth in the coming year.

CSO: 4020/51

BRIEFS

JILIN LIGHT INDUSTRY--The Changchun First Light Industrial Bureau had prefulfilled the annual production plan by 27 days as of 4 December. The total output value reached 288.33 yuan, an increase of 15.3 percent over the corresponding 1980 period. [SK091008 Changchun Jilin Provincial Service in Mandarin 2200 GMT 8 Dec 81]

XINJIANG WOOLEN GOODS PRODUCTION--From January to September this year, Xinjiang region increased production of woolen goods by 36.1 percent over the corresponding period last year. In addition to production of woolen goods, regional production on the whole also increased to varying degrees. In the wake of increased production, the income of the masses increased and their livelihood improved. As a result, the people's purchasing power also increased. From January to September, some 21 million polyester cotton and synthetic fabric garments were sold, an increase of 42.4 percent over the corresponding period last year. [HK020626 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 19 Nov 81]

GUANGDONG MUNICIPALITY'S INDUSTRIAL PRODUCTION--Shenzhen Municipality has developed industrial production relatively quickly this year. By the end of October, the municipality had fulfilled its total industrial output value of some 120 million yuan, which was 76 percent more than in the corresponding period last year. The municipality fulfilled its total industrial output value for this year 2 months ahead of schedule. The municipality has developed light industry more quickly than heavy industry, especially its production of electric appliances. By the end of October, the municipality had fulfilled its light industrial output value of some 114 million yuan, which accounted for 93 percent of its total industrial output value and was 80 percent more than in the corresponding period last year. The municipality has carried out mass production of quality bedsheets, radio-cassette players, black and white TV sets and quality furniture. [HK150330 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 7 Dec 81]

CSO: 4006/166

SHENYANG COMPANY CHECKS BACKDOOR DEALINGS

SK130557 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 11 Dec 81

[Text] Shenyang Municipal Foodstuffs Company and its subordinate egg and poultry buying and selling stations recently engaged in backdoor dealings with commercial units and individuals which have relations with the company or its subordinate stations.

According to initial statistics, in the 3 months between 15 August and 15 November, these stations sold through backdoor dealings some 30,000 jin of eggs and 1,o00 jin of beef and mutton at parity prices. Why does the foodstuff company repeatedly engage in backdoor dealings regardless of the party's discipline?

As far as can be understood, leaders of the foodstuff company and its subordinate business stations are afraid of three things. First, they are afraid of offending the higher authorities. They have satisfied all demands advanced by personnel of the higher authorities regardless of whether the demands are reasonable or not. For instance, these buying and selling stations have sold foodstuffs through backdoor dealings at the demand of a higher department on 30 occasions since 15 August.

Second, they are afraid of offending business units. For instance, they dare not hurt the feelings of personnel working at the (Dacheng) railway station for fear they would make things difficult for the company.

Third, they are afraid of offending business units and causing bad consequences for the workers. For instance, they have readily agreed to sell 800,000 jin of good eggs to a mess hall responsible person of the Shenyang Municipal Liquefied Gas Administrative Office.

Because of these fears, the company CCP Committee hesitates to check backdoor dealings. The company and its subordinate units urge persons at the upper and lower levels to check unhealthy tendencies and to strictly punish those who make things difficult for persons refusing to engage in backdoor dealings.

Why does the Shenyang Foodstuffs Company fail to check backdoor dealings? We blame the company leaders for their lax and weak leadership and their lack of determination in dealing with these cases. Nevertheless, we must not forget to blame the officials and persons who come to do backdoor dealings and who we cannot afford to offend. Our province still has many officials who exploit their positions and power to seek personal gains. The three fears stated by the Shenyang Municipal Foodstuff Company are of significance. This episode tells the people that to check the unhealthy tendency of backdoor dealings, we need the efforts of all quarters. Those who make things difficult for persons refusing to help them engage in backdoor dealings must be strictly dealt with. In doing so, we can stop backdoor dealings.

CSO: 4006/166

BRIEFS

GUANGDONG COMMODITY PRICES INSPECTION--A joint provincial and municipal group for inspection of commodity prices was officially established in Guangzhou on 28 November. Yang Deyuang, the vice governor of the province is the group leader while the vice mayor of Guangzhou Municipality, Zuo Ming, is the deputy group leader. The main duties of the inspection group are implementing the notice of the Provincial People's Government on stabilizing commodity prices and adopting measures to ensure that the prices of daily commodities are stable. At the same time, the inspection group will investigate and rectify the internal problems of all state-owned businesses, supply and marketing cooperatives, as well as industrial and commercial enterprises. The inspection group will send sub-groups to carry out investigations in Guangzhou Municipality and in other regions. The investigation starts on 1 December and will last for about 1 month. [HK031448 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 28 Nov 81]

CSO: 4006/166

FOREIGN TRADE

SPECIAL ECONOMIC ZONE AT SHENCHUAN TO SUPPLY FOOD TO HONG KONG

Guangzhou YANGCHENG RIBAO in Chinese 28 Oct 81 p 2

[Article by Lei Qiang [7191 1730] and Li Kaiyun [2621 7030 0061]: "How Shenchuan Agriculture Adapts To Development of Special Economic Zone"]

[Text] Shenchuan Prefecture wants to build a special composite economic zone with diverse trades and industries including processing industries for exports, housing industries, the tourist trade, and agricultural sideline industries to take advantage of its geographical position and economic conditions. In this special composite area, agriculture will occupy the major position, and as the economy of the special area develops, agriculture will increasingly demonstrate its important role. How to make Shenchuan's agriculture adapt to development of the special economic zone is an important problem currently requiring examination.

Shenchuan City is located on the east bank of the Pearl River, mountains at its back and the sea at its front. It is adjacent to British Kowloon, and is a land of plenty on the Pearl River delta. It possesses natural advantages for the development of agriculture. Looked at in terms of construction of the special economic zone itself, supply of fresh produce markets in Hong Kong and Kowloon, and rapid increase in the income of the masses in the special zone, vigorous development of Shenchuan's agriculture will be required. Right now vigorous action has to be taken to gradually change the backward condition of Shenchuan's agriculture to meet the requirements of development of the special economic zone.

1. Vigorous Building of High Quality Fresh Produce Production Base. During the past 2 years, for the purpose of increasing goods available for foreign trade and to supply market needs, Shenchuan has constructed a group of fresh produce production bases. However, for various reasons development of these production bases has not been balanced. Some of them have played a very good role while others either contracted or stopped operating after a period of development, and some of them never went into operation at all. Shenchuan's chicken raising industry was one industry that worked out fairly well and developed fairly rapidly. In 1978, it provided only 30,000 chickens for export. In 1979, it provided 300,000; in 1980, 630,000; and during the first half of 1981, the number reached 530,000. It is estimated that 1.3 million will be provided for the entire year. There are 36 chicken farms in continuous operation and raising more than 1 million chickens. Once the problems of supply of mixed feeds and seedlings for perennial crops have been

solved, the chicken raising industry can develop to become quite large. At the present time, mass enthusiasm for the raising of chickens is very high. While the quantity of chicken sales in Hong Kong and Kowloon annually reaches 36 million, China exports only 10 million annually. The potential for chicken sales to Hong Kong-Kowloon market is very great, so we must continue to consolidate the vigorous development of these old chicken raising bases in order to expand the Hong Kong-Kowloon market and meet the needs of the special zone.

Shenchuan currently has only somewhat more than 5,000 mu export vegetable base. Figuring 3 li [0.66 square meters] of vegetable land per urban resident, Hong Kong and Kowloon, with a population of more than 5 million, will need 150,000 mu of land for vegetable production. Therefore, if Shenchuan's advantages for taking a predominant position in the Hong Kong-Kowloon vegetable market are to be exploited, in addition to efforts of other kinds, it is necessary as well to gradually enlarge the growing area of the vegetable production bases.

Shenchuan's hog raising has also seen fairly great development with the building of 126 fairly large hog farms and 900 small hog farms with an investment of 3.8 million yuan. Later on because of failure to solve the problem of seedlings for perennial crops, a cessation of importation of mixed livestock feeds, and no implementation of policies, 220 hog farms went out of business throughout the city this year, and the number of hogs raised declined in a straight line. In 1978, 276,000 head were raised, but by 1980 only 160,000 head were raised, a loss of more than 100,000 head. Now the masses raise native breeds of hogs, for the most part, and feed them locally obtained feeds. Local breeds of hogs have much fat and little lean meat, sell at a low price, and are not much favored. In future, it will be necessary to implement policies and make efforts at solving the problems of seedlings for perennial crops and livestock feeds, build superior variety hog farms, concentrate on restoration of some commune and brigade hog farm production, gradually expand the quantity of livestock feed, and increase the number of hogs meeting export standards.

The key to future growth in poultry production bases lies in the introduction of superior varieties and in production of mixed feeds. Superior variety poultry farms and livestock feed plants must be set up to support development of poultry bases. In short, it is necessary to adapt general methods to specific situations, consolidate and develop existing production bases, create conditions, revive old bases, and set up new bases in order to meet the needs of large scale development of agriculture.

2. Make the Most of the Role of Shenchuan's Non-Special Area Agriculture. In Baoan County, of which Shenchuan is a part, and in areas adjacent to the special zone, geographical conditions are similar; the territory is vast, and there is lots of elbow room. In Baoan County, conditions are excellent for the building of vegetable, peanut, aquatic products, livestock, fruit, and such fresh and live produce production bases. A survey shows that Baoan County could best establish a strategic program for supplying mostly high quality fresh produce to the Shenchuan special zone and for export to Hong Kong and Macao, vigorously develop production of fresh produce, and gradually make Baoan County truly become a major supply base of farm products for the Shenchuan special zone and for Hong Kong and Kowloon.

3. Key Lies in Genuine Implementation of Special Policies and Flexible Measures. The Special Economic Zone must carry out more preferential policies for agriculture to attract foreign capital, advanced techniques, superior varieties, and methods of administration and management. Special preference has to be given some advanced techniques that are particularly advantageous in China's fresh produce production. In the case of modern high density fish and shrimp farms, ocean hatcheries, superior variety poultry farms, and mixed feed plants, which are able to play a role in demonstrating and promoting research and production, more preferential conditions have to be provided for the sake of promoting Shenchuan's agricultural development. Shenchuan's non-special zone agriculture should also benefit from the pertinent imported preferential treatment for the special zone agriculture.

The evil of stifling uniformity in management of fresh produce production has to be reformed, local areas and enterprises being allowed greater autonomy. At the present time, farm produce exported from the Shenchuan area has to be transported from the producing areas to the Wenjin ferry crossing where it is unloaded from vehicles and transported by the harbor trucking corp to Hong Kong. There are several links in the journey, and ordinarily more than a day's time is required, resulting in an extremely high damage or death rate each time. After the fresh and live produce arrives in Hong Kong, it is sold to the commissioned dealer of livestock yard, and the amount damaged, dead or lost are our responsibility. Dealer commissions that are too high, or failure to make payments promptly, seriously affect capital circulation and increase interests payments. All this directly impacts on local and grassroots initiative. We believe that the Shenchuan authorities concerned can organize the direct shipment to Hong Kong of fresh produce from the Shenchuan area, and after the goods is unloaded, imported goods can be loaded for the return journey so that trucks do not have to return empty, saving on transportation expenses for the Hong Kong segment. Otherwise, contracts may be signed with foreign traders that designate areas, with Hong Kong traders providing transportation and containers for export directly from the producing area with payment being made on the same day. Shenchuan departments concerned can also strive to set up multipurpose stores for meat, fruit, vegetables, and poultry in densely populated areas in Kowloon and the New Territories, and set up points for the sale of fresh produce, people producing it, transporting it, and selling it by themselves and getting payment on the same day.

4. Need for Gradual Readjustment of Structure of Shenchuan Agricultural Production in Adaptation To Development of Special Zone Economy. Last year the area planted to grain in Shenchuan was more than 300,000 mu amounting to more than 80 percent of the area cropped. This is not in line with development of Shenchuan as a special economic zone, or as a fresh produce supply base for Hong Kong and Kowloon. There must be further readjustment of the irrational structure of agricultural production with continued reductions in the area devoted to grain and to other economic crops such as sugarcane in a change to various fresh agricultural produce. When grain is lacking because of the reduction in the grain growing area, the system of "imports to support exports" may be employed, using export of fresh agricultural produce to earn foreign exchange and buying grain directly from Hong Kong for import. For the Shenchuan special zone, this would be extremely worthwhile.

Real implementation of the aforestated measures requires clarification of the direction of development of Shenchuan's agriculture in guiding thought. Most important is vigorous support from policy measures for production of fresh agricultural produce, which can be gradually realized only through arduous efforts. At the present time, progress is very slow in Shenchuan's development of fresh agricultural produce production. The Shenchuan special economic zone's agriculture urgently requires development, and superior conditions make large-scale development possible. The key still lies in real implementation of special policies and flexible measures.

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CSO: 4006/120

FOREIGN TRADE

ARGUMENTS AGAINST AUTARKY AIRED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3 1981 pp 17-22

[Article by Chen Shouqi [7115 1108 3823]: "Make the Most of Advantages With Active Participation in the International Division of Labor"]

[Text]

(1)

The accentuation of strengths and the downplaying of weaknesses to make the most of advantages is a major program for the development of China's production, development of commodity flow, and undertaking socialist economic construction in accordance with economic laws.

In domestic terms, full implementation of this policy means that each region must undertake an economic analysis of production on the basis of its resources, workforce, capital, technology, and other such objective conditions, as compared to other areas, and do more of what is advantageous to the producer in areas of strength. Programs not advantageous to producers, or those in areas of weaknesses should either not be done or done but little, thereby effecting a rearrangement of production, establishing reasonable divisions of labor by regions and a unified system of domestic markets, and developing domestic trade to promote the building of the four modernizations.

In foreign terms, the implementation of this policy means carrying out analyses of products based on China's total resources, labor, capital, technology, and other such objective conditions, comparing this to foreign countries, and then concentrating on those products which are beneficial to the producers and which they are good at, while cutting back or stopping production of those which are not beneficial to the producers, or which they are not good at. Vigorous export of products for which China possesses a production advantage in exchange for products for which China is at a disadvantage in production should be done in active participation in an international division of labor, for active entry into international markets, and to make the most of foreign trade to advance four modernizations construction.

The accentuation of strengths, downplaying of weaknesses, and making the most of advantages are closely relately and interlinked both in their domestic and foreign aspects. In the development of optimum production, in addition to making comparisons among one place and another within China, some trades and industries and some products should be compared with the situation in foreign countries to make plans in concert with both a domestic division of labor and an international division of labor. In the development of commodity flow, quite apart from strengthening of market relations in various areas inside China, one must also strengthen relations with international markets in the case of some trades and industries and some products, combining the planning of domestic trade with planning for foreign trade. Both aspects play a role of mutual influence and mutual promotion, which are two links in carrying forward the socialist commodity economy.

This article puts forward some preliminary views only on the issue of how to actively participate in an international division of labor and vigorously develop foreign trade.

(2)

The international division of labor is an objective process of modern economic development that does not depend on an act of will. Whether one participates or does not participate in an international division of labor is not something one chooses to do. When any given country conducts foreign trade, it is participating in an international division of labor. No country in the world can place itself in a position of being outside an international division of labor and international trade. China is no exception. However, how a country participates in an international division of labor, and what kinds of products a country produces, or what kinds of goods a country exchanges with foreign countries must be a matter of choice, and can be chosen. Every independent country has to make such choices, and as a socialist country, China must make such choices all the more so, using as the point of departure in making such choices overall objectives in realizing the socialist four modernizations. Choice consists of comparing production conditions inside and outside one's own country, accentuating strengths, playing down weaknesses and making the most of the advantages of one's own country so as to derive relatively great economic benefits from being a part of the international division of labor.

Here the problem is with which kinds of foreign countries to make comparisons. The various countries of the world are in different stages of economic development. Some are economically advanced countries, while a greater number are developing countries. Their production conditions differ, so comparisons must be conducted individually. However, in terms of China's foreign trade picture, it is the economically advanced countries that are China's major adversary. They account for about 70 percent of China's import-export trade regularly. This state of affairs will not change within a short period of time. This is because developed countries are capable of supplying China with the technical equipment and materials in short supply that are needed in the four modernizations, and they are able to provide China needed markets for expansion of its exports. When we participate in an international division of labor, we are largely participating in a division of labor with developed countries. The comparison of advantageous and disadvantageous production conditions is also done largely with developed countries.

In comparison with foreign countries, abundant resources and a large workforce are the advantages China possesses. Insufficient capital and backward technology are China's disadvantages. To accentuate strengths and play down weaknesses, China will have to develop industrial production that uses fairly large amounts of resources, and to which labor input is high, but which require relatively little capital and have low technological requirements; i.e., development of labor-intensive industries. It has to downplay development of capital (or technology) intensive industries. Commensurately, the export emphasis must be placed on labor-intensive goods, and the import emphasis must be placed on capital (or technology) intensive goods. Exchange of goods that can be produced at a profit for goods that cannot be produced at a profit is most profitable.

Labor-intensive goods means goods for which the labor intensivity rate is high and the capital (or technology) intensivity rate is low. By expanding production of this line of goods, not only can more resources be used, but employment may also be increased. At the same time, a greater saving in capital and a greater saving in technical equipment may also be effected, with the result that management will be fairly easy and productivity fairly rapidly formed. At the same time, production costs will be relative low, prices relatively low, and competition relatively strong, making for ease in breaking into the international market. This helps make the most of production advantages and export advantages.

By comparison with developed countries, China is in a disadvantageous position in the development of capital (or technology) intensive industries. Some products for which the capital (or technology) intensivity rate is high, particularly certain high-grade, precision, and advanced products, will be restricted in their production for lack of capital and technology. For the time being, China can produce some other products only with difficulty, and were it to produce them, because of high production costs and high prices, it would be difficult for them to compete with those from developed countries. Therefore, for China to produce them would not be as advantageous as importing them.

Expansion of labor-intensive industries under conditions of limited capital accumulation and limited investment means investment of capital and labor in areas in which productivity is relatively great, and little investment in areas in which productivity is slight so as to increase the effectiveness of capital and labor investment. Use of these advantageously produced products in exchange for products advantageously produced abroad is to derive great economic benefits for a relatively low cost. Thus, the role of international division of labor to save social labor and increase social productivity is served.

From this may be seen that joining in an international division of labor is an important supplement to self-reliance. When a country uses the production strengths of foreign countries together with its own production strengths, in addition to relying on the strengths of one's own country, one is also using the strengths of other countries. As compared with countries that do not join in an international division of labor, and in comparison with sealing oneself off, the national strength of one's own country is increased.

International division of labor and foreign trade also function as "conductors." The process of participating in an international division of labor and carrying on foreign trade inevitably leads to management capabilities, technological capabilities, and competitive capabilities, and these three things are precisely those in which we currently are experiencing insufficiency.

It must be pointed out that in China's expansion of labor-intensive products in order to join in an international division of labor, most important is the expansion of labor-intensive industrial products for export. This is China's main orientation in joining in the division of labor with developed countries. As for other labor-intensive products such as special agricultural sideline native products, and handicrafts (arts and crafts), there naturally must also be active development of production and active expansion of exports. This is also one aspect of China's participation in an international division of labor (with developed countries). However, this is most certainly not the main orientation. This is not only because the orientation of China's development of industry is modern industry and not the handicrafts industry, but also because of the limitations of handicraft production in that quantity increases in output of items supplied for export is not readily possible. Another limitation is the consumption habits of developed countries in which the capacity of the market cannot be readily enlarged. There is not a single country in the world that has scored outstanding victories through competition in international markets by relying principally on handicrafts.

Our advocacy of the development of labor-intensive industries for participation in an international division of labor is not to say that we should entirely remove ourselves from capital (or technology) intensive industries, nor is it to say that we should rest content with such a division of labor structure. In the case of goods for which the capital (or technology) intensiveness is not too high, not only should we take the measure of our capabilities for development for the sake of the needs of domestic construction, but we should develop such goods with the needs of developing countries in mind. In addition, in the realm of capital (or technology) intensive goods, we are, it is true, in an inferior position relative to industrially advanced countries; however, this is not the same as forever being in an inferior position. In the future, we too can gradually move from inferiority to superiority, and the international division of labor structure can also change. Of course, this is not something that can be accomplished within a short period of time. Therefore, being realistic, for a fairly long period of time, it will be best for China to participate in an international division of labor largely through development of labor-intensive products, particularly through development of labor-intensive industrial goods.

(3)

China's export of labor-intensive industrial goods in exchange for capital (or technology) intensive industrial goods is exactly the same trend in the division of labor that has been going on in recent years between developing countries and developed countries. This is to say that it accords with an objective tendency.

In recent years as developing countries' industrialization has progressed, and as labor intensive industries have developed, their export of products to industrial countries has steadily increased. In addition, as a result of changes in the industrial structure brought about by the technological revolution, developed countries have developed even further their capital (and technology) intensive industries, and their export of products to developing countries has also increased. Formerly, developing countries produced mostly primary products, but now they are actively increasing their labor-intensive industries and capital (or technology) intensive industries, but now they emphasize development of capital (or technology) intensive industries. Such a change in production must inevitably be reflected in trade. In terms of long range developmental trends, in their mutual trade, the ratio of these two categories of goods will increase more and more.

In world trade in capital (or technology) intensive industrial goods, exports from developed countries have always maintained a monopoly position, but an overwhelming majority of this trade goes on among industrially advanced countries themselves. In recent years, exports to developing countries have gradually increased. This has been true particularly in machine equipment, communications and transportation gear, and precision instruments. In these lines, the increase has been remarkable. Such a direction of flow precisely reflects the dominance of industrially advanced countries and the inferiority of developing countries.

World trade in labor intensive industrial goods does not operate this way. Briefly, such exports by developing countries are greater than imports, but in some areas exports from developing countries are greater than imports.

One such area is textiles. In recent years developing countries have become net exporters and developed countries have become net importers of textiles. Developing countries have shown a favorable balance of trade, while developed countries have shown an unfavorable balance of trade, and this is growing annually. Formerly, developing countries were rivals of developed countries for textile markets, but now textiles from developing countries have begun to compete in the markets of developed countries. Naturally, it took a fight for the textiles of developing countries to get into the markets of developed countries (things such as developed countries accepting a general benefit system).

Machine industries are, in principle, also labor-intensive industries, and only when the labor productivity rate of developing countries is high do they possess an advantage in this field. In recent years with the development of machine industries in developing countries, some products have begun to gain dominance. One example is ordinary machine tools, which developed countries have always shipped to developing countries. In recent years, exports by the latter to the former have strikingly increased. Machine tools imported by the United States from developing countries amount to 9 percent of its machine tool imports. This is principally due to it being more advantageous for American concerns to produce high grade machine tools rather than ordinary machine tools, so it is better to import ordinary machine tools than make them themselves. This shows that the United States is in a position of relative inferiority while developing countries are in a position of relative superiority.

Accompanying the development by developing countries of labor intensive industries, and accompanying the development by developed countries of capital (and technology) intensive industries will be a rise in the dominance of developing countries in labor intensive industrial goods and an inferiority in such goods among developed countries.

China's development of labor intensive industrial goods for export in exchange for capital (or technology) intensive industrial goods is also entirely the same trend that has been taking place in the division of labor between China and developed countries.

In China's trade with developed countries, the ratio of labor intensive industrial goods exported is steadily increasing, and the ratio of capital (or technology) intensive goods imported is steadily rising. This tendency can only increase rather than decrease as China's economic construction progresses.

A look at the structure of goods traded by China and Japan shows that Japan's imports from China of fiber products, chemical products, wood products, and fur products account for 43.4 percent of the total, a relatively large amount being labor intensive industrial goods. Mineral products (including petroleum) amount to 43.5 percent. In Japan's exports to China, metals and metal products, machinery, motor vehicles and ships, chemical products, and optical instruments amount to 77.4 percent of the total, an overwhelming majority being capital (or technology) intensive industrial products. This structure is basically commensurate with the economic development of the two countries.

From this may be seen that increase in China's labor intensive industrial goods for exchange with industrially advanced countries for capital (or technology) intensive industrial goods both makes the most of our own strengths and permits use of foreign strengths. Such a division of labor accords with the objective tendency in economic development and accords with the needs of four modernizations construction. It should be actively engaged in a vigorously developed.

(4)

Active participation in international division of labor and active development of foreign trade requires a system than can assure it. But right now China's national economic system, including the foreign trade system, is still undergoing reform, so it is still not possible to say that a full assurance can be given. In both making the most of China's advantages and in making use of the advantages of foreign countries, numerous obstacles are encountered that do not permit making the most of our own advantages or using the advantages of others very well.

Though China has an advantage in the production of labor-intensive goods, the domestic price must be lower than the price abroad. The actual situation is just the reverse. In an overwhelming majority of cases, the prices of goods are higher than in foreign countries, meaning export losses and poor competitiveness. A production advantage is not turned into an export advantage.

In the production of capital (or technology) intensive goods, since developed countries possess the advantage, it is only normal that prices for such goods inside China should be higher than prices abroad, but for a large number of such items, the price for the same kind of goods produced in China is vastly higher than the import price leading to an import surplus. Producing concerns are unable to get low priced technical equipment and a supply of intermediate products, with the result that the foreign advantage cannot be put to use, and China's inferiority cannot be effectively remedied.

For export losses to become a regular and large scale phenomenon is very irrational. When this goes on for a long time and the abnormal becomes normal, some people suppose that export losses merely seem to be losses and that import surpluses are regularly greater than import losses so that in the overall accounting, there is no loss. Some people suppose that trade enterprises have export losses while industrial enterprises have profits, so the state subsidizes losses from profits, and everything is turned into a profit; it is only a bookkeeping matter. Such a view is manifestly very onesided. This is to look at matters only in bookkeeping terms and to overlook this situation not being good for the strengthening of the economic accounting of enterprises or for improving administration and management. It is disadvantageous to the encouragement of exports and places a limit on imports. It is particularly unfavorable in making the most of China's advantages or making use of foreign strengths. In short, it hampers active development of foreign trade.

There are numerous reasons for the aforementioned situation, which may be summarized principally as follows:

(1) Overpricing of renminbi in terms of foreign exchange. The price of export goods is high when list prices are converted to prices in foreign currency. Prices of imported goods, in terms of list prices converted to renminbi, are at a low level. Overly high foreign exchange prices impede exports and encourage imports.

(2) Differences between domestic price levels and foreign price levels. Generally speaking, domestic price levels are high while foreign price levels are generally comparatively low, meaning purchase at high prices for export at low prices. Naturally, this results in losses, and in the case of industrial goods, losses are particularly great. In the case of imported goods, the foreign price, when converted to renminbi, is comparatively low, but the allocation price set on them inside China is very high. Importation at a low price and allocation at a high price naturally produces a surplus. But in recent years, owing to the rapid price increase in the international market of imported goods while no change has been made in the domestic allocation price has led to a surplus becoming a loss.

(3) Overly high profits of industrial concerns. High profits when added to costs of concerns involved in foreign trade correspondingly increase losses. Production enterprises have high ex-factory prices and high profits from domestic trade, and low ex-factory prices and low profits from foreign trade. This makes production enterprises lack enthusiasm for exports.

(4) Numerous taxes. At every stage in the manufacture and sale of export goods, a tax is levied and value added, increasing costs and making the ex-factory price higher. This increases export losses and impedes exports.

This flawed situation in the management system has endured for many years to become today an obstacle on the road to progress in foreign trade.

This year's initiation of tests of an internal admustment of conversion rates for foreign exchange derived from trade, which focuses on current bad practices and strikes out on a new path, represents a breakthrough in the management system. It is a major reform. In another realm, the gradual step-by-step reduction or exemption from industrial and business taxes lowers foreign trade purchase prices and readjusts distribution of industrial and trade profits. These things will greatly help active participation in an international division of labor, and greatly help great development of foreign trade.

However, it should be realized that in order to further eliminate obstacles for the development of foreign trade, it will be necessary henceforth, to continue to carry out reforms from this foundation. Sole reliance on these present measures makes it difficult to eliminate export losses, difficult to institute all around responsibility for profits and losses, difficult to vigorously develop production of export goods, and difficult to smoothly organize imports. This means that it is difficult as well to make the most of China's advantages and to effectively use foreign advantages.

Following the internal readjustment of conversion rates for foreign exchange derived from trade, special agricultural sideline native products will be sold at profit instead of loss. For a substantial number of industrial products losses will continue, particularly in the large cities of Beijing, Tianjin, and Shanghai, which have numerous industrial goods for export and the losses on industrial goods is differences in price levels inside and outside China, and not because of lack of advantages for their production. Perhaps it might be possible to change to use of average exchange cost of industrial export goods as the basis for setting the [foreign] trade conversion rates so that most industrial goods will show a profit, or at least no loss, and so arouse the enthusiasm of enterprises for exports and make other export items more profitable, as well as stimulating further increase in exports. Such a method would be helpful in all around encouragement of export policy and help make the most of China's advantages in production.

In the future, the price fixed for imported goods will generally be higher than the price for the same kinds of domestic goods. This is a measure to put a brake on imports and protect domestic production, which has a positive function. However, if protected industries and enterprises (including export industries and enterprises) use high priced imported equipment and raw and processed materials, this will correspondingly increase costs, thereby impeding competitiveness and weakening the aforestated protection function, and produce a negative function. Possible consideration should be given a change from setting of prices for imported goods to setting of import prices on the basis of individual importing agents, and also strengthening the import permit system to strictly limit imports. This action would both help put into effect a policy of suitable limitation of imports, and would help in making use of foreign advantages.

The problems of levying taxes and adding value at every stage, and overly high profits of industrial enterprises relate to the fiscal system, and to the management system of industrial and commercial concerns, and should be arranged in an over all way by a system so that foreign trade concerns will not have to be concerned them and can devote themselves singlemindedly to getting into the international market and giving a good account of themselves.

(5)

In actively participating in international division of labor, particularly in participating with a division of labor mostly with advanced industrial countries and the development with them of a trade relationship, will China's economic independence be hurt and China slide into a subordinate position? This is truly a question that should be seriously addressed.

International division of labor constitutes a tremendous system. It is something that was formed after capitalist production methods occupied a leading place worldwide, and particularly after the formation or imperialism. Within this system, developed capitalist countries occupy a "center" position, and backward undeveloped countries occupy a "peripheral" position to form a situation in which the "center" controls the "periphery," and the "periphery" is subordinate to the "center." It is as Engels long ago graphically described it: "The 'planets' revolving around the 'sun'."

Following World War II, the capitalist economically developed countries and the economically backward developing countries continued to maintain, in varying degrees, such a relationship of "center" and "periphery," control and subordination, in the international division of labor. Some so called "extroverted" developing countries penetrated the doors of transnational companies and used an expansion of exports as the locomotive in vigorous industrialization. Their economies had definite development and their production definitely grew, so that people exaggeratedly placed them in the ranks of the "medium developed nations," as though they had gone ahead of the developing countreis. However, some people saw behind this facade a hidden side, and pointed out that this was only a "subordinate development," and an "increased poverty." This latter view was in line with the facts.

However, to be suspicious of joining an international division of labor solely on the basis of this background and facts is not necessary either. Since all countries are tied together by a hundred and one economic links in this world, and since production consitions in each country take countless forms, each having advantages and each having disadvantages, inevitably a division of labor relationship and trade relationships came into being. The issue is not whether to become involved or not in these relationships, but to make these relationships benefit national economic development. Not only do they not harm economic independence; on the contrary, they can strengthen economic independence.

China is an independent, autonomous socialist country in which industry and agriculture are fairly well developed. This forms the foundation of our four modernization construction, and it also forms the foundation for our development of foreign trade. With this as a prerequisite and under the guidance of correct programs and policies, we have the conditions for hastening an increase in productivity and the speed of economic development through participation in an international division of labor. We have, at the same time, the conditions for guarding against any harm that might come about as a result of our use of correct policies. Therefore our active participation with developed countries in a division of labor positively cannot lead to a position of subordination in this division of labor. China's economic development positively will not lead to control by developed countries, and will not lead to serious impairment from developed nations' cyclical economic changes as was the case with some "extroverted" developing countries.

China has an internal market that is vast, and China's development of exports is not to make them a locomotive for vigorous industrial development, but rather as a principal source of external repayment capabilities.

Internal technical equipment is of fairly large scale and imported mechanical equipment does not constitute a motive power for equipping industry, but rather is primarily a means of promoting equipment renewal and technological improvements. Domestic raw and processed materials are relatively plentiful, so imported raw and processed materials are not the principal source for supplying industrial needs, but are rather channels for supplementing things in short supply.

Therefore, our active participation in an international division of labor does not mean dependence on an international division of labor; the expansion of exports does not mean dependence on exports; and increase in imports does not mean dependence on imports. This eliminates the possibility of turning into a "peripheral country."

Of course, China's economy is still very backward, particularly by every per capita indicator calculation, levels are extraordinarily low. However, in terms of mineral reserves, output of major industrial and agricultural products, total national output value, total national income, and such indicators, China is still in the forefront of the world. Our total energy is also fairly great. In a book titled, "Development of Dependence," written by Professor Yiwensi [phonetic] of Brown University and published in 1979 in the United States, China, the USSR, Japan, West Germany, France, and the United Kingdom were classed as the seven great "hub countries" of the world. Of course, this does not fit the facts; we have never been a "hub country," nor do we desire to be a "hub country." However, neither have we ever been in a position of being a "peripheral country," as all the world knows. Foreign scholars do not regard China as a "peripheral country," so we oursleves ought to be confident.

Therefore, our apprehensions about becoming subordinate as a result of active participation with developed countries in the division of labor are unnecessary.

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FOREIGN TRADE

BRIEFS

GUANGDONG SPECIAL ECONOMIC ZONE--The Shenzhen special economic zone in Guangdong is vigorously developing. During the past 2 years, investments totaling 5 billion HK dollars have been made by foreign firms in the zone. The most rapid development is in real estate. New houses with a total floor space of 2.4 million square meters have been built. [Beijing Domestic Service in Mandarin 0400 GMT 30 Nov 81]

CSO: 4006/166

ECONOMIST DISCUSSES EMPLOYMENT PROBLEM

HK140650 Beijing ZHONGGUO XINWEN SHE in Chinese 0922 GMT 11 Dec 81

[Text] Beijing, 11 Dec (ZHONGGUO XINWEN SHE)--"Premier Zhao Ziyang pointed out in the government work report that it was necessary to 'actively develop the collective economy and the necessary individual economy of laborers and adopt various methods to place people awaiting employment in cities and towns into suitable jobs.' This is of the utmost importance. The employment problem is a serious economic problem in our country at present. It is, at the same time, a social problem. It affects social stability and unity. The development of a 'tertiary industry' could well be one major way of solving the employment problem." This was stated by Qian Jiaju, a member of the National CPPCC Committee and well-known economist, in an interview with a reporter of this news agency.

Qian Jiaju said: In America, people engaged in tertiary industry account for 70 percent of the employed. In Japan, they account for over a half. Obviously, our country cannot be compared with a developed capitalist country. However, there is a grave lack of service trades, something which can be felt by everyone. Take Beijing as an example. It is difficult to find a place to eat, have clothes made, get a haircut, take a bath and buy food, and there are also transportation difficulties. This is because there are not enough networks and points and also because of a serious shortage of shop employees and attendants. In the 20-odd years from 1957 to 1979, the population of Beijing proper rose by 45 percent, while commercial service points fell by over 74 percent. How could there not be problems? However, on the other hand, Beijing has a large number of youths awaiting employment who have nothing to do. It would be really great if we could solve [and] create employment by providing services.

Qian Jiaju said: According to statistics, if we were to restore the proportion of attendants in commerce and the catering industry in Beijing to the number of employed people to its 1957 level, we would need an increase of 100,000 people. If we were to restore this to its 1952 level, we would increase the number of people employed by 230,000. Further, the 1952 level was now even the highest level in history. In this way, we would be able to solve completely the problem of youths awaiting employment.

Qian Jiaju said: Recently, we have started to attach much importance to this problem. We have in recent years created numerous job opportunities and the collective and individual economies have also shown some signs of advancement.

However, results have not been that big. There were many reasons for this. The main one was that there were still some people who were afraid that, after the individual economy had been developed, we will go capitalist. This fear is truly groundless. With our country's socialist economy in such a strong position and heavy industry, light industry, commerce, banking, communications and transportation, motive power and raw materials all in the hands of the state, how could the collective and individual economies develop into capitalism?

Qian Jiaju was of the opinion that in order to develop the individual and collective economies, it is not enough to attach merely in principle importance to this problem. We must also adopt quite a few concrete measures. Hungary has adopted certain methods of rewarding small handicraftsmen which has livened up the Hungarian economy. These methods are worth studying. For instance, as far as free medical care, retirement schemes and other welfare benefits are concerned, people working in the individual economy or collective economy enjoy the same treatment as those working under the system of ownership by the whole people. Equal treatment is extended to them regarding assistance in constructing workshops, leasing equipment, providing favorable loans, supplying raw materials and so forth as if they were working under the system of ownership by the whole people. Qian Jiaju was of the opinion that if China could follow suit, the collective and individual economies could definitely be developed in a big way. In this way, not only could deficiencies in the state-run economy be made up, but basically the employment problem could also be solved.

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BRIEFS

HENAN TRADE UNION MEETING--From 23 to 26 November, the Henan Provincial Federation of Trade Unions held the second enlarged meeting of its Eighth Committee. Yu Yichuan, secretary of the Provincial CCP Committee attended and spoke. The meeting called on all workers and staff members to learn from the revolutionary spirit of the Chinese women's volleyball team. The meeting urged doing a good job of the following tasks: 1) strengthening ideological and political work for the workers; 2) promoting democratic management of the enterprises; 3) promoting the masses' production and strengthening education for the model workers; 4) ensuring trade unions assist departments concerned to improve living and working conditions for the workers, and ensuring that 5) organization of the trade unions is promoted. [Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 29 Nov 81]

HUNAN YOUNG WORKERS EDUCATION--The Eighth Hunan Provincial Federation of Trade Unions held an enlarged session of its Fourth Committee in mid-November. After listening to reports at the session, Wan Da, the second secretary of the Hunan Provincial CCP Committee stressed that the trade unions at all levels throughout the province must strengthen education for young workers. He said that half the working population of the province is comprised of young workers. Since these young people were all affected by the pernicious influences to varying degrees, we must teach them discipline and the legal system, and help them build a revolutionary outlook on life so that they can make more contributions to the four modernizations. In promoting education for young workers, Comrade Wan Da said that we must pay attention to the advanced as well as the backward. The trade unions must be resolute in helping the backward so that those who had gone astray will be put on the right track within 2 or 3 years. Comrade Wan Da said: We must be bold in correcting, educating and criticizing the backward young workers. Only then will we be able to overcome lax leadership over plants and enterprises. [HK031504 Changsha Hunan Provincial Service in Mandarin 1100 GMT 27 Nov 81] The meeting also adopted a resolution on the holding of the Ninth Provincial Congress of Trade Unions. The meeting elected (Peng Kui) a vice chairman of the Provincial Federation of Trade Unions. [Changsha Hunan Provincial Service in Mandarin 2310 GMT 29 Nov 81]

CSO: 4006/166

SHORT SUPPLY OF EVERYDAY ARTICLES NOTED

Shanghai JIEFANG RIBAO in Chinese 9 Aug 81 p 1

[Article by Jiang Liyang [3068 4409 2543], graduate student of the Journalism Department, Fudan University: "Look at This Survey, Think About the Needs of the Masses, the Problem of the Shortage of Everyday Commercial Commodities Needs To Be Solved Urgently"]

[Text] Recently, readers have written us to complain that many small everyday commercial commodities cannot be found on the market. Although these commercial products are small, they are very important. Without them, people's lives will be inconvenienced. This reporter has therefore surveyed 100 varieties of general merchandise, household supplies, handicrafts and art supplies to understand their supply situation:

Twenty-eight kinds are readily available: canvas belts, elastic cord, heavy thread, balls of thread, paper based plastic combs, food bags, iron needle hoops, zero size snap buttons, cotton yarn, mercerized yarn, backpacks, soles for cloth shoes, nylon net bags, cigarette holders, lighters, calcium carbide, organic hairpins, iron wire combs, buttons, bamboo beds, bamboo chairs, oil containers, single edge razors, sewing needles, knitted bags, iron locks, aluminum needles, plastic water bottle casings.

The supply of 32 other kinds of products can basically satisfy the demand: paper yarn, polyester fiber coils, folding paper fans, pant hooks, collar hooks, cleavers, scissors, sanitary belts, balls of silk thread, pocket knives, fingernail clippers, tool boxes, dressmaker shears, key chains (rings, clips), cigarette boxes, pins, wooden combs, combed winnowing fans, double edge razors, grass mats, palm leaf fans, soap, matches, closet handles, 8 watt desk lamp parts, hinges, dust pans, nylon lace, mosquito net hooks, sorghum brooms, handmade cotton towels, iron locks.

There are temporary shortages of 29 kinds of products: shoelaces, steel hairpins, tailor's chalk, elastic bands, bleached yarn, rib knittings, gauze, elastic cloth, flower lace, window screens, diapers, floss silk, silk ribbons, bristle brushes, schreinering bands, overlock threads, artificial silk embroidery threads, Suzhou lace, plastic flowers, horn combs, mosquito killing incense, large size children's shoes, reed catkin brooms, low-grade lacquer chopsticks, dual use toothpick containers, plastic water buckets, sponge soles, split rope for civilian use, inflatable toys.

Eleven kinds of products are not supplied: shoes for 1 year-old children, children's handkerchiefs, clothes washboards, chopping blocks, knitted children's shoes and children's hats, old women's hairpins, hydrogen balloons, oval chains, cradles, tambours, crepes.

It can be seen from this survey that there are temporary shortages or no supplies of 40 kinds of products. Some varieties are available sometimes but the needs of the people vary. Why has such a situation emerged? According to analysis by comrades of concerned departments of industry and commerce, previously, because of the influence of the leftist guiding ideology in economic work, some small commercial products were treated as products of "feudalism, capitalism, revisionism" and eliminated. Some effective production, supply and marketing methods were abolished as "tails of capitalism," and the shortage of small commercial products became very serious. In recent years, after bringing order out of chaos, the situation has basically changed. The varieties and specifications of small commercial products gradually increased. Take Yuyuan Market as an example, the amount of everyday small commercial commodities has increased onefold over that available during the 10 years of internal chaos. But, compared to the people's ever increasing need, the supply far from satisfies the needs. At present, to further develop the production of small daily commodities, the following practical problems urgently need to be solved:

1. Overcome Ideology of Emphasizing the Large and Neglecting the Small; Uniformly Arrange for Production

Small everyday commercial products are products not included in the production plans and have a low profit margin, the productive value is low, the profit is small. In economic readjustment and reorganization, because some enterprises place more value on products with a high productive value and high profits, small commercial products are often suppressed or squeezed out, and even cancelled. This is one reason for the shortage of small commercial products. One factory changed to manufacturing parts for electric fans last year during the "electric fan craze," and since then, the small commercial products that it originally produced have not been available on the market anymore. Another factory shifted raw material for the production of small commercial products to the production of products with a high productive value, thus the production of small commercial products declined in a straight line. To change this situation, the production departments should overcome the idea of emphasizing large products and neglecting small products; they should start out with concern for the people's needs and uniformly arrange production of small items. While producing everyday consumer products with a high productive value, which represent consumption trends, attention also should be paid to doing a good job of producing everyday commercial products. The large and the small must both be considered in readjusting the structure of products and in carrying out joint reorganization. The Qianjin Radio Components Plant originally produced oil containers for sewing machines, last year it was combined with the electronic tube manufacturing plant and after the product structure was readjusted, production of oil containers was given to a factory in Nanhui, thus maintaining the supply of this small commercial product. This spirit of being responsible for the needs in people's lives is worth promoting.

2. Improve Business Management, Dig Inwardly for Productive Potential

At present, there are many problems in the development of the production of small commercial items, for example, certain small commercial products cannot be priced according to quality nor priced according to the amount of materials and labor used, and some do not realize any profit; this affects the productive enthusiasm of the enterprises. How can this problem be solved? The Shanghai Yihua Glove Factory has provided a good experience. This factory was originally named the Shanghai Hardware Plant, it produced sheet iron rice strainers and funnels. Even though the price of raw materials rose again and again, the factory assured supply and thought of many ways to improve the method of material input, conserved expenditures, reduced cost, and thus maintained the production of sheet iron rice strainers and funnels and the profit. Because the production of small commercial products is mostly labor intensive, some enterprises have implemented the economic responsibility system and earned more for more labor. Because unified responsibility for profit and loss was changed to the bearing of profit and loss by the enterprises themselves, the worker's enthusiasm was elevated and an increase in production of small commercial products was promoted. The hidden potential within the enterprises is still great. Even the Shanghai Everyday Chemicals Factory that had already accepted financial subsidies from the state still actively improved business management, reduced cost, and during the first half of this year, it also increased the production of mosquito-repellant incense by over 60 cases. Of course, for individual small commercial products, the benefits of the producer and the consumer should both be taken into consideration to enliven the prices.

3. Help Should Be Provided in Many Ways, Productive Enthusiasm Should Be Mobilized

The development of small everyday commercial products not only must rely on the "self struggle" of the enterprises and improvement of business management, it also needs help in all aspects, and help should be given actively in tax revenue, profit, loan and raw material supply. For example, raw material supply is a problem. Small commercial products are mostly characterized as "third class commercial products, first class raw materials." At present, the demand for first class raw materials frequently cannot be satisfied. The shortage of certain sizes of shoe laces, elastic bands, red silk ribbons used for wrapping gifts in marriage ceremonies, and diapers, which the masses have complained about, all are related to the insufficient supply of the raw materials of cotton yarn, man-made silk and rubber fibers. A good housewife cannot cook without rice. The state already has established regulations and policies actively to help the production of small daily commercial commodities. Units producing small commercial commodities should receive reasonable economic treatment, raw materials should have normal supply channels.

Comrades of related industrial and commercial departments finally said, there are many problems in the supply, production and marketing of small commercial products that urgently need to be solved. The production of small commercial products also involves light industry, handicrafts, the textile industry, chemical engineering, and the electrical machinery industry. Therefore, it is hoped that this city can have a unified agency to coordinate the work in this respect to facilitate the development of and enliven the production of small everyday commercial products.

9296
CSO: 4006/470

SCIENTIFIC EXHIBIT HIGHLIGHTS COMMERCIAL ACHIEVEMENTS

Shanghai JIEFANG RIBAO in Chinese 8 Aug 81 p 1

[Article: "Commercialization of Scientific Research Achievements, the City Holds Its First Chemical Engineering Technology Exchange Show, 130 Achievements Will Be Sold at the Show"]

[Text] A unique exchange exhibit of commercialized scientific research achievements--the Shanghai Chemical and Industrial Sciences Research Achievement Transfer and Exchange Exhibit will be held today at the Hongguang Middle School near the bund at Hankou Road.

In Shanghai, massive amounts of daily commodities and foods necessary to people's lives are being traded. In recent years, trade shows of production materials and equipment have emerged, but marketing of scientific and technological achievements is still in the first stages. To present this technological trade show well, the Municipal Chemical Industry Bureau yesterday afternoon held a preopening scientific research achievement transfer and exchange show. The research institutes of organic fluorine materials, petrochemicals, dyes and farm chemicals exchanged views on how to sell scientific research achievements. The Dafeng Chemical Plant introduced the benefits of purchasing scientific and technological products to facilitate each unit to do the preparatory work well and to participate in trading.

According to the responsible persons of the Scientific Research Department of the Chemical Industry Bureau, from the second half of the year before last to the end of last year, the Chemical Industry Bureau system's units have tried the transfer of 50 scientific and research achievements and obtained 740,000 yuan in transfer fees. There are about 130 scientific and technological items ready for transfer at this trade show. Among them, the "wave filler tower" developed by the Shanghai Chemical Engineering Research Academy was originally a kind of production equipment used in military and engineering production. Now it is ready for sale and its application popularized in the chemical industry. The new type of "ethylene acetate catalyst" developed by the Shanghai Petrochemical Research Institute is an indispensable catalyst in manufacturing polyvinyl alcohol fiber. Its international market price rises 50 percent every year. But its transfer fee is very cheap and the quality is as high as the imported product. The "burner" technology ready for sale by the Organic Fluorine Materials Research Institute can burn all kinds of toxic gases and will be greatly beneficial in improving environmental protection in Shanghai. In addition, the "X-ray blue film base resin" developed by the Shanghai Synthetic Resin Research Institute, the colored rubber shoe technology developed by the Shanghai Rubber Shoe Plant No 9, the "chrysanthemic ester insecticide" developed by the Shanghai Farm Chemical Research Institute are all domestically advanced scientific research achievements and are also ready for sale at the trade show.

Yesterday afternoon, the reporter joined the comrades participating in the trade show and visited its exhibition hall. The entire trade show is set up in 11 classrooms, each classroom is decorated and filled. According to statistics, those participating in this trade show total 30 units including companies of the chemical industry bureau system, research (academies) institutes, factories and universities and schools. They have used graphs, numbers and real objects and exhibited the scientific research achievements of their units, marked out the subjects they are willing to accept and at the same time they also are prepared to conduct technical consultation and technical services activities.

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GENERAL

BRIEFS

ZHAO WORD USAGE QUERIED--Beijing, 9 Dec--The well-known mathematician Gu Chaohao, a CPPCC member, has pointed out Premier Zhao Ziyang said in his government work report that China should strive to treble [fan liang fan: 5064 0357 3972] the total value of its industrial and agricultural output in 20 years; does this "trebling" mean increasing by 300 or by 400 percent? If 400 percent is meant, the figure will have to rise by an average 6.7 percent per year in the first 10 years and by 8 percent during the second 10. There are three different ways of interpreting this "trebling." Some hold that it means increasing by 100 percent, some by 200 percent, and others by 300 or 400 percent. It is necessary to wait for a clear answer from the quarters concerned. [Text] [HK100614 Hong Kong HSIAN WAN PAO in Chinese 9 Dec 81 p 4]

HENAN IMPROVES POSTAL SERVICE--(Gao Zhiming), director of the Henan Provincial Posts and Telecommunications Administrative Bureau, recently went to Weishi County and other counties to conduct investigation and study. He put forth specific suggestions on improving the distribution of newspapers and journals and postal service in rural areas. He demanded that all staff and workers on the posts and telecommunications front wholeheartedly serve the peasants. [HK101227 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 5 Dec 81]

CSO: 4006/166

BRIEFS

HAINAN COUNTY DATA COLLECTION--The compilation of the national economic statistical data of Wanning County, Hainan Island, collected during the 32 years since the founding of the PRC has been completed. The data for the period of 1949-75 has been photocopied and bound into volumes, while the data for the period of 1976-80 is in the press. The body of Wanning economic statistical data contains the following nine items, namely, agriculture, industry, capital construction, commerce, labor wages, finance and banking, education, public health, and so on, which make up a total volume of 168,000 characters or more. Appendices such as the statistical data for foreign trade, commodities procurement, agricultural reclamation systems, and so on, are also attached to the part for communes. [HK100651 Haikou Hainan Island Service in Mandarin 0330 GMT 8 Dec 81]

CSO: 4006/166

HONG KONG BUSINESSMAN ANNOUNCES HIGHWAY PROJECT

HK150140 Hong Kong STANDARD in English 15 Dec 81 p 1

[Article by Chris Cheung]

[Excerpt] Beijing authorities have officially approved a Hong Kong-China super highway joint venture project linking Hong Kong, Guangzhou and Gongbei, which includes Macao, Hopewell Holdings Managing Director Gordon Wu announced yesterday.

Contracts to build the project are expected to be signed by two parties very shortly.

Construction of the 6-lane 240-kilometer highway, estimated to cost about HK$2.4 billion, is scheduled to commence early next year and be operational by the end of 1985.

Answering reporters' questions after a banking symposium at the Hong Kong Polytechnic, Mr Wu said the massive project secured the official nod from Chinese Premier Zhao Ziyang during the managing director's recent visit to China.

He said the highway will facilitate both passenger and cargo traffic when fully operational by 1986. Detailed road toll structure has yet to be worked out.

But according to preliminary rate structure, a single trip for an automobile will cost HK$80, and a 40-foot standard container cargo truck HK$400.

The highway will start in Lokmachau in the new territories, and go via Shenzhen, Taiping, Humen and Panyu where it will branch out into Guangzhou and Macao.

It will be linked by more than 200 bridges of various lengths.

Mr Wu said the company had talked with Chinese authorities on ways to simplify border checks and improve road conditions enabling the movement of massive cargo trucks.

He hoped both the Chinese and Hong Kong Governments could come to agreement on these matters soon.

Mr Wu said traveling time from Hong Kong to Guangzhou will be shortened to about 1 hour, and to Macao will take 1 and 1/2 hours.

All along the highway, there will be hotel accommodations, fuel stations, retail shops as well as first aid stands.

Mr Wu said it would be too early to estimate the capacity of the highway, but it will certainly be greater than the current 140-kilometer Hong Kong-China road network's 3,000 vehicle trips per day.

According to initial agreements, Hopewell is to shoulder the entire cost and China provide the land involved in the project.

Construction personnel and workers will be recruited in China but paid by Hopewell.

Mr Wu disclosed that the contract will include a 3-year term for highway operation starting from the year when it becomes fully operational.

During the first 10 years, income from road tolls will go to Hopewell.

And for the next 20 years, 75 percent of the income will go to China and the rest to Hopewell.

Mr Wu estimated that they would be able to recover the HK$2.4 billion cost plus interest in the first 10 years of operation.

Hopewell's idea for this project was initiated in 1978. But initial proposals met objections from the Chinese side in view of the vast use of agricultural land and the massive cost involved.

Hopewell's top management managed to jump over the hurdles through frequent contacts with Chinese authorities in the subsequent 2 years.

Mr Wu stressed there has been the need for a complete network in view of growing traffic and human movement between Hong Kong and China.

CSO: 4020/51

AUTHOR: BIAN Jing [6708 2417]

ORG: None

TITLE: "Seriously Reorganize and Reform Construction Industries"

SOURCE: Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 9, 30 Sep 81 pp 1-3

ABSTRACT: For a long time, under the influence of leftist ideology of economic work, basic construction plans vacillated constantly to impose upon the construction industries of Heilongjiang Province the following difficult problems: (1) Specialization and lack of balance among specialties; (2) Unreasonable distribution of projects to cause workers' livelihood to be insecure and the production technology weak; (3) Unreasonable system of materials supply; (4) Unreasonable accounting system; (5) Unreasonable business management. With these problems, each project took longer and longer, the cost was higher and higher, and the labor productivity lower and lower. The author proposes as solutions to these problems: (1) Organize a system of quality inspection for every aspect of a construction project; (2)Guaranteeing cost and quality through strict execution of contract; (3) Rectifying the business managing ideas of leaders, staff, and workers; (4) Reforming and reorganizing the structure of the construction industries. Detailed procedures and practices of these reform measures are illuminated.

AUTHOR: ZHENG Yuan [6774 3293]

ORG: None

TITLE: "Exert Efforts to Raise Comprehensive Economic Efficiency"

SOURCE: Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 9, 30 Sep 81 pp 4-6

ABSTRACT: In order to proceed with socialist construction, objective economic principles and laws of nature must be respected to use the least amount of labor to achieve the greatest economic result. This is the important experience gained from many years of practices and for it a very heavy price has been paid. Of the total basic construction investment of the nation, 60 percent is for building construction and every year the cost runs into billions of yuan. Projects of millions of m^2 of buildings of all types are finished every year. The economic efficiency of the building industries has, therefore, a very great effect on the entire national economy. In the 2 years of 1974 and 1976, the losses amounted to 50 percent and the state had to subsidize more than 440 million yuan. This is to say the building industries not only did not provide any accumulation for the state, they really lived off the state. Their profit has increased in recent years, however. In 1980, the profit per 100 yuan of investment had grown from 2.61 yuan of 1977 to 14.8 yuan. Projects are being completed faster and the quality of construction improved. Various means of further tightening the ideology and the system of economic responsibility to raise the economic efficiency of the building industries still higher are proposed by the author.

AUTHOR: XIAO Tong [5135 2717]

ORG: None

TITLE: "Several Problems in Raising Economic Efficiency of Building Construction"

SOURCE: Beijing JIANZHU [BUILDING CONSTRUCTION] in Chinese No 10,30 Oct 81, pp 3-7

ABSTRACT: In recent years, as the emphasis on quality is being popularized, various forms of the system of economic responsibility have also appeared. Liaoning Provincial Bureau of Construction and Handan Municipal Company No 2 have produced better results than most. Their experience proved that in implementing the system of economic responsibility, the interests of the state, the industry, and the individuals must be closely united. The aim must be to produce bigger gains for the state, bigger retained profits for the industry, and bigger income for the individuals. With the new situation, some new problems have also surfaced, involving the following: (1) There is a need to emphasize scientific management to handle the relationship between speed of work, quality, and cost correctly. (2) Suitable work arrangement for the old, the weak, and the women workers is of paramount importance. (3) There should be continuous efforts to overcome equalizationism. The system of economic responsibility means distribution according to labor. More work more pay and no work no pay with awards and penalties is the system to be resolutely and fearlessly executed. (4) Policies should be stable. For example, in some areas, the cost of construction had been set at a certain amount per m^2, but as the workers' income increased in a large scale, the industry hastily changed the policy

[continuation of JIANZHU No 10, 1981 pp 3-7]

to reduce the unit contract price. The aim of the industry was to increase its profit but the result was a loss of confidence among the workers. The author maintains that (1) The quality of a building is a many faceted thing. It includes the quality of design, the quality of structural members, and the quality of every aspect of the construction project. The key is the determination of the leaders to carry out a system of economic responsibility in every step and every aspect of the project to insure its overall quality. (2) Greedy for fat projects, unwilling to take on small ones, endless annoyance for customers due to poor building quality, endless postponement of completion date, demanding hard to obtain things under the threat of causing trouble, and accepting food, drinks, and other little favors are some among current problems to be dealt with so as to improve the reputation of the entire construction industry. (3) Work of political ideology should be carried in close connection with the economic work.

6248
CSO: 4009/128

AUTHOR: HU Bingxuan [5170 3521 3551]
LIU Yizheng [0491 5030 2973]

ORG: Both of the "May 7" Oil Field

TITLE: "On the Seismic Stratigraphic Sequence, Lake Level Fluctuation and Oil Prospecting in the Qianjiang Depression"

SOURCE: Jiangling SHIYOU YU TIANRANQI DIZHI [OIL AND GAS GEOLOGY] in Chinese Vol 2 No 3, Sep 81 pp 276-283

TEXT OF ENGLISH ABSTRACT: This paper applies the method of seismic stratigraphy to divide the stratigraphic sequency of the Qianjiang depression and to map the periodic fluctuating curves of the old lake level. The following results have been obtained:

1. Two erosional surfaces have been discovered recently, one at the top of the Jingsha formation of Lower Tertiary, and the other at the top of the Yuyang formation of Cretaceous. The authors suggest that the exploration of oil and gas pools should be associated with these uncomformity planes.
2. Among the horizons of Lower Tertiary (the lower and upper parts of the fourth member, the third, second and first members in the Qianjiang formation; the fourth, first to third members in the Jinghezheng formation), we have found the relationship of onlap contacts. A new point has been suggested that some overlap unconformable stratigraphic oil and gas pools should be found in the northern part of

[Continuation of SHIYOU YU TIANRANQI DIZHI Vol 2 No 3, Sep 81 pp 276-283]

the Qianjiang depression.
3. With the correlation of periodic fluctuating curves of the lake level and the global Tertiary sea level, the Lower Tertiary in the Qianjiang depression has been further divided in age.

AUTHOR: ZHU Zongqi [4376 4920 4388]
LI Biqi [2621 3880 3825]
XIE Qiuyuan [6200 4428 0337]

ORG: ZHU of Northwest University; LI and XIE of the Third Petroleum Prospecting and Exploration Brigade, Ministry of Geology

TITLE: "The Maturity of Organic Matter and Oil and Gas Potential of Taiyuan Formation in Northern Ordos Basin According to Their Vitrite Reflectivity"

SOURCE: Jiangling SHIYOU YU TIANRANQI DIZHI [OIL AND GAS GEOLOGY] in Chinese Vol 2 No 3, Sep 81 pp 284-291

TEXT OF ENGLISH ABSTRACT: This paper briefly clarifies the basic geological theories of vitrite reflectivity (R° max) and gives a preliminary discussion with R° max on the conditions of oil and gas origin in the Taiyuan formation of the Carboniferous System in the northern Ordos Basin. It is suggested that R° max ranging from 0.5 to 1.3 percent is confirmed as the main stage of oil formation; <0.5 percent as the immature stage; >1.3 percent as the overmature stage, that is, the gas formation stage. The results show that the organic matter of Otoc County and its southern region have reached the overmature stage; in its northern region, the Taiyuan formation is just at the main mature stage, but the conditions of conservation on both sides, east and west, are rather defective, with the available

[Continuation of SHIYOU YU TIANRANQI DIZHI Vol 2 No 3, Sep 81 pp 284-291]

region restricted to only a narrow zone in the southern part of the west. Finally, in combination with the geotectonic evolution, sedimentary characteristics and lithofacies of the basin, the districts of oil and gas potential of the Taiyuan formation have been divided.

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END

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China Report

ECONOMIC AFFAIRS

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CHINA REPORT

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ECONOMIC PLANNING

ECONOMIC RESPONSIBILITY SYSTEM HELPS IMPROVE SERVICE TRADE

Jinan DAZHONG RIBAO in Chinese 21 Oct 81 p 1

[Article by Yang Shiyu [2254 0013 3768]: "Insure Service Quality by Two Link-ups and Four Considerations--Finance and Trade Enterprises in Jinan Continue To Improve the System of Economic Responsibility as an Impetus to Various Tasks"]

[Text] The finance and trade departments in Jinan Municipality have carefully summed up their experiences and continued to improve the system of economic responsibility by upholding the "Two Link-ups" and "Four Considerations" as a strong impetus to various tasks.

By the end of last year, the finance and trade departments in Jinan Municipality first experimented with the system of "responsibility for profit quota and sharing above-quota profits" as a system of economic responsibility in Meicun Restaurant which has sustained losses for years. The system produced good results, and soon changed losses into profits. At the beginning of this year, the same experiment was expanded to include five other similar restaurants, also with good economic results. Then the municipal financial commission summed up the experiences in the experiments and adopted the system of economic responsibility in various forms among the food, vegetables, nonstaple food and fruit trades and some change can now be notices among the enterprises which hitherto incurred losses or earned only meager profits. Some have turned losses into profits and others have increased their meager profits. Because of the one-sided stress on solutions to the problems of losses or meager profits at that time, and on the importance of economic indices, ideological and political work was neglected. Thus among some enterprises, the problems of reducing the varieties of commodities, selling the major portion to the peddlers [for higher profits], cheating on the weight, chiseling on the masses, a bias toward higher, but not lower prices, deteriorating quality of food, overcharging and other practices detrimental to the customers, appeared. On discovering this situation, the municipal financial commission immediately conducted its investigations and demanded the enforcement of "two link-ups" and "four considerations," meaning that the business operation should be linked up with economic results and service quality, and based on considerations of the interests of the state, the enterprise, the workers and the customers. In accordance with this demand, the enterprises once again readjusted the various indices used in their responsibility system, and treated the quality of service (including the implementation of the policies on prices and supplies, the appearance and sanitary conditions of the shops, the varieties of products and other forms of services) as an important criterion of evaluation in the responsibility system, and the quality of service generally should account for 50 percent of the total points. To insure the enforcement of "two link-ups" and "four considerations," the enterprises generally used three different methods: first, strengthening ideological and political education so that the broad masses of cadres and workers will be further convinced of the need to serve the people wholeheartedly, and to be responsible to the people. They should also be aware that this is the guiding principle for socialist finance and trade enterprises as well as the end-result of the economic responsibility system, and that pure pursuit of economic indices without regard for production and services to the people would be a deviation from the orientation of socialist business management. Second, supervision by customers. All shops should publicly display the commodity prices, the quality, standards, sanitary requirements, disciplines for people behind the counters, and their pledges of services; and accept mass supervision. Third, there should be strengthened control and inspection and a sound system of reward and punishment, so as to insure the fulfillment of various indices required for the responsibility system.

At present, more than 400 enterprises under the municipal finance and trade sector in Jinan have adopted the system of economic responsibility in various forms. All these units have shown improvement in their attitude toward work, and their business hours have been lengthened by 1 or 2 hours. The number of mobile service carts has been more than quadrupled, and they have succeeded in increasing the incomes of the state, the enterprises and the workers besides providing greater convenience to the broad masses.

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CSO: 4006/107

AGGREGATE ECONOMIC DATA

PROVINCIAL ECONOMIC DATA GIVEN

[The following selected provincial-level aggregate economic data have been extracted from various media sources as indicated. In the table below, the gross value of industrial output is abbreviated as GVIO and the gross value of agricultural output, as GVAO.]

Date; or period of comparison	Percentage of increase	Value, in yuan	Percentage of annual plan fulfillment	Source
Anhui				
1981: Sep/Aug	GVIO: 17			21
1981:1980 Sep	GVIO: 10			30
Fujian				
1981: Sep/Aug	GVIO: 9.2			5
1981:1980 Sep	GVIO: 10.5			5
1981: Sep/Aug	Light industry: 8.2			5
1981:1980 Sep	Light industry: 14.6			5
1981: Sep/Aug	Heavy industry: 10.9			5
1981:1980 Sep	Heavy industry: 4.3			5
1981: Sep/Aug	Crude coal: 19.6			5
1981: Sep/Aug	Electric output: 5.3 (kwh)			5
Guangdong				
1981:1980 Jan-Aug	GVIO: 10.4	15.94 billion	68.5	6,12
1981:1980 Jan-Aug	Light industry: 15.7			6,12
1981:1980 Jan-Aug	Heavy industry: 1.5			6,12
1981:1980 Jan-Jul	Export: 27.1	1.26 billion (US dollars)		6,12
1981:1980 Jan-Sep	GVIO: 10.4	18.02 billion	77	8
	Light industry: 15.8			8
	Heavy industry: 1.7			8

Date; or period of comparison	Percentage of increase	Value, in yuan	Percentage of annual plan fulfillment	Source
1981: 3rd Q/2nd Q	Coal output: 8			13
1981: Jan-Sep		18.02 billion	77	14
1981:1980 Jan-Sep	GVIO: 10.4			14
1981:1980 Jan-Sep	Light industry: 15.8			14
1981:1980 Jan-Sep	Heavy industry: 1.7			14
1981:1980 Oct	GVIO: 10.2			15
1981:1980 Jan-Oct	GVIO: 10.5			15
1981: Oct/Sep	Heavy industry: 1.3			15
1981:1980 Jan-Oct	Heavy industry: 1.8			15
1981: Oct	Coal output (724,000 tons, 94,000 tons over Sep output)			15
1981:1980 Jan-Oct	Light industry: 15.9			15
1981:1980 Jan-Jul	GVIO: 10.8			41
1981:1980 Jan-Jul	Light industry: 16			41
Guangxi				
1981:1980 Sep	GVIO: 1.23			9
1981:1980 Sep	Light/textile industry: 13.19			9
Guizhou				
1981: Sep/Aug	GVIO: 15			22
Henan				
1981:1980 Sep	GVIO: 10			31
Hubei				
1981:1980 Sep	GVIO: 10			32
Jiangsu				
1981:1980 Jan-Sep	Industrial growth rate: 13.8			7
1981:1980 Jan-Aug	GVIO: 5.4			37
1981:1980 Jan-Aug	Heavy industry: -3.7			37
1981:1980 Jan-Aug	Textile industry: 16.4			38
1981:1980 Jan-Jun	GVIO: 5.1			39
1981: Sep/Aug	GVIO: 6.3			40
1981:1980 Sep	GVIO: 6.5			40

Date; or period of comparison	Percentage of increase	Value, in yuan	Percentage of annual plan fulfillment	Source
Liaoning				
1981: May-Sep over Jan-Apr	Average monthly output: 16			20
Shandong				
1981:1980 Jan-Aug	Light industry: 16			3
1981:1980 Jan-Sep	Light/textile industry: 15.88			4
Shanghai				
1981:1980 Sep	GVIO: 10.3			10
1981: Jan-Sep			75.05 (annual GVIO plan)	10
1981:1980 Oct	GVIO: 10.7 (highest this year)			11
1981:1980 Jan-Oct	GVIO: 1.8			11
1981:1980 Sep	GVIO: 5.8	5 billion,511 million		17
1981: Sep/Aug	GVIO: 1.8			
1981:1980 Oct	GVIO: 10	5.55 billion	9.5	23
1981: Jan-Sep	GVIO: 0.9	47 billion,676 million		23
Shanxi				
1981: Aug/Jul	GVIO: 4.8			18
1981: Sep/Aug	GVIO: 6.1			18,25
1981: Sep	Textile industrial output value	100 million (historic high)		18
1981: Sep/Aug	Heavy industry: 4.65			18
1981:1980 Sep	GVIO: 3.5			25
1981: Sep/Aug	Light industry: 10			25
1981:1980 Sep	Light industry: 28.9			25
1981: Sep/Aug	Metallurgical industry: 5.25	100 million		25
1979:1978	GVIO: 11.6			26
1980:1979	GVIO: 21			26
1981:1980 Jan-Sep	GVIO: 10.37	795.55 million		26

Date; or period of comparison	Percentage of increase	Value, in yuan	Percentage of annual plan fulfillment	Source
Sichuan				
1981: Oct/Sep	GVIO: 1.2			24
1981:1980 Oct	GVIO: 13.4			24
1981: Aug/Jul	GVIO: 5.7			27
1981: 1-10 Sep/ 1-10 Aug	GVIO: 11.3			27
1981:1980	GVAO: 3 (forecast)			28
1981: Sep/Aug	GVIO: 8.2			29
1981:1980 Sep	GVIO: 5.7			29
Tianjin				
1981: Aug/Jul	GVIO: 3.9			1
1980:1979	GVIO: 10.8			36
1980:1979	Light/textile industry: 19.2			36
1981:1980 Jan-Sep	GVIO: 4.5			36
Xinjiang				
1981:1980 Sep	GVIO: 10			33
Yunnan				
1981: 3rd Q/2nd Q	GVIO: 8			19
1981:1980 Jan-May	Heavy industry: -0.28			19
1981:1980 Sep	GVIO: 10			34
1981:1980 Jan-Jun	GVIO: 1			42
1981:1980 Jan-Jul	GVIO: 2.28			42
1981: Aug/Jul	GVIO: 5.9			42
1981:1980 Aug	GVIO: 16.95			42
1981:1980 Jan-Aug	GVIO: 4.17	557 million		42
1981:1980 Jan-Aug	Heavy industry: -3.94			42
1981:1980 Jan-Sep	GVIO: 5.15	4.7 billion		43
1981: Sep/Aug	Light industry: 14.25			43
1981:1980 Jan-Sep	Light industry: 16.55			43
1981: Sep		GVIO: 590 million		43

Date; or period of comparison	Percentage of increase	Value, in yuan	Percentage of annual plan fulfillment	Source
Zhejiang				
1981:1980 Aug	GVIO: 11.1			2
1981:1980 Jan-Aug	GVIO: 14.5	13.97 billion	69.85	16
1981:1980 Jan-Jul	Light/textile industry: 22.8			16
1981:1980 Jan-Jun	Energy consumption: -1.27			16
1981:1980 Jan-Jul	Heavy industry: 2.5			16
1981:1980 Sep	GVIO: +10			35
1981:1980 Jan-Aug	GVIO: 14.5			44
1981:1980 Jan-Oct	GVIO: 13.5	17.6 billion	88	45
1981:1980 Jan-Oct	Heavy industry: 4.2			45

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CSO: 4006/164

PROBLEMS IN ADOPTING ECONOMIC RESPONSIBILITY SYSTEM IN ENTERPRISES REPORTED

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 10, 20 Oct 81
pp 12-13

[Article by Li Youde [2621 2589 1795] of Tianshui Municipal Economic Commission, Gansu Province: "Several Problems in the Adoption of Internal Economic Responsibility System Among Enterprises"]

[Text] Adoption of the internal economic system among enterprises is a powerful measure for improving economic results and an effective way to arouse the enthusiasm of the broad masses of workers and staff members through the use of economic levers. It also paves the way for democratic management through a closer integration of rights, responsibilities, and interests.

I. Several Forms

At present, many industrial enterprises have tried out the economic responsibility system in their own workshops, work teams and work groups, as clearly shown in the changed forms of distribution. According to a preliminary investigation conducted by Tianshui Municipality, the internal responsibility system takes the following forms:

1) Piecework wages. The enterprises using this form are generally able to pay piecework wages to the work teams, work groups, or individual workers according to the nature of the products or the production order. The amount of piecework is calculated on either an individual or a collective basis, mainly for the purpose of linking remuneration with the fruits of labor according to the principle of more pay for more work. All work teams, work groups, and individual workers will share a common economic responsiblity. A rug plant, for example, pays for every square foot of rug at the second-level wage rate. This includes a certain subsidy for workers earning third- or fourth-level wages. The Brick and Tile Plant uses a collective piecwork wage system whereby each work team or work group is given a fixed number of workers together with fixed production quotas, fixed tasks, fixed quality, and fixed production costs. Internal circulation coupons are used for paying expenses. These coupons are issued at the beginning of each month, according to the production plan. When a settlement of accounts takes place at the end of the month, excess expenses will have to be covered by the coupons of the following month, but 40 percent of the savings [as shown by the unused coupons] will be given to the work teams or work groups as a bonus. The system of piecework wages directly

reflects the principle of "to each according to his work," and as long as the per unit wage is reasonable, theis system should produce good results.

2) Output quota and above-qouta piecework wages. The main idea behind this method is that after fulfilling the output quota at the basic wage rates, above-quota production will be paid for on a piecework basis, while failure to fulfill the quota will be punished by the deduction of a certain percentage of the basic wages. This method is being used by the leather shoe plants, hat factories, and garment factories. By increasing the responsibility of the workshops, it ensures the fulfillment of output and production cost plans, besides inducing the workshops, work teams, and work groups to be more concerned with production quotas and economic accounting.

3) Wages from the sharing of above-quota profits. This means setting profit quotas for workshops on the understanding that a portion of the above-quota profits will be shared by these workshops, and that failure to fulfill the quota will be punished through certain wage deductions. This is also a means of linking wages with economic results. Cutting tool plants and light industrial machinery plants, for example, are using the workshops as accounting units with their own income, expenditures, and profit quotas. These workshops will be given bonuses according to the profit rates. In adopting this method, we must note whether the set quotas are of an advanced nature, whether the shares are reasonable, and whether there is a basis for economic accounting; otherwise control will be difficult.

4) Piecework based on joint production, collective responsibility, and flexible value for workpoints. Some enterprises such as cement factories produce a single product, with various workshops working closely in a single production line resembling "a dragon." If accounting is carried out for the workshops separately according to their production of seminfinished products or the sequences of operation, each workshop may "go its own way" and create many contradictions which will make accounting difficult. Therefore, all the workshops and sections concerned are joined to form a single economic accounting unit, and the finished products of the plant are used as the criteria for the calculations. This joint production unit will be responsible for fulfilling the quotas according to the indices of production costs, quality, and consumption of raw materials and energy. This is called "joint production piecework and collective responsibility." Within the workshops, each job responsiblity carries a certain number of workpoints, and the value of each workpoint is flexible. A marked improvement has been noted since the experiment began in May.

5) Wages based on income-sharing. This method is suitable for the service trades, such as clock and watch repairs, bicycle repairs, processing garments and so forth, in which labor is directly related to income. One portion of the net income earned through labor is shared by the workers, while the other portion is used for management expenses and payment of tax, or is turned in as profit for the state. The ratio for dividing the income differs in different trades. The calculation can be based on the proceeds of the retail department or on the individual earnings. According to this method, individual income will be less if business is poor; the collective may also face deficits. When business is brisk and individual income is greatly increased, the situation may get out of hand, and there may be unequal advantages in certain trades. In some trades, for example, the average individual monthly income may be 170 yuan, but some individuals may get as much as 290 yuan while others may get only 30 yuan. The difference is too great.

II. Their Suitability

Each of the above methods has its special features and its suitability to a certain extent. Piecework wages and output quotas with above-quota piecework wages are suitable for enterprises in which the quantitites of products for each work team, work group, or individual can easily be calculated according to the production order. In other words, the output and quality can easily be determined, and the various indices can easily be controlled and verified. Wages from the sharing of above-quota profits are suitable for enterprises whose workshops can independently produce certain products or earn their income by offering labor services. After setting up production targets for the workshops, these workshops will be able to carry out their own accounting without involving one another. Joint-production piecework with flexible value for workpoints is suitable for enterprises producing a single product with a production line resembling "a dragon." Finally, wages based on income-sharing are suitable for the service trades.

Besides their special features, they all have one common feature because, despite their different forms, they require the same foundation characterized mainly by rational quotas, advanced management system, organized economic accounting, and basically regular production, supply, and marketing. If these methods are adopted mechanically without this foundation, the result will be the opposite, and there may be chaos in serious cases.

In adopting the system of economic responsibility, whatever form it takes, we must pay attention to its economic results and carefully handle the rational distribution of benefits to the state, the enterprise, and the workers. We must guard against overusing equipment, reducing quotas, resorting to fraudulent means, overlooking the need for good quality, and other unhealthy tendencies. We should also carefully carry out ideological work, strengthen the education of workers, and enforce a strict inspection system.

III. Result Analysis

All these forms stress responsibility for economic results, guarantees for the completion of the plants' tasks, and the strengthening of management--all in accordance with the principle of more pay for more work and distribution according to work, instead of "eating out of the common pot." Even an initial analysis can show the following advantages:

1) Integration of rights, responsibilities, and interests. For the workshops, work teams, and work groups of an enterprise, rights are the means, responsibilities are the tasks, and interests are the results. When there is a good result overall, individual interests will be assured. With the adoption of the internal system of economic responsibility, rights will be provided and responsibilities will be increased. However, interests must be obtained through subjective efforts in completing tasks and fulfilling duties. This means that everyone has a share in the burden, and a close relationship between the enterprise's economic results and the individual benefits will arouse the enthusiasm of the broad masses. In the first half of this year, 34 enterprises in the municipality fulfilled more than half their annual production plans; 70 percent of these enterprises had adopted the system of economic responsibility in various forms.

2. Good economic results. Among the enterprises that have adopted the internal system of economic responsibility, there has been a general improvement of economic results. In the case of the Brick and Tile Plant, the number of its personnel was reduced by more than 100 after the collective piecework system was adopted, and yet its output value and profits exceeded the planned figures by 16 percent and 70 percent, respectively. Its profits have doubled since the adoption of the piecework wage system. The rug plant also increased its productivity by 52.5 percent and raised its profits 1.6-fold.

3. Close integration of output, production costs and profit. Since fixed expenses amount to quite a large portion of the production costs of an enterprise, efforts must be made to increase output and reduce expenses in order to attain good economic results. From the way their payroll is worked out, workers will basically understand the relationships between output, production costs, and profits and the laws of economic results. They can then make their own calculations and endeavor to fulfill their tasks.

4) The integration of state, collective, and individual interests. The system of economic responsibility has brought about a close relationship between individual income, output, and profit. Since the amount of individual income is determined by the value created by labor, the interests of all three parties should become organically integrated. A hat factory, for example, produced 207,000 hats above its production quota in 1980, and above-quota piecework wages were increased by 15 percent, and the increased portion of wages amounted to 32 percent of the increased portion of taxes. Thus the state received more revenue, the enterprise retained more profits, and the individuals made more income.

IV. Problems To Be Studied

The system of economic responsibility, which aptly embodies the principle of "to each according to his work," helps arouse individual enthusiasm. In some units, however, the backwardness of ideological and political work, the low level of enterprise management, and irrational quotas usually leave certain loopholes and create adverse effects.

1) When the workshops, work teams, and work groups have earned above-quota profits and individual income is raised, profits for the enterprise are as a rule not realized. The enterprise has to sell its products in order to make a profit, while the workshops, work teams, work groups, and individuals can obtain above-quota wages provided they overfulfill the output quotas and the targets of production costs and profits every month. Should there be stagnation in the circulation of goods as a result of changes in market conditions, a situation may result whereby the individuals get increased benefits while the enterprise gets no benefits or even suffers a loss. A way to solve this problem should be carefully studied.

2) Excessive use of the equipment in striving for increased output. For example, the overloading of vehicles and equipment and the disrepair of equipment in some plants have caused great concern. Therefore, it is imperative that the indices of equipment maintenance and wear and tear be included in the responsibility system. There should be meticulous inspections together with a system of rewards and punishments.

3) Need for ideological and political work to direct the workers' enthusiasm onto the right path and to guard against "looking toward money." This is an urgent problem. On hearing about the practice of an economic responsibility system, some workers of a unit may say: "Let me undertake the responsibility for trucks so that all the above-quota profits will belong to me." Workers or small collectives may try every way, even crooked ways, to increase their gains. That is why ideological and political work along with the perfecting of various systems, and particularly the strengthening of quota management, are the basic guarantees for the healthy development of the system of economic responsibility.

9411
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INSTITUTIONALIZATION OF AUDITING SYSTEM PROPOSED

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 8, 20 Aug 81 pp 28-29

[Article by Yao Meiyan [1202 2734 3508]: "Proposal for the Establishment of Auditing Organs"]

[Text] In the work of accounting, one of the urgent problems at present is that of supervision. Supervision over accounting can be exercised either beforehand or afterward. Auditing, based on accounting data, is a form of supervision exercised afterward over economic activities as well as revenues and expenditures. To strengthen auditing, it is necessary to set up corresponding organs. This article will attempt to present some views on the question of establishing auditing organs.

I. Historical Review

We have experienced setbacks in the matter of auditing. During the First Five-Year Plan, auditing was fairly highly regarded, and auditing groups (or inspection groups) were formed in many enterprises and in the financial departments of many units. These groups were especially engaged in the work of auditing, including making regular checks on vouchers, statements of accounts, and other accounting materials, and they played an important supervisory role in enforcing financial and economic regulations and discipline, in practicing economy, and in opposing extravagance, waste, corruption, and embezzlement. Departments in charge and financial and banking departments could generally audit the accounts of the basic-levels units. Therefore, the data provided by accounting was fairly realistic and complete, and the work of accounting was good and orderly.

In 1958, there was a tendency to discard auditing, and some auditing groups which had functioned effectively for many years were abolished. Three mistaken ideas then gained currency: One of them was that under the socialist system, people with a high political consciousness should willingly protect the state's financial instituions and observe financial and economic laws; that extravagance and misappropriation of state property could only be isolated cases; and, therefore, that no auditing was necessary. Another mistaken idea was that socialist accounting is better than capitalist accounting because it supplies only reliable accounting data and does not permit, nor is there any need to supply, incorrect data; therefore, there was no need for regular auditing. Still another mistaken idea was that auditing was learned from foreign countries, that it was capitalist, and that it should be repudiated, and so forth. Because of these mistaken ideas, many units abolished their auditing organs, and even the Finance and Economics College deleted "auditing" from its curriculum. Since there was no regular auditing, people had to wait until problems piled up and then shart a checkup in the form of a violent class struggle. The accountants who were in charge of money and supplies had to bear the brunt. Because of the great risks involved, nobody was willing to work as an accountant.

The mistake of rejecting the need for audits was later pushed to extremes by Lin Biao and the "gang of four." In units where they had usurped leadership, only "service" was permitted, and there was actually no auditing to speak of. The so-called "service" was no more than a green light for these people to indulge in extravagance, waste, corruption, and embezzlement. Practice is the sole criterion for testing truth, and a host of facts have shown that it would be impossible to do without auditing. We are of the opinion that as long as feudal and capitalist concepts remain, as long as conflicts of material interest exist among people, and as long as class struggle has not finally ended, the work of auditing is indispensable in all spheres of economic life. To accelerate the four modernizations, we must greatly strengthen the work of auditing and bring it into full play.

II. How To Strengthen the Work of Auditing

Auditing now takes three forms: 1) Auditing by accounting personnel in basic-level units; 2) auditing of affiliated units by departments in charge; and 3) auditing by financial departments, banks, and taxation departments among their affiliated units. All these forms have played a certain positive role. However, in the absence of auditing organs in basic-level units, no one is held particularly responsible for the checking of vouchers and statements of account, and the work of auditing is being carried out in a haphazard manner. Without special auditing organs and personnel, financial and banking departments similarly have difficulty conducting comprehensive audits into the accounts of basic-level units. Thus it is hard to give full play to the role of auditing. We believe that it now is necessary to restore the system of the 1950's by forming auditing groups in the basic-level units, to be staffed with adequate personnel, for audit work. Corresponding auditing sections in the departments in charge should also be set up to be responsible for auditing the accounts of their affiliated units. To strengthen the work of auditing, the departments in charge can organize their affiliated units for "mutual auditing" as a supplement for "self-auditing."

Besides setting up auditing organs in basic-level units or departments in charge, there is still another question to be considered. If the auditing organs in basic-level units or departments in charge should discover any fraud, corruption, or deception committed against the state, and know that such acts are condoned by the leadership of the units concerned or even by higher authorities, it would be a difficult problem for them to solve. Furthermore, there is also the question of who is qualified to investigate violations of financial and economic law that are committed by the provincial, municipal, or even central level. The present method is for serious cases--such as the illegal building of mansions in Luda Municipality and the violation of financial and economic laws in Zhumadian--to be dealt with by the Central Commission for Inspection of Discipline, or by people especially organized for the purpose by the departments in charge under the State Council. There is nothing wrong with such forms of action, but from a legal point of view it would be better to have permanent and authoritative auditing organs doing such work. Furthermore, because of the special positions occupied by the units at the provincial, municipal, or central levels, any mishandling may bring serious damage to the state. Therefore, the establishment of an independent and powerful auditing organ to supervise all national economic activity is a necessity. In my opinion, a good way is to set up a state auditing bureau under the Standing Committee of the National People's Congress. As everyone knows, the NPC is the supreme organ in our country, and when it is not in session, its Standing Committee performs the NPC functions. Therefore, a state auditing bureau, established under the NPC Standing Committee, would have the authority to supervise the economic activities and accounts of all units. The state auditing bureau would be the supreme auditing organ, and provincial, municipal, and autonomous regional auditing bureaus could be set under the standing committees of the provincial, municipal, and regional people's congresses to be responsible for the work of auditing in the affiliated departments in charge and in the basic-level units.

Way back in 1954, Premier Zhou Enlai said in his Report on the Work of the Government, delivered at the First National People's Congress: "Both the National People's Congress and people's congresses at the various local levels have the right and responsibility to supervise our national revenues and expenditures. We hope the representatives of those supervising the government's work will cooperate with the government personnel concerned in opposing waste, unwieldy organizations, disregard for financial institutions, lack of concern for state property, and lack of efforts in practicing economy and increasing the accumulation of funds; and in opposing tax evasion and embezzlement of government funds." Here, Premier Zhou clearly pointed out the rights and responsibilities of the NPC for supervision, and gave us a detailed blueprint of the way to enforce this supervision. Now is the time to carry out Premier Zhou's behest.

Many foreign countries have established permanent auditing organs, such as the social accounting organ of Yugoslavia, the accounting tribunal of France, and the audit bureau of West Germany. They are all independent organs with enormous power, and their officials and workers, once assigned by the government, cannot be dismissed or transferred at will. These are favorable conditions for the work of auditing and can be used by us as reference.

There are five basic tasks for the state auditing bureau as initially envisaged:

1) To check vouchers, accounts, and reports and see whether they are genuine, complete, and consistent with realities, and whether there is any fraud or cheating on the government.

2) To check various economic transactions and see whether they correspond to the principles, policies, rules and regulations, plans, and budget stipulations of the party and the state; and to see whether there is any violation of financial and economic laws.

3) To check and see if there are acts of extravagance, waste, corruption, or embezzlement.

4) To check on the finance and accounting departments and see if they are functioning in accordance with the finance and accounting system, and to see if the accountants are performing their duties and exercising their rights properly.

5) To take action against those units and individuals that violate financial and economic laws, to the detriment of the interests of the state. Such action should be decided on after due inspection and verification.

The state auditing bureau's task is an important one, and the strengthening of accounting supervision and economic management is of great significance. Therefore, the establishment of a state auditing bureau is an urgent task.

III. Advantages of Establishing an Auditing Bureau, and Its Relationship With Other Froms of Auditing

There are many advantages in establishing an audit bureau. Free from the control of any administrative department, it can conscientiously proceed with the performance of its duties without further worry. It will be free to act according to rules and regulations, enforce the law vigorously, and do anything that should be done without fear or worry. This will help prevent retaliatory acts against accountants who uphold principles and perform their duties faithfully. With the establishment of a permanent organ, it will be possible to carry out regular inspections of the accounting data of various units and to help accountants improve their work and raise their professional level. It will also help supply more realistic and complete accounting data. Regular aduiting will keep us well informed of the way in which various units are implementing state principles and policies and observing the financial and economic laws, and will help us detect problems and solve them promptly in order to protect socialist property. At the same time, it can prevent a repitition of the old practice of mass auditing movements instead of regular inspections. This will help raise the morale of the accountants.

After a state auditing bureau is established, will auditing by basic-level units, departments in charge, and financial and banking departments still be necessary? From what has been said, the answer is definitely "yes." It is only because of the inadequacy of auditing by basic-level units, departments in charge, and financial and banking departments that the establishment of a state auditing bureau is required. Instead of replacing the other forms of auditing, the state auditing bureau's function will be to guide and assist them so that they can work more efficiently. They are all linked together, but each has his own job according to the division of work. The state auditing bureau will be responsible mainly for auditing in units at or above the provincial, municipal, and autonomous regional levels, in addition to certain basic-level units; while local departments in charge and financial and banking departments should carry out all-round auditing and be solely responsible for those accounts audited by them.

Furthermore, in order to ensure the smooth operation of the auditing bureau, the state should formulate "auditing laws" (or "laws of accounting superivision") clearly specifying the forms of organizations and the tasks, features, and methods of auditing. To meet the requirements of the auditing organs that are to be set up, the Finance and Economics College should add "auditing" to its curriculum in order to train students in auditing knowledge.

Since the establishment of an auditing bureau will be an innovation, the views here presented are still immature. I hope everyone will further study and discuss this matter and pool all resources so as to contribute to the strengthening of the work of auditing.

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FINANCE AND BANKING

STATE-RUN ENTERPRISES INCOME DISTRIBUTION SYSTEM DISCUSSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 20 Oct 81 p 3

[Article by Wang Chengyao [3769 6134 1031]: "Question of Two Forms of Payment—Taxes and Turned-in Profits--by State-run Enterprises Discussed"]

[Text] For the distribtuion of net profits of state-run enterprises, should both forms--taxes and turned-in profits--or only one of them be used? There have always been different views on this question. For a very long time, many comrades have held that only one of them should be sufficient. In recent years, stress was laid on the need to observe economic laws and to manage the economy through the use of economic levers and other economic means. For this reason, taxation as an important economic lever in regulating production, distribution, circulation and consumption, is now receiving increasing attention. To give full play to the role of taxation as an economic lever, the question of whether taxes should be used as the only form of payment in the manner of "changing profits [to be turned-in] into taxes" or "substituting taxes for profits: and whether both taxes and profits should be used for the same purpose has become the focus of attention in restructuring the system of income distribution among state-run enterprises. Recently, the China Finance Academy and the departments concerned jointly held a meeting to study the reform of the taxation system and the financial system of enterprises, and a special discussion was conducted on this question.

The comrades attending the meeting generally held that in view of the present economic situation, the use of both taxes and turned-in profits by state-run enterprises should be continued for some time as a means of state revenues. Yet these comrades stressed different factors in support of their views. Some of them stressed the important role of turned-in profits and profit retention as economic levers, and held that at any time, the use of taxes and turned-in profits should be well coordinated.. Others stressed "substitution of taxes for profits, independent accounting, and responsibility for profits and losses" as an important reform in the distribution of the incomes of state-run enterprises; and held that since conditions are not yet ready for all-out efforts to be made in this direction, we can only conduct experiments in small state-run enterprises and a small number of large or medium-size enterprises, and then gradually popularize the method after gaining experience.

As an orientation of restructuring in the system of distributing enterprise incomes from a long-range view, should we use taxes as the only form of distribution or continue to use both taxes and turned-in profits? There were three different points of view on this question during the discussion.

First, let us look at taxes as the only form of distribution. It was held that "substituting taxes for turned-in profits" or "changing profits into taxes" (including charges for the possession and use of state funds) was far superior to profit-sharing, and should be the orientation of restructuring, for the following reasons: (1) In view of the complex social economic conditions, there should be adjustments in various aspects, including the vertical adjustments in the national economy (meaning the adjustments within the system of ownership by the whole people) and the horizontal adjustments (meaning the adjustments among different departments, enterprises and various products). Only thus can there be a rational economic structure, a rational product mix and a rational pattern of organization for the enterprises; only thus can the relationship of interests among the state, the enterprise and the workers be properly handled. Through taxation in various forms and repeated adjustments and modifications, it will be possible to adapt measures to the complex economic conditions in various aspects; to provide guidance in production and consumption; and properly to streamline various relationships. Profit, however, is a comprehensive economic index, and the turning in and retention of profits as a single form cannot solve the problem of complex economic activities. (2) To arouse the enthusiasm of state-run enterprises, it is necessary to provide the enterprises with certain decision-making power along with the guidance of state planning and state leadership, so that the enterprises can within certain limits assume responsibility for profits and losses; and so that their rights, responsibilities and interests can be closely integrated. If the way of distributing incomes is established through taxation and tax legislation, it will help serve this purpose by carrying out effectively the two "three-in-one combinations," namely, the combination of the interests of the state, the enterprise and the workers, and the combination of the enterprise's rights, responsibilities and interests. The use of taxation as a means of adjustment will not only solve the problem of unequal advantages caused by objective factors among different enterprises, but also preserve rational interest differentials among the enterprises. The method of profit-sharing cannot be free from departmental and regional restrictions. Furthermore, there must be profits before any sharing is possible. If there are no profits to be shared and the state has to subsidize the loss, then close coordination among rights, responsibilities and interests will be impossible. (3) If taxes are levied according to law and the amounts to be levied are calculated at given rates, there will be a distinct relationship between the state and the enterprise in the distribution of income, and the adjustment of rights and interests will be protected by law. This will insure timely, steady and reliable state revenues. (4) If taxes are levied in various forms along with various adjustments, the effects of taxation can be felt in production and marketing activities, in cost accounting, in the distribution and use of profits and other aspects of the enterprise's operation. Therefore, compared with profit-sharing, this can play a more effective supervisory role. (5) We have not yet seen enough of the experiment of "substituting taxes for profits" or "changing profits into taxes." However, as long as we proceed with the restructuring by breaking down the old conventions, the problems can be basically solved.

Second, a look at the use of both taxes and profit-sharing. It was held that since, from the long-range view, turning in profits and paying taxes play basically equal roles in state revenue, profits cannot be replaced by taxes for the following reasons: (1) Profits belong to the owner of the means of production, and the state is the owner of the means of production in the state-run enterprises. Abolition of the profits to be turned in will actually mean that the state has abandoned its rights of ownership of the means of production in state-run enterprises. (2) State-run enterprises are built on the foundation of the system of socialist public ownership, and stand for planned commodity economy; and the issuance of funds, the layout and orientation of production, the product mix, the material structure, labor management and so forth are mostly regulated by state planning. The responsibility for profits and losses resulting from labor consumption--either higher or lower than average socially necessary labor time--should not be entirely borne by the enterprise. Some enterprises are only making meager profits or even suffering losses because of certain government restrictions or objective factors; in this case, the loss should be borne by the state and the enterprise should no longer assume responsibility for its own profits and losses. Therefore, the method of "substituting taxes for profits and assuming responsibility for profits and losses" is not entirely appropriate. (3) In levying income tax, the rax rates should be established so that higher taxes will be levied on higher profits; lower taxes for lower profits; and no tax for loss. This method lacks flexibility. On the other hand, profit-sharing can be based on changing conditions and adapted to the enterprise's plan for readjustment. Thus it can help regulate the enterprise's retained profits and induce those enterprises incurring losses to reduce their losses and thus share the savings. This method is more flexible in handling various relationships. (4) The levy of income tax is based on the profits realized by the enterprise regardless of the actual conditions for fulfilling various planned quotas. Profit-sharing, however, is closely related to these conditions. An enterprise can share the profits only when it has fulfilled the various planned quotas, and the size of its share is not determined by any single quota of profit. Therefore, profit-sharing is an important lever serving to encourage state-run enterprises to fulfill all the planned quotas and to insure the realization of planned economy. (5) As long as the present method of profit-sharing is improved--by such methods as the replacement of basic-level enterprises by trades or companies, as units for profit-sharing and profit-retention, so that these trades and companies can work out suitable overall arrangements for profit-retention by their affiliated basic-level enterprises--the present problems of duplicated construction projects and unequal advantages among the enterprises will be solved. (6) In view of the present difficulties for drastic price changes and before the tax rate for products is readjusted, it is impossible to adopt the system of progressive taxation. The method of "changing profits into taxes" is thus essentially a form of profit-sharing without much newly added substance or any special significance.

Third, taxation as the main form of distribution is to be supplemented under certain conditions by profit-sharing. It was held that the ratio of taxes in state revenues should be raised a great deal, say, as high as about 80 percent. Under ordinary conditions, only taxation will plan the regulative role; but under certain extraordinary conditions, profit-sharing should still be used and there should be no "arbitrary uniformity." Apart from the five reasons for the use of taxation as the form of distribution, according to the first point of view, there are the following three supplementary reasons: (1) Because of the complex economic conditions and the numerous differences in the levels of technology, material resources, and equipment in different enterprises; the deviation of prices from value over a long period of time; and many other reasons, differences in the profit levels of different enterprises are inevitable. Therefore, taxation can play its regulative role under only ordinary, and not all, conditions. Under a unified taxation system, there are always some enterprises whose after-tax profits are more than what they actually need; and it is impossible to work out a tax rate for each enterprise for the purpose of absorbing their excess profits. (2) Taxation and profit-sharing are both economic levers but playing different roles. Since we advocate the full use of all kinds of economic levers, we cannot discard profit-sharing which is still effective as an economic lever and is readily available. In the past, there were requests for "substituting profits for taxes" and the "combination of taxes and profits"; now there is the request for the complete substitution of taxes for profits and the abolition of profit-sharing. The view that taxes and profits are two irreconcilable forms of payment is not a scientific one. (3) The regulatory income tax, as an important aspect of "substituting taxes for profits" can only exist as a temporary expedient in the experiment of restructuring during the readjustment of the national economy, but should not be adopted as a permanent measure. Since its source is not clear, and in the absence of any clear indication of its nature as either tax or profit, the regulatory income tax lacks a theoretical basis; and in levying this tax, it is very difficult to determine the subjective or objective causes of higher profits. Therefore, it offers no encouragement to the advanced units. Furthermore, because of the different levels of profits among the enterprises, it will be difficult to introduce a unified legislation.

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SHANGHAI'S CONSTRUCTION BANK INVESTMENTS PRODUCE GOOD RESULTS

Shanghai WENHUI BAO in Chinese 27 Oct 81 p 1

[Article by correspondents Shen Jiqing [3088 0679 1987]: "Every Yuan of Bank Loan Helped Produce 3 Yuan Profit for Industrial Plants--Shanghai's Construction Bank Stresses Economic Results in Handling Finance"]

[Text] In 1 year, the investment of each yuan has brought 3.6 yuan of tax or profits for the state. Such has been the result of investment by Shanghai's construction bank in 25 medium-size projects.

These 25 projects were mostly related to equipment renovation and technical transformation in the light, textile and chemical industrial sectors. The average investment in each project was less than 500,000 yuan, and the smallest one costed only a few tens of thousands of yuan. Before granting the loans, the bank conducted intensive feasibility studies and paid attention to the role of the productive capacity in filling certain gaps and in comprehensive utilization. Therefore, these projects required fairly short construction periods--generally 10 months--and yielded remarkable economic results. Each year, they are able to increase state taxes and profits by 38 million yuan and earn 6.64 million yuan in foreign exchange. The total profits were 3.06 times the amount of bank loans.

The Shanghai Flour Mill is an old enterprise, using out-dated equipment with low efficiency. In the past several years, the flour processing task of this mill became increasingly heavy, and equipment replacement was necessary for raising its productivity. Before granting a loan, the municipal construction bank conducted many feasibility studies in collaboration with the financial departments and found no need for the additional mills to be built with indigenous methods, since such equipment could be bought and the technical force was available. The bank quickly approved a loan of 600,000 yuan for this mill, and this amount, together with an allocation by the bureau in charge, enabled the mill to replace 37 mills. This project began last May and was ready for operation by August. The productive capacity was doubled and the annual profits increased by more than 2 million yuan.

The dacron cord produced by the China Feilun Cord Factory is selling well at home and abroad. Last year, this factory wanted to renovate a dryer in order to increase its drying capacity in the production line. However, the cone winder was not fast enough for the dryer which had acquired increased drying strength, and the productive capacity could not be balanced. In view of this, the municipal construction bank granted a loan of 48,000 yuan for the factory to buy 8 additional sets of cone winders to even up the productive capacity. By this means, the factory increased the output of cord by 6,500 dozen spools each month; increased its profits by 936,000 yuan each year; and earned $480,000 in foreign exchange. The loan was totally redeemed in 1 month.

The municipal construction bank is keenly interested in comprehensive utilization. In the past, the residual gas from the sulphuric acid workshop of Wujing Chemical-Industrial Plant was recovered to be made into liquid ammonium sulphate to be used as fertilizers. Sales of this type of fertilizer were poor in recent years because of its low efficiency. Besides incurring a loss of 600,000 yuan each year, the plant also created serious problems of pollution. Last March, the municipal construction bank conducted investigations and then loaned this plant 280,000 yuan for technical transformation. The residual gas was then made into ammonium bisulfite to be used by the Shanghai Sulphuric Acid Plant. Because the work was carried out according to plan, the project was completed for operation in 2 months, and the loss was turned into profit. The loan was repaid, and with interest, in 5 months. The Wujing Chemical-Industrial Plant now can increase its profits by 360,000 yuan each year, and the Shanghai Sulphuric Acid Plant also can increase its output value by 1.35 million yuan each year.

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'JINGJI GUANLI' ON ZHEJIANG INDUSTRIAL GROWTH

HK190612 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 11, 15 Nov 81 pp 3-6

[Article by Jin Ji [6855 4764] and Tong Tai [4547 3141]: "How Did Zhejiang Province Maintain a Fixed Industrial Growth Rate During Readjustment?"--passages within slantlines denote boldface]

[Text] Since the implementation of the policy of readjusting the national economy our province's industry has continued to grow. The total industrial output value of the province in 1979 was 17.9 percent more than that in the previous year, that in 1980 was 27.5 higher than in the preceding year and that in the January-August period this year saw an increase of 14.5 percent over the same period last year.

The Major Characteristics of Industrial Development Over the Past 3 Years

1. Top priority has been given to light industry and heavy industry has also grown to some extent.

The output value of the province's light industry constituted 60 percent of the total value of all industrial output of the province during the readjustment period. The total value of light industrial output in 1979 increased by 17.1 percent over the previous year, that in 1980 was 30.4 percent more than that of the preceding year and that in the January-August period this year was 21.2 percent higher than in the corresponding period last year. Heavy industry has also grown to some extent during the period of readjustment. The total value of heavy industrial output in 1979 increased by 19.1 percent over the previous year, that in 1980 was 30.4 percent more than that of the preceding year and that in the January-August period this year was 4.5 percent higher than in the corresponding period last year. The development of light and heavy industries has been coordinated and the industrial structure has become increasingly rational.

2. The industry under the system of collective ownership has developed at a relatively fast pace.

The output value of industry under the system of collective ownership (including the enterprises run by the Provincial Second Light Industrial Department, the neighborhoods of towns and communes) accounts for 40 percent of the total industrial output value of the whole province. During the period of readjustment, the speed of development in collective industry continues to increase. The total output value of collective industry in 1979 was 19.9 percent more than that of the previous year. The collective industry of small cities and towns increased by 17.6 percent and collective industry run by communes saw an increase of 26.3 percent. The total output value of collective industry in 1980 was 39.3 percent more than that of the preceding year. The collective industry of the small cities and towns increased by 34.5 percent and collective industry run by communes saw an increase of 51.8 percent. The total output value of collective industry in the January-August period this year was 25.5 percent higher than in the same period last year. The collective industry of the small cities and towns increased by 17.6 percent and collective industry run by communes saw an increase of 46 percent.

3. The economic effect has been raised to some extent.

Over the past 3 years the technical and economic targets of industrial production have been fulfilled in a relatively satisfactory way, and marked achievements have been made in economizing on energy. The overall consumption of energy for every 10,000 yuan's worth of output value in 1980 was 57,300 tons [as published], a decrease of 8 percent compared with that in 1979. The industrial production in the January-August period this year continued to rise and the amount of energy consumed throughout the province has by and large not increased. The profit achieved in 1979 by those industrial enterprises under the system of ownership by the whole people, which practiced independent business accounting increased by 20 percent over the previous year. That in 1980 showed a 24.5 increase over the preceding year and that in the January-August period this year was 1.5 percent more than that in the corresponding period last year, calculated according to comparable prices in that year.

During the Readjustment Period, Accelerate the Development of Industry

The reasons we could maintain a certain speed of development in the province's industry were mainly that the CCP Provincial Committee and people's government strengthened leadership over the economic work; proceeded from the reality of the province; defined the policies for developing industry; had a relatively firm hold of economic organizational work; adjusted and coordinated the work of various departments; readjusted and rectified the leading bodies of a great number of key enterprises; adopted a series of policies and measures advantageous to the development of industrial production within the limits permitted by the relevant state regulations to revitalize the economy and began to reform the industrial structure and product mix. Concrete examples are listed below:

1. In accordance with the "provincial condition," change the guidelines for industrial development and bring into play the strong points of light and textile industries.

In 1978 the leadership of the CCP Provincial Committee and people's government put forward the matter of it being imperative to earnestly sum up the experiences and lessons of economic construction and pay attention to giving full scope to the economic strong points of the province. It was regarded at that time that Zhejiang Province's economic strong points were the diversified rural economy and light, textile and silk industries and its weak points were serious shortages of coal and iron deposits and it was stressed that it was necessary to develop advantages and make the best use of advantages to overcome shortcomings. After the 3d plenary session of the 11th CCP Central Committee, in the process of studying economic readjustment and long-term planning, we further summed up the experiences and lessons of the province's economic construction and analyzed the "provincial condition" of Zhejiang Province. On this basis we hold that the main economic characteristics of the province are shown by the fact that the province has always been called "a land of fish and rice, home of silk, a place with advantageous resources of mountains and seas (there is enormous potential in mountain areas and fishing zones), a land of tourism and a place of cultural relics (the former scientific and technological as well as education foundation was relatively sound)." Other major characteristics are that agriculture and light industry occupy a large proportion in the national economy of the province; the output value of heavy industry constitutes 27 percent in the total value of agricultural and industrial output and most of the products of heavy industry serve agriculture and light industry; medium and small-scale factories are numerous among the industrial enterprises, the collectively-run enterprises form a large proportion of all enterprises and labor-intensive enterprises form the main part of these; in circulation, most of the agricultural and sideline products and light and textile industrial products (which use agricultural and sideline products as raw materials) are for export and allocation to other provinces and we depend on importing most of the fuel and much of the raw materials for heavy industry and the chemical industry from other provinces. We have come to see that one of the important problems in our past industrial production was that we marked time by building an independent industrial system and adopting the principle of "taking steel as the key link," spent large quantities of financial and material resources to obstinately remedy weaknesses, preserved disadvantages by discarding advantages and squeezed out agriculture and light industry, thus affecting the growth rate of the national economy. Through analyzing the "provincial condition" and summing up experience in this way, we have realized that we must no longer waver in regard to the relationship between heavy industry, agriculture and light industry and still less can we disregard the expenses in solving the problem of "goods whose supply has fallen short of demand" because of the lack of resources. We have clearly understood that it is necessary to put light and textile industries in a priority position, go all out to develop a diversified economy in agriculture, provide light and textile industries with raw materials and at the same time, in the light of the raw material needs of the industrial branches which support agriculture and light industry and the availability of resources, actively develop heavy and chemical industries.

/2. Open up new resources of raw materials, strengthen technical transformation, change the product mix and speed up the development of the production of consumer goods./

The province has taken the following measures for giving priority to the production of consumer goods and promoting the rationalization of industrial structure:

First, we have vigorously developed a diversified economy in agriculture and readjusted the policy for purchasing the agricultural and sideline products so as to provide light and textile industries with more raw materials. Seventy-three percent of the province's light and textile industries use agricultural products as raw materials. In order to boost production of raw materials for light and textile industries, with the precondition of ensuring an increase in food production, we have readjusted the areas sown with grain crops and industrial crops. Over the past 3 years, the province has gained an additional 250,000 mu of cotton-growing areas; 20,000 mu of areas sown with luo ma [4820 7802] and 68,000 mu of areas sown with oranges and tangerines. To enthusiastically support the economic development of the mountain areas, we have, in succession, increased the sales to, and reduced the purchase quotas of 270 million jin of grain from the mountain areas, reduced or waived 200 million jin in agricultural tax and supported the mountain areas in stopping the opening up of wasteland and returning the reclaimed land to forestry, carrying out afforestation and raising trees, and developed such special local mountain products as tea, Chinese tallow tree, tung oil and rosin. At the same time, linking up with the communes and their subdivisions, the industrial branches of the Provincial Light Industrial Department and enterprises have established a large number of sources of raw materials. A total sum of 10 million yuan was allocated from the provincial reserve fund as loans for the source areas of raw materials to use as working funds. In order to arouse the enthusiasm of the peasants for increasing the production of raw materials for light industry, the province worked out the base price for 13 items of agricultural and sideline products one after another, guaranteed the required quotas, purchased the surplus above the purchase quotas at a higher price or appropriately shared the earnings from the excess production. This has both increased the supply of raw materials for state-run industry and appropriately developed commune and brigade-run industry.

Second, uphold the implementation of the principle of the "six priorities," strive to guarantee the supply of coal, electricity, oil and industrial raw and semi-processed materials which are needed to carry out light and textile industrial production. In terms of distribution of energy, top priority has been given to light and textile industries. Last year the province exchanged 100 million jin of rice and 10 million jin of rapeseed oil with Shanxi Province for 1 million tons of coal, thus making good the shortage of fuel. Of this 100,000 tons were directly utilized and sent to the key light and textile industrial factories by the Provincial First Light Industrial Department. This year we will continue the cooperation with Shanxi Province and import more than 1 million tons of coal to strongly support light and textile industrial production. We curtailed the consumption of the "coal tigers" and "electricity tigers" [enterprises which consume large amounts of energy] in order to save more raw coal and electricity to support light and textile industries and thus to boost production. Several years ago, the light and textile industrial products which had their production disrupted due to the lack of raw and semi-processed materials accounted for 1/3 of the total light and textile industrial products of the province. In the last 2 years, we have enthusiastically worked at the processing of imported and locally supplied materials, thus increasing production tasks. For instance, we annually produced about 50,000 pieces of cotton yarn by processing the imported and locally supplied materials, and this constituted more than 10 percent of the cotton yarn output of the province. We cooperated economically with different provinces and exchanged some goods in great demand which were produced in excess of the output quotas, such as bicycles, sewing machines, cigarette paper and silk quilt covers for light and textile industrial raw materials, such as timber, chemical fibers, rosin, tobacco, soda ash and so forth. We still imported raw materials from abroad for light and textile industries, paying for these with various foreign currency funds.

Third, use funds obtained through various channels to strengthen the technical transformation of light and textile industries and expand production capability in order to produce goods which are in short supply. To expedite the development of light and textile industries, over the last 3 years, we have readjusted the orientation of investment. The ratio of investment poured into light and textile industries to the investment in local capital construction increased from 8.8 percent in 1978 to 15 percent in 1980 and will be 19.1 percent according to this year's plans. At the same time, through various financial channels, we strengthened the technical transformation of existing enterprises and adopted the method of using every means available to center various funds in a certain direction for a period of time and strengthened the weak links in production capability. From 1979 to 1981, the various construction funds used by the provincial first and second light industrial departments and their affiliated organizations totalled 580 million yuan, of which the tapping-renovating-transforming funds and special bank loans accounted for 60 percent. We allocated 70 million yuan from the province's reserve fund to be used as construction loans to light and textile industries which would use them as working funds.

Fourth, vigorously grasp quality, increase product varieties and change the product mix. In the past 3 years, while adhering to the principle of quality coming first and maintaining the strong points of traditional products, we have actively developed new products, new varieties in product design, size and color and in packaging, and have reformed the product mix, raised the precision and depth [shen du 3234 1653] of processing made every effort to achieve a greater economic result while consuming the same amount of raw and semiprocessed materials. According to the calculations of the Provincial First Light Industrial Department, in the total output value of the Provincial Light Industrial Department and its affiliated organizations in 1980, the increase in amount of the output value attributable to changing the product mix and economizing on raw and semiprocessed materials constituted over 1/3 and the increased profit attributable to raising product quality and changing the product mix was 42.3 percent of the total profit increase for the year.

/3. Strengthen market sense, change the product orientation, improve technical service, revitalize heavy industry and strive to maintain a certain growth rate in heavy industry./

During the industrial readjustment, do we simply go all out to promote light industry and discontinue heavy industry? Having made a serious analysis of the situation in which the province's heavy industry has a weak foundation and a relatively great proportion of it serves agriculture, light industry and the market, we maintain that it is necessary to put an end to the former state of affairs in which the speed of development in light industry was excessively low compared with that of heavy industry and it is also necessary to allow heavy industry to maintain a certain growth rate and develop in coordination with light industry.

Over the past 3 years, to maintain a certain speed of development in heavy industry during the period of readjustment, we have done work in the following areas: First, adapting ourselves to the social needs and in accordance with market conditions, we switched in good time to produce other products, thus taking from the long to add to the short. The production targets for capital construction equipment were reduced but this was compensated for by increasing production of the products to be used in the renewal, transformation, forming of complete sets and maintenance of equipment. Second, the enterprises which formerly served agriculture, light industry and the market tried their best to improve their technical service, further open up new markets and increase production. Third, enterprises which produced goods which were in abundant supply, decided on, and produced products which were in short supply and while maintaining production of one major product, produced others as supplementary ones. While grasping well the production of the main products, they practiced comprehensive management, thus boosting production and increasing income. Take the major heavy industrial branches, such as metallurgical, engineering and chemical industries for example:

The metallurgical industry: It formerly had insufficient production capability and its products were mainly small products. During the readjustment period, in the light of market demands, it enthusiastically increased production. The Hangzhou steelworks has doubled its output of small steel products and wire rods in the last 2 years. In specified steel products, it increased the production of leaded steel of types 10, 14, 22 and 25 which were needed in the building industry in the small cities and towns and trial-produced new products, such as a new type of steel which resists corrosion by seawater. Its wire workshop produced newly added umbrella frame wire, spring steel wire and bicycle spoke wire.

The engineering industry: We changed its service orientation and grasped both the production of marketable light products and key enterprises and products. The First Department of Machine-Building and its affiliated organizations stressed the grasping of the production of 38 marketable brand-name products of 48 enterprises and particularly the following four big factories: the Hangzhou oxygen production machinery factory, the heavy-duty machine tool factory, the steam turbine factory and the boiler factory. Of the total output of the Provincial First Department of Machine-Building and its affiliated organizations, the output value of these four factories constituted around 12 percent and accounted for about 20 percent of the department's total profit. During the period of readjustment, these four factories encountered a serious situation in which tyey were being operated below capacity, their equipment was left idle and there were holdups in the work because of poor management of their workers. During the readjustment period, the production targets of the Hangzhou oxygen production machinery factory were sharply reduced. At the beginning of 1980, only 30 million yuan of planned targets were fixed, a decrease of over 1/3 compared with those in the past. At the beginning of this year, it had only 13 million yuan of planned targets and the units which had formerly placed order for goods one after another returned the goods they had received. Under these circumstances, this factory discarded its haughty airs of being a big factory and put an end to the old practice of waiting for customers to come to the door-step, organized leading core cadres and technical personnel to go to more than 10 provinces and municipalities to interview the customers and conduct on-the-spot investigations of the large-sized oxygen production machinery which their factory had produced in the past, and signed a number of contracts with the customers for overhauling and remaking the machines. At the same time, it made good use of the idle equipment and personnel to provide the light industrial trades and professions with compressors of various specifications and other equipment, contracted out quite a number of production targets and thus maintained the historically relatively good levels in production and profits.

The chemical industry: Most of the province's major industrial products, such as chemical fertilizers, acid and soda, plastics, paint and rubber products were needed by the market but the supply of raw and semi-processed materials and fuel were strained. We increased production mainly by practicing economy. For instance, the otuput of synthetic ammonia in 1978 was 390,000 tons and 580,000 tons in 1980, and in the January-August period this year, 400,000 tons of synthetic ammonia has been produced, of which the output of small synthetic ammonia factories accounted for 75 percent. The consumption of anthracite and soft coal by these small synthetic ammonia factories decreased by 1,708 jin in the first half of this year, a decline of 22.1 percent compared with 1978.

/4. Bring the supplementary role of regulation by market mechanism into play under the guidance of state planning./

Under the guidance of state planning, one important condition of the continued growth of the province's industry over the past 3 years was that we paid attention to giving play to the supplementary role of regulation by market mechanism. Over the past 3 years, the major measures we have taken to bring the supplementary role of regulation by market mechanism into play are as follows: First, we vigorously organized coordination of materials. For this purpose, the province set up a cooperating leading group and cooperating office of which a vice-governor was in charge, transferred a number of cadres to strengthen this work. Various localities also generally strengthened the work of the coordination of materials and at the same time, they increased the sources of raw and semiprocessed materials by relying on the strength of various departments and enterprises and by readjusting deficiencies and surpluses of raw materials in the production materials market. Second, we carried out the processing of locally supplied and imported materials or let the enterprises contract out production tasks on their own accord and "look for new sources of materials to feed their machines." Third, we strengthened marketing work, adjusted ourselves to the needs of the market and promoted production through marketing. A lot of companies and factories and mines set up their own individual marketing sections and enhanced their ability to promote sales of their goods. At the same time, to allow the normal regulation by market mechanism and to meet the requirement of enlivening the economy, we appropriately relaxed policies and made some necessary changes within the scope permitted by the state policies on prices, taxes and market management.

We grasped circulation and promoted production. To do a good job of marketing, we organized the supply and marketing organs at the provincial, prefectural and county levels into an interconnected network of supply and marketing, keeping all organs informed and integrating purchase with marketing. Haining County established cooperative relations with 219 units from 20 provinces and municipalities and as a result, the raw materials needed for production in the 28 cooperative factories all over the county this year were by and large arranged and their products have found a market.

In order to bring into play the supplementary role of regulation by market mechanism and promote production, we made some necessary changes in the economic policies. The province practiced, with a little flexibility, the principle of "being lively within stability" in regard to price for the means of production used in carrying out the cooperative activities. Some flexible measures for the prices of the products of the commune and brigade-run enterprises and some collectively run enterprises were also stipulated. For instance, for the major products which are subject to unified purchase and marketing by the state and are produced by self-supplied materials appropriate price rises of up to 10 percent are allowed. For the products which are not subject to unified purchase and marketing by the state and products processed from materials supplied from outside, negotiated prices are also allowed.

/5. Appropriately expand production capability and raise the levels of production and technology through the technical transformation, expansion and reconstruction of existing enterprises./

In capital construction, owing to the curtailment of investment and the readjustment of its structure, the proportion of investment in industry in the total amount of local investment decreased from about 60 percent in the past to below 30 percent. With limited investment, we were resolved to discontinue the projects which required heavy investment and yielded poor results and whose techniques were not up to standard, readjust the orientation of investment and put the stress on the continuation, forming complete sets of, expansion and transformation of the existing enterprises which required less investment and promised quicker results. At the same time, we granted loans to the projects which had the ability to repay, thus raising the investment results. For instance, we arranged loans this year for 38 capital construction projects of which 20 were anticipated to be completed and put into production this year. In addition, the construction bank arranged credits for 129 small-scale projects of which half were expected to be completed and put into production this year. The economic effect of these projects is relatively good.

The projects which used tapping-renovating-transforming funds, including some projects of a capital construction nature which are to be expanded and restructured, have enhanced the production capability for goods whose supply falls short of demand. The funds for tapping-renovating-transforming throughout the province were 10 or 20 million yuan annually before 1978 but they reached more than 200 million yuan annually both in 1980 and 1981 after the practice of assigning the local financial authorities responsibility for task completion was introduced, the experiments of expanding decision-making power of enterprises was carried out and the method of banks granting special loans was practiced. Three hundred and seventy technical-measure projects were completed and put into production last year and 109 projects were completed and put into production in the first half of this year. The newly added industrial output value created by these projects which used the tapping-renovating-transforming funds was more than 700 million yuan in 1980 and is estimated to reach 800 million yuan this year, constituting about 1/3 of the amount added to the total output value of the province this year.

Apart from the budgeted financial allocation and various bank loans, to raise funds, the province set up a capital construction investment company. One hundred million yuan of funds were raised from the province's reserve fund to be used as loans for capital construction projects which would use them as working funds. The province also set up a provincial cooperative investment company and 46 companies of that kind at municipal and county levels in Hangzhou, Shaoxing, Huzhou, Quzhou and so on. The Hangzhou Investment Company extended 24.17 million yuan of credit in the January-June period this year to support 101 tapping-renovating-transforming projects of which 58 were light and textile projects.

/6. Industrial departments have begun to pay attention to the popularization and application of science and technology in production and strengthened the training of the technical force and factory-run scientific research has begun to develop to some extent./

Along with the initial reform of the economic structure and the step-by-step expansion of decision-making power of enterprises in production management, the socialist competition is being carried out within certain limits and the industrial departments and enterprises have begun to attach importance to raising the level of production techniques and the ability of their products to compete. This has promoted the transfer of knowhow; the factory-schools combined manufacturing and technical cooperation between different factories, thus enabling science and technology to become actual productive forces as quickly as possible. For instance, the Shaoxing porcelain factory has achieved 20 findings, such as economizing on energy by mixing coal and oil and the making of clothes hooks by direct heating. The 1980 output totalled 25.23 million pieces, an increase of 67.5 percent over 1979 and the 1980 profit was 1.35 million yuan, 90.8 percent more than that in 1979.

Although the growth rate of the province's industrial production has been relatively fact over the last few years, there are still quite a number of problems facing us. First, the products of some enterprises have failed to be adjusted to the needs of the market and they have become unmarketable and overstocked as a result. Second, the economic and technical targets of enterprises are relatively backward and the output value created by every 10,000 yuan of expenditure is 30 percent lower than that of Shanghai and the profit created by every 10,000 yuan expenditure is 56 percent less than that of Shanghai. Third, there has been an obvious reduction in speed of development this year compared with that of the preceding 2 years. This is mainly because the growth rate of the industry under the system of ownership by the whole people and especially heavy industry is relatively low. To continue to maintain a certain speed of development in industry and accumulate strength for further development, it is necessary for us to further conduct investigations and study and correctly assess the situation of the province's industry. With the powerful backing of the whole country and under unified state planning, we must develop our advantageous factors and overcome our disadvantageous ones, stress the grasping well of the production of raw and semiprocessed materials and the replacement and transformation of equipment, truly enhance the capability to intensively expand reproduction and at the same time pay attention to continuously raising the technical level and managerial and administrative skills.

CSO: 4006/167

DEVELOPMENT OF INDIVIDUAL ECONOMIES IN GUANGZHOU EXPLAINED

Beijing ZHONGGUO CAIMAO BAO in Chinese 8 Sep 81 p 2

[Article by He Jingpei [0149 4842 3099]: "How Has Guangzhou Developed Individual Economies?"]

[Text] Beginning in August, 1979, the municipality of Guangzhou began restoring and developing individual economies based on nonagricultural industries in the cities and towns. Some fairly obvious results have been achieved to date. By the end of July of this year, a total of more than 16,600 people have been returned to or added to nonagricultural individual economies; this is 53.7 percent of the 1957 figure. The municipal departments concerned plan for the next step to be a further hiring of 15,000 people, a restoration to the 1957 level.

Although it has only been 2 years since the restoration and expansion of nonagricultural individual economies, and the number of people involved has not attained the previous highest level, it already plays an inestimably positive role in economic life.

First of all, it has invigorated the market, been convenient for the masses, and made up for the inadequacies of the state and collective commercial networks. Historically, there have been a relatively large number of commercial networks and businessmen in the city of Guangzhou. In 1955, there was an average of 4.5 commercial networks and 10 commercial service personnel per 100 citizens, but by the latter half of 1979, these had decreased to an average of 0.4 commercial networks and 4.4 commercial service personnel per 100 citizens, which brought inconveniences to the lives of the masses. During this restoration and expansion of individual economies, more than 10,000 individually run stands have been quickly established and this has greatly made up for the inadequacies of the state and collective commercial networks. They have basically played a very positive part in solving the "eating," "clothing" and "repair" problems of Guangzhou. The small eating establishments especially have spread all through the streets and alleys operating night and day serving whoever comes to eat. It is extremely convenient for the masses. Some traditional Guangzhou foods, such as "green sweetened bean paste," "your lordship chicken," "roast goose," "fried vermicelli," and others have made a comeback and been welcomed by customers at home and abroad.

Secondly, it has expanded social connections for securing a job and promoted social stability and solidarity. By the end of June 1981, more than 5,300 youths in the whole city were formally registered as self-employed constituting 32 percent of the total self-employed people. In addition, there were many individually operated businesses which were registered by parents and run by the children. It is estimated that this number totals some 5,000 to 6,000 youths, which is equal to the formally registered number.

Thirdly, it has promoted improved management by state and collective enterprises as well as improving the quality of service. Take some of Guangzhou's past collective and state operated eating establishments as an example. Due to single family management and supply not meeting demand, variety in these establishments was monotonous, business hours short, and quality of service lacking. Time and again there was no improvement in the opinion of the masses. Now, since independent eating stands have begun operating, their variety is great, they have the latest products, they are economical and practical, they offer good service, and are soliciting large crowds of customers. Because of these circumstances, eating establishments where service was poor were not frequented and thus they were forced to improve management and service.

The restoration and expansion of nonagricultural individual economies in Guangzhou occurred fairly quickly. The enterprises employing youths are especially numerous. Isn't there much to be learned from these experiences?

1. The party and government should emphasize the restoration and expansion of individual economies as something to be grasped. The Guangzhou municipal party committees and the municipal government have already on two occasions organized the committee's general office's research office, the municipal finance office, and the industrial and commercial bureaus to do research. On the one hand they have used the facts to teach the cadre and masses to recognize the important significance of the development of individual economies and on the other hand they have focused on the problems which emerge in the process of work in order to make suggestions for improvement in a timely manner. The municipal government also issued special notifications requesting relevant departments to make efforts in coordination and positive support. All districts and streets also worked actively to make the state's policies and guidelines regarding youths seeking a profession and the development of individual economies known to all and to help them take root in the hearts of the people.

2. We should further liberalize ideas, broaden policies and adopt measures on all fronts to greatly support and foster the development of individual economies. For instance, in management styles, there can be single person management, whole family management, and "partnerships" can also be permitted. There must be compliance with the requirements and there will be no limits on the number of people involved. As for goods supply or raw materials, it must be clearly stipulated that individual businesses can go to state wholesale departments to lay in a stock of goods, selecting three types of goods for purchase with two types being appropriately allocated to the point of "controlling without restricting." This will also allow them to enjoy the difference between wholesale and retail prices the way the state and collective businesses do. As to prices, the freely purchased portion would be permitted to have the prices set by the market.

3. There are economic attractions. The departments concerned stipulate that only if the businesses are run legally will there be no limits on the amount of business done and the income. However, it is acceptable to earn quite a bit of money with

no fear of becoming "conspicuous." At present, the average income per person per month for individual businesses throughout the city is more than 100 yuan with the greatest being 300 yuan. For this reason, the majority of the young engaged in individual economies are relatively comfortable with their professions.

4. Effective measures should be adopted to assist those youths awaiting employment in solving the problem of whether to engage in an individual business or not. There are basically three methods for this: One is when the parents are managers of an individual business and have a definite skill and management enterprise, the youth awaiting employment is moved to learn the skills from the parents and engage in the business together with them; another is to mobilize and organize retired people with technical expertise and management experience to lead the youth to become apprentices or helpers and learn while doing; the third is for various special short classes to be operated by block or labor service companies attracting the youths to study voluntarily at their own expense to acquire the skill to engage in an independently operated business.

Although the city of Guangzhou has achieved gratifying results in the restoration and expansion of nonagricultural individual economies and giving impetus to the young seeking their own profession, some problems still exist. The most obvious one at present is that there is not a very good resolution to the problem of a system of control. At present, independent businesses are mostly controlled by neighborhood service centers and the neighborhood merely collects management fees and does very little managing. At the same time, the standard fees collected have also increased. In accordance with the stipulations of some areas, the management fees paid by different types of businesses is 1-5 percent of business. This is already very high but some neighborhoods collect 15-20 percent and others also add in "fees for occupying the street," "health fees," "garbage fees," and various other fees. There are a multitude of things which influence the activism of those independent businessmen.

9795
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JOURNAL ON AGRICULTURAL, TRADE MARKET

HK121026 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 15 Oct 81 pp 48-50

[Article by Yu Shamu [0060 3097 1606]: "How Did Shenyang Municipality's Agricultural and Trade Market Begin to Flourish?"]

[Text] In the well-known industrial city of Shenyang, the largest municipality in the northeastern part of our country, around 130 prosperous agricultural and trade markets are found all over the city, not only around the lively downtown area but also in the suburban parts of the city. Under the spacious plastic roofing of the markets and among their well-laid-out piles of goods, the customers bustling about select their purchases as they please not only from products of Liaoning Province, such as the principle food grains, miscellaneous grains, edible oil, livestock, aquatic products, eggs, vegetable, dried and fresh fruits, and other daily-use products, as well as other agricultural and sideline products, and special local products, but also from agricultural and sideline and other special local products from 20 other provinces and districts, such as yellow tobacco and sunflower seeds from Jilin Province, soybean, and edible fungus from Heilongjiang, soft-shelled turtle from Sichuan and Anhui Provinces, fresh fish from Zhejiang Province and related areas, and other products. There are about 200 commodities on sale in these agricultural and trade markets of varying sizes everyday. The total daily transactions amount to more than 300,000 yuan. Then how did these agricultural and trade markets begin to flourish? Recently, we visited the departments concerned of Shenyang with this question in mind and found out its secret.

A Regulatory But Flexible Policy

The agricultural and trade markets of Shenyang Municipality, which enliven the urban and rural economy, belong to one form of the traditional market of our country just as the rural fair trade markets all over the country do. Unfortunately, since 1962, especially during the 10 years of the "Cultural Revolution," these markets have been regarded as "soil for capitalist restoration" and have been restricted and eliminated. As a result, the channel of commodity circulation has become unitary. This impedes the exchange of commodity supplies between the urban and rural areas and causes the spread of unhealthy practices in the supply and sales of commodities and resentment among the broad masses of the people. The Shenyang Municipal Party Committee has studied the historical experiences and lessons and has noted the fact that the rural fair trade markets of the urban and rural areas are a necessary supplement to the socialist economy at the present stage, as such markets enliven the economy, make things convenient for the people, improve the supply of goods, and render services to the people. Consequently, they are a form of market which complies with the needs of the people. For this reason, in September 1978 they reopened the agricultural and sideline product markets within the city as well as in the suburban parts of the city.

For 3 years, the Municipal Party Committee, the municipal government and the departments concerned have done an immense amount of work to enliven the agricultural and trade markets of the municipality. Experimental points were first set up in Daxi, Beihang, and other parts of the city for the purpose of getting experience and then restoring one after the other the traditional rural fair trade markets of the various districts as well as opening up new trade markets so that the agricultural trade could be restored and developed in the whole city. From 1979 onward, planning and construction work for these markets was undertaken as an integral part of the general planning for construction for the city as a whole and in close connection with the improvement of the appearance of the city. In the drawing up of plans for the construction of these marketplaces, special attention was paid to simplicity and thrift, economy and practicality, convenience and good appearance, uniqueness of style, avoidance of the over-size and the seeking of western aspects. Generally speaking, in the case of the large markets, the commodities are classified according to the various trades. In this way, they can better meet the needs of specialized management, improve orderliness in the markets, provide service facilities and so on as well as varying designs. For the construction of the marketplaces alone, more than 120,000 yuan was spent in 1980, of which 28,000 yuan was government funds and the rest was either low-interest bank loans or contributions from the state and collective entities taking part in the markets. In order to stabilize the city market economy and the prices, the market management departments are taking the initiative to attract and admit various economic elements into the markets. They have also cleared up the various circulation channels, got into contact with the places of production, priority producers, specialized producers, self-marketing industrial units and commercial departments by providing them with market information, inviting them for visits, sending out people to contact them and other methods to open up new sources of supply and to market surplus products. There are some 990 purchasing agents working for these markets. Concerning the long and short-distance peddling trade undertaken by individuals, which had once been regarded as "repeddling" and banned, new regulations were promulgated before 1979, legalizing this trade and declaring it nonexploitative behavior as long as it was within the capability of an individual, requiring only a small amount of capital and netting small profits. Furthermore, for the convenience of inspecting the prices, price tags are required for all goods in the market, displaying not only the exact price, but also the price range of the previous day as a reference price. The state-run retial enterprises are advised to sell their products at lower prices to stabilize the price levels. To facilitate the livelihood and the business of the traders, integrated markets have been set up step-by-step with agricultural and sideline products as the staple commodities, along with light industry and textile products and secondhand goods as well as commercial and snack shop services. Specialized markets have also been set up in localities where the supply of a certain commodity converges. The municipality has decided to construct 19 large specialized and integrated markets and expand eight such markets. At present 10 new specialized markets are in operation. For the sake of safeguarding the prosperity and orderliness of the markets, the Municipal Industrial and Commercial Administrative Bureau, the Municipal Security Bureau, the Municipal Public Health Bureau, the Municipal Animal Husbandry Bureau, the Municipal Food Corporation and other organizations have formulated respectively the following "small legislative measures": "a number of rules concerning market control," public health regulations on food, measures for disease inspection for meat for sale, and so on. With the development of the agricultural and trade markets, the management of the market administrative departments has been constantly strengthened.

A Lively But Not Disorderly Administration

Only 2 or 3 years ago, at the mention of free markets, people had the following disorderly picture in their minds: mixed and disorderly vending stalls, noisy and boisterous hawking, bickering over giving a short measure, dirt and filth all over the place, and the chasing away of the "law violators" by the market administrative personnel. However, all these visions are totally changed when you visit the Shenyang agricultural and trade markets now. Instead, you will see orderliness everywhere, trading carried on without rush, plentiful goods for sale, neat and clean surroundings, and very pleasant market administrative personnel wearing dark-green woolen badges to help the traders. This new sight certainly makes people realize that the management system has changed.

The comrades of the Municipal Industrial and Commercial Administrative Bureau told us that the reason why their administrative method has been totally changed is that the administrative personnel's feelings for and their relationships with the traders have fundamentally changed. In the past, they regarded the peasants selling their own produce and the traders as targets for detention. Today they have finally come to an understanding of the real story. These people are the targets for services. Undoubtedly, a change from "detention" to "service" is indeed a change in substance. During our visit to the agricultural and trade markets, we found that the administrative personnel at all levels are generally imbued with the guiding ideology of "catering to the prosperity of the agricultural and trade markets." On the basis of the principle of regulation but not strangulation, and liveliness but not disorder, they closely link propaganda education, economic management and administrative control. While enlivening the market, they unrelentingly crack down on speculation, do their inspection work closely, and seriously deal with the misbehavior in connection with market administration, public health, security, orderliness and so on in order to ensure the prosperous and healthy development of the market operation. The specific measures they take in strengthening the overall administration of the markets can be grouped into the following three aspects:

(1) Gain good control over the traders and the commodities on sale. Give protection to lawful transactions and ban the unlawful activities. Make clear which people and which commodities are allowed to enter the market and take part in transactions, and the proper way to carry on the transactions. This is the foundation of the administration of the markets. For this purpose, "eight approvals" and "four disapprovals" are stipulated in explicit terms. The eight approvals are: lawful admittance to the market for commune members, production brigades,

livestock farms, farms, commercial, peddling and collective units and urban dwellers as well as the bringing into the market of lawful commodities to be sold in compliance with the regulations specified by the state policies. The four disapprovals are: teaming up to form a gang, colluding inside as well as outside the markets, deceiving the buyers and monopolizing the market, hoarding for resale, and engaging in speculation and profiteering; shipping on consignment by boat and land vehicles, reselling and repurchasing in large volumes on wholesale terms to reap huge profits; giving up one's profession to engage in the peddling trade the year round; and adulterating and giving short measures of goods with the aim of deceiving people. Speculation, profiteering, and related activities are to be strictly banned.

As for the industrial products, secondhand goods, livestock, meat, poultry and other products which are permitted in the market, several rules have been promulgated by the Municipal Industrial and Commercial Administrative Bureau in coordination with the Municipal Security Bureau, the Municipal Livestock and Foodstuffs Bureau and some other departments concerned. For example, the sale of dangerous products, superstitious articles, gold, silver, articles that are harmful to social morality and customs and licensed goods such as pharmaceuticals, tobacco, wine and so on is prohibited. It is stipulated that any collective entity or individual must produce the residence booklet and a certificate endorsed by the department concerned when various daily-use articles or means of production are brought to the market for sale. The sale of watches, bicycles, other durable consumer's goods, industrial implements, supplies as well as other products must be registered with the administrative department of the market and put on record. A letter of introduction from the authority higher than the production brigade level and a certificate issued by a veterinary station must be produced when cattle and cattle meat are put up for sale. All vendors' stands (stalls or both) as well as peddlers must possess a business license. All meat and poultry for sale must be examined by the disease inspection station and duly stamped. The sale of any rotten or deteriorating food or beverages that are harmful to health is prohibited.

(2) Ensure good work in the administration of the markets and in maintaining security, good order, services, public health standards and so on. In order to facilitate administration work, the market is classified in terms of trades, and business is transacted by categories. The personnel in charge of the markets are divided into two groups, the administration personnel and the service personnel, both under the Municipal Industrial and Commercial Administrative Bureau. They undertake specific duties in the administrative offices and work groups of the markets respectively. Responsibilities of personnel of the Municipal Industrial and Commercial Administrative Bureau, the security personnel on duty, the service and public health administrative personnel are divided by districts and sections.

In order to maintain security and good order in the markets, the police stations which have markets in their jurisdictions assign specific personnel to the medium- and small-sized markets respecitvely. Security and on-duty offices or substations are attached to the large markets to support administrative security work. In addition, appropriate members are selected from the administrative and service personnel of the markets to form security groups of a mass nature (also known as public security committees or groups) to assist the government security departments in ensuring security. There are five main tasks for the administrative security work of the markets: formulating security regulations, publicizing the legal system, carrying out routine inspections, solving the outstanding problems of the various market and ensuring good intelligence and control as well as other tasks.

Concerning the cleaning of the markets, three methods have been adopted respectively: to have specific members of the service personnel of the markets responsible for the cleaning; to delegate the responsibility to the environmental cleaning departments; and to give the job along with a reward to the neighborhood.

Besides, for the benefit of the administration of the markets as well as that of the broad masses, the market administrative offices usually either take as their own business or organize certain departments in setting up inns, restaurants, snack bars, vending trucks, drinking stands, check rooms, parking lots for bicycles, as well as providing standard scales, boxes for examining eggs, pots for keeping finish, cages for keeping hens and ducks, chopping blocks for cutting meat, funnels for draining oil, sewing kits, strings for gunnysacks, packing paper, first-aid-kits and so on, which number more than 20 services.

(3) Strengthen the training of the service and administrative personnel for the markets. Strengthening the administrative personnel of the markets and enhancing the quality of their work are keys to good administration of the markets. Last year, without making additions to the government-authorized personnel level, the Shenyang Municipality started to select nearly 200 youths awaiting employment and organized a service team for the markets. They have been assigned to the various markets to take part in the administrative and service work. The service team has the nature of a collective ownership organization, having its own independent accounting system and taking full responsibility for profits and losses. Its income comprises fees for market services, fees for market administration (only a part of it) as well as the income from acting as a purchase and sales agent for the customers. The wage standard and other benefits of the team members are based on those of the staff of the agricultural and trade markets as well as those of the collective entities. In order to enhance the understanding of policy and the professional ability, short training courses have been designed for the administrative and service staff to take on a rotational basis. They also exchange their experiences frequently.

For the purpose of giving full play to the enthusiasm of the administrative and service staff of the agricultural and trading markets, the Municipal Industrial and Commercial Administrative Bureau has formulated a tentative unified code for the system of personal responsibility, which stipulates the responsibility of the working staff, the criteria and methods for evaluating their performance, and means of giving bonuses and awards.

As shown by the experiences of Shenyang Municipality, the key to "regulation without suffocation and liveliness without disorder" lies in the presence of the proper policy and administrative work. Once the personnel can perform the administrative work properly, the agricultural and trade markets are bound to prosper healthily and duly fulfill their functions.

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FOREIGN TRADE

FOREIGN CAPITAL UTILIZATION IN BEIJING'S ECONOMIC DEVELOPMENT

Beijing BEIJING RIBAO in Chinese 13 Oct 81 p 1

[Article by correspondents Feng Xiuying [7458 4423 5391] and Yan Xing [7051 2502]: "Full Utilization of Foreign Funds for Development of Economic Construction by Departments Under the Municipal Economic Commission--66 Production Lines Imported or Transformed through Use of Foreign Funds, and 41 of Them Are in Operation"]

[Text] Some production units under the Beijing Municipal Economic Commission have utilized through various channels foreign funds for the development of economic construction in the capital, with fairly great success.

Since the adoption of an open door economic policy at the 3D Plenary Session of the 11th Party Central Committee, some enterprises under the municipal economic commission, with the assistance of the foreign trade departments and the Beijing General Economic Construction Company, have adopted the methods of compensatory trade and processing materials and assembling parts supplied by foreign customers, and signed more than 300 economic contracts on the use of foreign funds to import advanced equipment and technology. The increase of productive capacity in these enterprises has rapidly increased their outputs. In the last 2 years, the units under the municipal economic commission have also used foreign funds to import or transform 66 production lines; 41 of them are now in operation. The annual assemblying capacity of TV sets is now increased to 450,000 for 12-inch black-and-white sets and 200,000 for color sets. The assembling capacity of tape recorders is now 590,000 sets a year. The production of eye glass lenses is increased to 10 million pieces; that of nylon zippers, 150,000 meters; and that of alkyd resin, 4,500 tons a year. Through the processing of materials supplied by foreign customers, the Municipal Garments Industry Company has used the proceeds from this source to purchase some high efficiency foreign industrial sewing machines and imported or transformed 12 garment production lines. Each year, this company is capable of producing more than 10 million additional garments.

The importation of advanced equipment, advanced technology, and advanced experiences of scientific management has promoted the improvement of enterprise management. The Dongfeng Television Plant of Beijing had 251 workers assembling 9-inch black-and-white TV sets, and this team's output was only 200 sets. After importing an assembly line for 12-inch black-and-white TV sets and adopting foreign scientific methods of management, the output of a team of 131 persons has been increased to 600 sets.

The use of foreign funds for importing advanced equipment and advanced technology has brought about large-scale increases in exported commodities. Because of the judicious use of foreign funds for the expansion of productive capacity, the output for export has increased. At present, the exported products of Beijing has reached 131 countries and regions.

Processing materials supplied by foreign customers and compensatory trade sometimes call for high labor intensity and can therefore provide more jobs to unemployed youths. In the last 2 years, more than 6,000 youths were given jobs in the garment trade; and 1,000 of them were accommodated in the production of envelopes to be used on special occasions by foreign traders.

9411
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SHANGHAI'S ANNUAL EXPORT PLAN FULFILLED AHEAD OF SCHEDULE

Shanghai WENHUI BAO in Chinese 17 Oct 81 p 1

[Article by unidentified correspondent: "Shanghai's Export Plan for Current Year Fulfilled Ahead of Schedule With Improved Product Quality, Increased Designs and Varieties and More Attractive Packing; Ratio of Industrial Goods Continues To Increase With Corresponding Decrease of Agricultural Sideline Products in Export Trade"]

[Text] Shanghai, the largest foreign trade port in China, fulfilled the state export plan for 1981 2 and 1/2 months ahead of schedule. By 15 October, according to the statistics of the Shanghai Municipal General Foreign Trade Company, 100.15 percent of the foreign exchange earning puota through exported goods was fulfilled.

Among the 13 import-export branch companies and two other branch companies acting mainly as agents for the import and export of industrial goods, all operating under the Municipal General Import-Export plan. The export of edible oil, mineral metals and chemical-industrial and handicraft products was more than 10 percent above the annual plan; the export plans for silk, textile products, garments, animal products by the branch companies were also overfulfilled. The export of native products, light industrial products, foodstuff and machinery by the branch companies also exceeded the average speeds as stipulated in the plans.

Since the beginning of this year, there have been improved quality, more designs and varieties, and more attractive packings for the main exported products in Shanghai. Along with the continued development of industrial exports, the product mix of exports from Shanghai has changed, as shown by the continued increase of industrial products and decrease of agricultural sideline products.

Shanghai's exports, according to the annual plan, have made fairly good progress. Besides relying on the efforts of the production and procurement departments for the availability of products for export, according to state plans, Shanghai has also imported urgently needed raw auxiliary materials to be processed into finished products for export outside the state plans It is anticipated that the value of exported goods will be increased by more than 1 billion yuan this year. The value of exported products to be supplied by the outlying counties to Shanghai is estimated to be more than 500 million yuan, an increase of 20 percent over last year. The products are of fairly solid quality and are produced in small batches. There are many varieties and their delivery is prompt. Therefore, these products are playing a large role in promoting the export trade. At the same time, great efforts are being made to promote compensatory trade, and the processing of materials and assembling of parts supplied by foreign customers, in addition to importing advanced technology and increasing the export of easily marketable goods. Its clientele has expanded from Hong Kong, Macao and Japan to 17 countries and regions, including Australia, and the product mix has also expanded from those of high labor intensity to light industrial, textile, electronic and chemical-industrial products and instruments and meters.

To stimulate foreign trade, the foreign trade departments of Shanghai have stepped up their investigations and study in the conditions of the world market and adopted the method of "inviting in and going out" in organizing transactions. In the first 9 months of this year, the Municipal General Company of Foreign Trade, in collaboration with the relevant special general companies in Beijing, have dispatched 197 foreign trade groups of more than 370 persons abroad to hold exhibition and sales fairs and international fairs. At the same time, more than 14,300 foreign traders from various countries and regions have been invited here to discuss business and to attend meetings held in Shanghai for the sale of downy products, leather shoes, leather goods and silk. Many large transactions were completed at these meetings.

The port administration and communication-transportation departments in the municipality have strongly supported the export trade by speeding up the transportation of exported goods. In so-doing, they have also made important contributions to the fulfillment of the export plan ahead of schedule.

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VILLAGE TRADE FAIRS, RURAL ECONOMIES DISCUSSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 22 Sep 81 p 3

[Article by Sun Deshan [1327 1795 1472]: "Active Village Trade Fairs and Flourishing Rural Economies"]

[Text] Since the Third Plenary Session of the party, all localities are implementing rural economic policies, developing agricultural production, and achieving great results. In areas of circulation, rural market trade is beginning to develop throughout the country. The rural economies are flourishing daily. However, in some areas a definite resistance to the development of rural markets still exists. They are not being allowed to play their full role. For this reason it is worth probing into the nature, use, and management problems of market trade.

I. The Nature of Rural Market Trade

Rural market trade is one channel for the circulation of commodities. The origin of our rural commodity trade markets is very old. In feudal societies and semifeudal semicolonial societies, the country trade fair was a vassal of feudal and capitalist economies. After the establishment of the People's Republic of China, revisions in the old country fairs were made and new, village trade fairs were established. In this way, the nature of the village fair underwent some basic changes. In a unified socialist market and with the leadership of state trade, it becomes a place where rural villages meet each others needs and surpluses and shortages are adjusted. It takes on a socialist nature and is basically different from the capitalist, free market. Furthermore, it "is a necessary supplementary sector of socialist trade."

In a unified socialist market, state businesses, as a means of circulation, hold a leading position and supply/marketing cooperatives, as a means of circulation, are powerful assistants to state business. Village trade fairs as a means of circulation is a necessary supplement to state businesses and supply/marketing cooperatives. Practical experience has shown that with only state businesses and the supply and marketing cooperatives, it is impossible to bring together all of the myriad agricultural and sideline productions. In the product circulation area, village trade fairs are an indispensable means of circulation.

II. Effects of Rural Village Fair Trade

Current phases of village trade fairs are being implemented under the unified leadership and control of the state. It plays a promotional role in the development of collective and individual economic diversification.

Since the founding of the PRC, particularly in the past few years, the role of brisk rural village trade fairs in the flourishing rural economy has been extremely obvious. According to statistics on over 200 village fairs held by the relevant departments, agricultural and sideline products sold by peasants at village fairs in 1980, topped more than 570 million yuan, an increase of 37 percent over 1979. The prices of rural village fair goods are generally stable and in goods where there is a balance between supply and demand there is a downward trend. In a comparison of 1980 with 1979, the difference between market price and list price decreased by 3 percent. There was a price decrease in 10 major commodities: millet, wheat, corn, edible vegetable oils, pork, cabbage, and piglets. This shows that as agricultural production develops, agricultural products increase and market prices can stabilize and decrease.

In 1980, traditional morning markets, night markets, mountain fairs, mule fairs, and village fairs in minority areas resumed in many regions. These markets supply each other's needs, satisfying the different desires of all the areas. They play an active part in promoting the gradually prospering rural economy. This illustrates that: aspects of state businesses (including the supply/marketing cooperatives) and single family operated businesses have changed; methods of operation have multiplied; and the means of circulating goods have also multiplied. Rural markets throughout the country have, in sweeping out the dull depressing atmosphere of the past several years, a refreshed atmosphere.

III. Opinons on Expanding Rural Village Trade Fairs

The following opinions are proposed to further enliven the rural village trade fairs and to promote prosperity of rural economies.

1. Increase Control. In expanding rural village trade fairs, first of all, the influence of "leftist" thought must be purged while grasping the basic points of a socialist society and persisting in following socialist paths and directions. Many regions have increased control of village trade fairs and have played a definite role in bringing prosperity to rural economies. However, other regions have let the village trade fairs drift and this has had a negative effect. For this reason, it is necessary to increase control of village trade fairs. (1) All categories of agricultural sideline production must be completed on time in the quantity and quality as set down by the state. (2) No persons or units will be allowed to illegally purchase agricultural sideline products from state stores of supply/marketing cooperative retail stores for resale at increased prices. Speculation or deception practiced to dominate the market will not be allowed. Hoarding to drive up prices will not be allowed. (3) Goods trafficking by communes and brigades should be ratified by the local industrial and commercial administrative control department. Surplus agricultural sideline products, except for one category, may be transported for sale to nearby communes and brigades after sales obligations to the state and contracts are fulfilled. (4) Cooperative shops, cooperative teams, and documented individual peddlers will be permitted, within a stipulated management scope, to engage in transporting agricultural sideline products for sale between city and rural areas. In summation, effort should be made to see that such trade is "controlled, but not stifled; enlivened, but not chaotic." Full play should be given to its positive effects while the negative effects should be limited allowing it to serve even better in enlivening agricultural trade markets and bringing prosperity to the rural economies.

2. Insure Competition. Practical experience has shown that the development of competition between enterprises, with the principle prerequisites of a persistence in the socialist way and a persistence in a planned economy, has played a motivating part in the improvement of product quality, and in conserving human, financial, and material resources. In order to support production, promote circulation of goods, and make things convenient for the people; allow some competition in rural markets. The advantages are numerous and the disadvantages few. Through competition, the revision of management control in commerce can be promoted, and an increase in commodities, moderate prices for fine goods, and stable prices can be promoted. In a socialist society, if there is competition protected by leadership then social progress can be propelled forward. Of course, breaking away from free competition led by state commerce is harmful.

3. Permit Long Distance Transport, Resolutely Ban Speculation, Profiteering and Activities Which Benefit Individuals at the Expense of the Public. According to government regulation, rural communes, brigades, and collectives may, after satisfying state purchase obligations and fulfilling negotiated purchase contracts, transport for sale two or three categories of surplus agricultural sideline products which the state has not purchased as long as the state purchase obligation is not affected. Commune members, with the agreement of the production brigade can, using, their own power (hand-carry, backpack, pull, or bicycle), engage in the transport of agricultural sideline products to permissible cities. The purchase of large-scale transportation tools such as automobiles, tractors, or motorboats by private individuals for use in moving goods for sale is not permitted. The sale of their own agricultural sideline products by individual brigades or commune members is not considered trafficking in goods. Goods trafficking is purchasing at point A, transporting those goods and selling them at point B. Transportation and sale is transporting one's own products to another place for sale. These three concepts must be made clear. Our policies treat them differently. The transportation and sale of self-producted goods should be protected. Goods trafficking, whether long or short distance, should be restricted. Exceeding permissible limits should be controlled and not allowed to drift along. In hard to reach rural villages and mountain areas, since the state businesses and supply/marketing cooperatives are not sufficiently strong, some items may be transported over long distances for sale in order to enliven the rural economies of these areas; some items however, are restricted from long distance transport. This is to say that there are no necessary limits, in the transportation and sale of goods, whether legitimate or illegitimate, based on long or short distances, but they should be in conformity with the transportation and sale of agricultural sideline goods within the scope of the standard policies and regulations. If these activities are beneficial to the state, the producers, and the consumers, then they can all be considered legitimate.

At present, rural economic conditions are good. However, there are still some lawless elements bent solely on profit-taking. These people must be treated in accordance with the State Council's instructions on cracking down on speculation, profiteering, and smuggling by tightening market controls and resolutely cracking down. Any unit or individual engaging in speculation or profiteering, in addition to forfeiting or not receiving their property as per government regulation, shall be turned over to judicial organs for punishment under the law.

4. In the Circulation Areas, Persist in Guidelines Which Funnel Goods to the Areas, and Not Adopt Methods Which Cut Them Off. Although current means of

circulation are more numerous than in the past, and marketplaces for village trade fairs have increased greatly, there are still a lot of places where there are obstructions, and there is still a great deal of work to do in clearing up misunderstandings. As for the portions which appear to be in disarray, great effort is required to disseminate policies, educate the masses, and adopt effective leading measures to bring things around to the correct way. It can be said that without working to open channels there can be no free flow of goods or letting things serve their proper purpose. In the future, in the realm of circulation and in the development of village trade fairs, our guiding ideology should be such that we open up channels, not stop them up or cut them off. We must further enliven village trade fairs and bring prosperity to the rural economies.

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GENERAL

REORGANIZATION OF ENTERPRISES, TECHNICAL TRANSFORMATION DISCUSSED

Jinan DAZHONG RIBAO in Chinese 5 Nov 81 p 3

[Article by Liu Yaohua [0491 5069 5478]: "Effectively Reorganize the Enterprises and Transform the Technology"]

[Text] Along with the intensive and extensive implementation of the policy of readjustment, restructuring, consolidation and improvement of the national economy, now a very important task confronting us is how effectively to reorganize the enterprises and transform the technology in order to raise the organizational structure of industrial enterprises and the technology of production to a new level. These jobs will not only enable us to maintain a certain growth rate for industrial production, but also create the necessary conditions for the smooth progress of the four modernizations. We must recognize their importance in ideology and practice them well.

The so-called reorganization of enterprises means their reorganization and integration according to the principle of specialization and coordination as well as economic logic as a means of solving the problem of "large and all-inclusive" or "small and all-inclusive" enterprises, and the problem of enterprises being kept separate from one another; and to set up a rational organization structure consistent with the internal organization of industrial production and with the requirements of large-scale socialized production in order to promote productive forces. Marx held that socialism is built on a foundation of highly socialized production and a system of public ownership of the means of production. This system was established in our country long ago and has been constantly improved in practice. However, it must be admitted that the degree of socialized production is still insufficient, mainly because specialization and coordination through the division of work in production has not been well organized. Without specialized production, there will be no developed socialized production and the building of socialism will also be difficult. Therefore, effective industrial reorganization is an urgent task in implementing the policy of readjustment as well as a major issue of consolidation and development of the socialist system.

The so-called technical transformation means the gradual shifting of the existing enterprises to a modernized technical foundation through the constant renovation of production techniques and regular replacement of equipment, and the maximum effort to transform and arm the entire industry and various departments of the national economy with the fruits of scientific and technological achievements so as to generate more powerful productive forces. These are the basic requirements in developing industry's leading role and in accelerating socialist modernization. Industry produces not only consumer goods for people, but also the tools of labor. The level of technology and the quality of the tools of labor produced by industry for various sectors of the national economy have a direct bearing on the speed of their development. Therefore, technical transformation for industrial enterprises is a question of not only the amount of products supplied, but also, more important still, the grade of equipment used to equip the various sectors. We must set up and develop a modernized socialist industrial technological foundation before we can produce advanced tools of labor and use them to equip the various sectors of the national economy, to promote the speedy development of the entire national economy, and to meet the requirements of people's livelihood and the national construction. In other words, "only through the continued increase and improvement in socialist production on a highly technical foundation" can we "meet the constantly increasing material and cultural needs of the entire society to the maximum extent." Technical transformation is highly significant and must be carried out as determined by the basic socialist economic laws.

During the 32 years of socialist construction since the founding of the People's Republic, many plants have been set up in various localities. These plants are serving as strategic positions and reliable bases for our march toward and goal of the four modernizations. Because of the irrational organization structure of the industrial enterprises in the past, there have been many problems with duplicated constructions, dispersal of forces, "large and all-inclusive" and "small and all-inclusive" units, low-level management and poor economic results. As a result, the vast potential of enterprises cannot be fully tapped. If we want to readjust and reorganize our existing enterprises, we must act in accordance with the "eight-character" policy; concentrate our efforts on the production of urgently needed consumer goods and other brand-name and high-quality goods. We must use the key cities and trades as the bases regardless of the demarcations between different sectors and the systems of ownership; work out a unified plan for a rational division of work among the "over-fed" and the "under-fed" enterprises or the enterprises producing similar products or different products with similar technology, according to the nature of products, the accessory or spare parts used, or the work process and technology required. By this means, we will be able to change the orientation of production and the product mix among some enterprises, reduce the productive capacity for products already in excessive supply, and increase the production of goods in short supply. The organization can take the forms of specialized companies, general plants, or integrated economic units in various forms. It is also possible to set up comparatively stable relations of cooperation through economic contracts. By these means, we will be able to organize the productive capacity of the existing enterprises in a more scientific and rational way, and change the backward modes of production, such as those used in the "large and all-inclusive" and "small and all-inclusive" units, into that of socialized production through specialization and coordination.

At the same time, we should vigorously carry out technical innovation and transformation centering around the needs of production development. As we all know, the level of technology has a direct effect on the speed of production development, and the basic way to raise this level for production is to renovate the equipment and transform the technology in the existing enterprises, or to replace the old equipment--which is technically backward, physically unfit, and economically impracticable--with advanced and economical equipment. Marx pointed out: "The instruments of labor are largely modified all the time by the progress of industry. Hence they are not replaced in their original, but in their modified form." Again, he said: "The machinery must be cleaned from time to time. It is a question here of additional labor without which the machinery becomes useless." ("Collected Works of Marx and Engels" Vol 24, p 190, 194) These remarks made by the guru of revolution, on the one hand, showed that equipment replacement and technical transformation are required for the development of production and the continued progress of science and technology (or for the progress of society); and, on the other hand, served as an explicit reminder that we cannot overlook the maintenance and upkeep of the existing equipment. If we concentrate all or most of our resources on capital construction and try every possible way to start new projects instead of making use of the available foundation, we will not be able to bring into play the resources which we already possess, with reduced, instead of expanded, reproduction as the result. Even though the productive capacity may be increased, the old enterprises which use rundown plant buildings, out-dated equipment and backward technology, may eventually be eliminated so that finally, whatever we may gain cannot compensate our loss. While carrying out normal production, we must transform and renovate the old buildings and old equipment of the existing enterprises in a planned and systematic way and tap the potential of these enterprises to the maximum extent in order that our efforts will be doubly rewarded.

During the past 2 years, practical measures have been introduced in Jinan to deal with the problems left over from the past. First, some enterprises which were seriously operating under capacity and had little prospect of future development were merged or retooled to produce popular light and textile consumer goods. At the same time, attention was paid to the weak links in production, and necessary arrangements are being made for tapping potential and renovating and transforming the equipment so that the enterprises concerned will have the necessary support in making effective use of their industrial foundation for the development of their resources. In more than 2 years, 111 enterprises in the municipality were merged and retooled, while 253 others were integrated into 18 companies or general plants and 57 integrated economic units in various forms. This year, arrangements have been made for an investment of 91.38 million yuan in 151 projects for tapping the potential and renovating and transforming the equipment. By the end of August, 33 of these projects have been completed and commissioned, and it is anticipated that a total of 105 projects will be completed within this year. After 1 year's operation, these projects will help increase state revenues by 97.34 million yuan. Thus in the same year, the investment can be more than recovered. From this, we can see that while industry is being reorganized, equipment renovation and technical transformation among the existing enterprises is a practical step in "expanded reproduction through intensiveness." This type of expanded reproduction required less investment but actually yeilds quick results, and will help in saving time by accelerating the modernization of our country. It is entirely consistent with the way, proposed by the central government, which requires no heavy expenditures and high accumulations, but produces good economic results.

Practice has proved that enterprise reorganization and technical transformation are mutually supplementary and closely related. Their common goal is to resolve the sharp contradictions that may adversely affect the modernizations and high-level development of our production, or, in other words, to strengthen the weak links that may handicap the rational organization of production and the high-speed development of production by tapping the potential of the enterprises. If the enterprises are not reorganized in accordance with the principles of specialization and coordination or rational economics; and if the problem of having too many factories carrying out small-scale production, separating regions and departments from one another, and the existence of "large and all-inclusive" and "small and all-inclusive" units, are not solved, it will be impossible for us to organize and realize large-scale socialized production and extensively to popularize the use of advanced technology and equipment. On the contrary, if we are only concerned with the reorganization of enterprises and pay no attention to technical transformation, even the enterprises already engaged in specialized production according to the division of work cannot raise their productivity. Then the strong points of specialized production cannot be brought into play, and the fruits of enterprise reorganization cannot be consolidated. Specialization and coordination is the natural trend of development for modernized industry, as well as the objective requirement of the development of modern science and technology. New high-efficiency and high-level technology can be used to good advantage in mass production through specialization and coordination. The more highly developed are specialization and coordination, the more socialized will be production and the more modernized will be science and technology. This is the objective law of the development of productive forces. We must make every effort to study and master this law and use it to guide enterprise reorganization and technical transformation.

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